

HGS International Services Private Limited

Balance Sheet

(All amounts are in Rupees Lakhs)

	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
a) Property, plant and equipment	2	4,179.81	4,506.33
b) Intangible assets	3	278.74	328.24
c) Financial assets			
(i) Other financial assets	4	438.73	405.15
d) Deferred tax assets (net)	26	5,185.99	4,043.55
e) Income tax assets (net)	5a	467.71	168.26
f) Other non-current assets	6	635.26	657.88
Total non-current assets		11,186.24	10,109.41
Current assets			
a) Financial assets			
(i) Trade receivables	7	9,702.57	9,151.91
(ii) Cash and cash equivalents	8a	8,765.88	2,606.60
(iii) Bank balances other than (ii) above	8b	138.44	111.61
(iv) Other financial asset	9	2,601.02	2,923.29
b) Other Current assets	10	412.43	537.70
Total current assets		21,620.34	15,331.11
Total Assets		32,806.58	25,440.52
EQUITY AND LIABILITIES			
Equity			
a) Equity share capital	11	222.72	111.36
b) Other equity		28,193.53	21,900.35
Total equity		28,416.25	22,011.71
Liabilities			
Non-current liabilities			
a) Provisions	12	348.92	194.25
Total non-current liabilities		348.92	194.25
Current liabilities			
a) Financial liabilities			
(i) Trade payables	13	1,464.38	1,680.89
(ii) Other financial liabilities	14	1,080.81	1,005.43
b) Provisions	15	299.89	147.12
c) Current tax liabilities (Net)	5b	435.85	-
d) Other current liabilities	16	760.48	401.12
Total current liabilities		4,041.41	3,234.56
Total equity and liabilities		32,806.58	25,440.52

See accompanying notes to the financial statements.

As per our report of even date

For Deloitte Haskins & Sells LLP

Firm registration no. 117366W/W-100018

Chartered Accountants

For and on behalf of the Board of Directors of HGS International

Services Private Limited

Vikas Bagaria
Partner
Membership No.060408

Harish Chopra
Director
DIN: 01062707

S. Mahadevan
Director
DIN: 05268057

Place : Bangalore
Date : May 29, 2018

Place : Mumbai
Date : May 29, 2018

Place : Mumbai
Date : May 29, 2018

HGS International Services Private Limited
Statement of profit and loss and Other comprehensive income
(All amounts are in Rupees Lakhs, except per share data)

Particulars	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
I Revenue from operations	17	40,192.80	36,493.48
II Other income	18	294.52	153.45
III Total income(I+II)		40,487.32	36,646.93
IV Expenses			
a) Employee benefits expense	19	23,300.18	18,696.56
b) Finance cost	20	2.57	168.29
c) Depreciation and amortization expense	21	900.50	909.11
d) Other Expenses	22	6,295.29	6,518.30
Total expenses		30,498.54	26,292.26
V Profit before tax		9,988.78	10,354.67
VI Income tax expense			
a) Current tax		1,892.20	2,209.85
b) Deferred tax		(1,027.76)	(1,485.78)
Total tax expense		864.44	724.07
VII Profit for the year		9,124.34	9,630.60
VIII Other comprehensive income			
A. Items that will be reclassified to profit or loss			
a) Deferred gains/ (losses) on cash flow hedges		(217.08)	372.15
b) Income tax on above items		75.85	(128.80)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (A)		(141.23)	243.35
B. Items that may be reclassified to profit or loss			
a) Remeasurements of post-employment benefit obligation		(111.13)	(52.03)
b) Income tax on above item		38.83	18.01
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B)		(72.30)	(34.02)
IX Other comprehensive income for the year, net of tax (A+B)		(213.53)	209.33
X Total comprehensive income for the year		8,910.81	9,839.93
Earning per equity share [nominal value per share Rs.10/- each]			
Basic and Diluted	24	409.69	432.43

See accompanying notes to the financial statements.

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Place : Bangalore
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HGS International Services Private Limited
Notes to the financial statements
Statement of Changes in equity
(All amounts are in Rupees Lakhs)

A. Equity Share Capital

Particulars	Notes	Amount
Balance as at April 1, 2016		111.36
Additions during the year on account of bonus share issue		-
Balance as at March 31, 2017		111.36
Additions during the year on account of bonus share issue	11	111.36
Balance as at March 31, 2018		222.72

B. Other equity

Particulars	Reserves and Surplus				Other comprehensive income		Total
	Capital reserve	General reserve	Capital redemption reserve	Retained Earnings	Cash Flow Hedging Reserve	Other items of Other comprehensive income	
As at April 1, 2016	1,399.12	702.10	12.00	11,740.78	58.83	(43.07)	13,869.76
Profit for the year	-	-	-	9,630.60	-	-	9,630.60
Total Other Comprehensive Income	-	-	-	-	243.35	(34.02)	209.33
Total	1,399.12	702.10	12.00	21,371.38	302.18	(77.09)	23,709.69
Dividends paid	-	-	-	(1,809.34)	-	-	(1,809.34)
As at April 01, 2017	1,399.12	702.10	12.00	19,562.04	302.18	(77.09)	21,900.35
Profit for the year	-	-	-	9,124.34	-	-	9,124.34
Total Other Comprehensive Income	-	-	-	-	(141.23)	(72.30)	(213.53)
Bonus Issue	-	(99.36)	(12.00)	-	-	-	(111.36)
Total	1,399.12	602.74	-	28,686.38	160.95	(149.39)	30,699.80
Dividends paid	-	-	-	(2,506.27)	-	-	(2,506.27)
As at March 31, 2018	1,399.12	602.74	-	26,180.11	160.95	(149.39)	28,193.53

The following table summarizes activity in the cash flow hedging reserve within equity related to all derivative instruments classified as cash flow hedges

	As at	
	March 31, 2018	March 31, 2017
Balance as at the beginning of the year	302.18	58.83
Changes in fair value of effective portion of derivatives	664.15	593.65
Net (gain)/loss reclassified to statement of profit and loss on occurrence of hedged	(881.23)	(221.50)
Balance as at the end of the year	85.10	430.98
Deferred tax thereon	75.85	(128.80)
Balance as at the end of the year, net of deferred tax	160.95	302.18

Nature and purpose of reserves

Capital Reserve

Capital reserve was created upon merger of HGS International Services Private Limited with HGS Business services Private Limited. The reserve has restricted use and purpose.

General Reserve

General Reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As general reserve is created by transfer from one component of equity to another and not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Cash Flow Hedging Reserve Account

The Company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable forecast sale, as described within Note 32. For hedging foreign currency risk, the Company uses foreign currency forward contracts which are designated as cash flow hedges.

HGS International Services Private Limited
Statement of Cash Flow
(All amounts are in Rupees Lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flow from Operating Activities		
Profit before tax	9,988.78	10,354.67
Profit before tax including discontinued operations	9,988.78	10,354.67
Adjustments for:		
Depreciation and amortization expenses	900.50	909.11
Unwinding of discount on security deposits	(51.56)	(35.75)
Dividend and interest income classified as investing cash flows	(211.43)	(101.93)
Provision for Doubtful Debts no longer required written-back	(7.45)	-
Loss on Sale of Assets (net)	1.97	1.40
Fixed Assets Written Off	1.89	-
Amortization of rent expense	82.29	78.92
Net exchange differences	(130.56)	150.29
Interest Expenses	2.57	168.29
Change in operating assets and liabilities		
(Increase)/Decrease in trade receivables	(554.52)	(3,366.75)
(Increase)/decrease in other financial assets	44.40	(217.98)
(Increase)/decrease in other non-current assets	43.64	66.88
(Increase)/decrease in other current assets	125.27	4.66
Increase/(decrease) in trade payables	(216.51)	108.78
Increase/(decrease) in other financial liabilities	117.75	358.79
Increase/(decrease) in provisions	307.44	76.07
Increase in other current liabilities	359.36	109.80
Cash generated from operations	10,803.83	8,665.25
Income taxes paid	(1,755.80)	(1,784.52)
Net cash inflow from operating activities	9,048.03	6,880.73
Cash flows from investing activities		
Payments for property, plant and equipment	(632.10)	(1,860.59)
Proceeds from sale of property, plant and equipment	4.77	1.78
Interest received	73.65	22.18
Dividend received	173.77	-
Net cash outflow from investing activities	(379.91)	(1,836.63)
Cash flows from financing activities		
Interest paid	(2.57)	(168.29)
Dividends paid	(2,506.27)	(1,809.34)
Net cash inflow (outflow) from financing activities	(2,508.84)	(1,977.63)
Net increase (decrease) in cash and cash equivalents	6,159.28	3,066.47
Cash and cash equivalents at the beginning of the financial year	2,606.60	(459.87)
Cash and cash equivalents at end of the year	8,765.88	2,606.60
Reconciliation of cash and cash equivalents as per the cash flow statement		
Cash and cash equivalents as per above comprise of the following:		
Cash and cash equivalents(Refer Note 8a)	8,765.88	2,606.60
Balances per statement of cash flows	8,765.88	2,606.60

Non cash financing activities:

During the current year, the company entered into the following non cash financing activities which are not reflected in the Standalone statement of Cash flows.

The Company has allotted 1,113,555 fully paid up equity shares during the year ended March 31, 2018, pursuant to 1:1 bonus share issue approved by shareholders.

See accompanying notes to the financial statements.

As per our report of even date

For Deloitte Haskins & Sells LLP

Firm registration no. 117366W/W-100018
Chartered Accountants

**For and on behalf of the Board of Directors of HGS
International Services Private Limited**

Vikas Bagaria
Partner
Membership No.060408

Harish Chopra
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S. Mahadevan
Director
DIN: 05268057

Place : Bangalore
Date : May 29, 2018

Place : Mumbai
Date : May 29, 2018

Place : Mumbai
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HGS International Services Private Limited

Notes to the financial statements for the year ended March 31, 2018

1 Background

HGS International Services Private Limited (The Company) is engaged in the Business of Business Process Management. The Company offers voice and non-voice based services such as contact center solutions and back office transaction processing Services. The company has three approved Special Economic zone (SEZ) units. The Development Commissioner, Special Economic Zone (IT/ITES), of the respective regions has approved the company for setting up an SEZ for its Outsourcing Services.

These are the separate financial statements of the Company were authorized to be approved by the Board of Directors on 29.05.2018. Amounts as at and for the year ended March 31, 2017 financial statements were audited by Price Waterhouse.

a Basis of preparation of financial statements

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (IND AS) notified under sec. 133 of Companies Act 2013, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The financial statements correspond to the classification provisions contained in Ind AS 1, "Presentation of Financial Statements". For clarity, various items are aggregated in the statements of profit and loss and balance sheet. These items are disaggregated separately in the notes to the financial statements, where applicable.

All amounts included in the financial statements are reported in lakhs of Indian rupees (in lakhs) except share and per share data, unless otherwise stated. Due to rounding off, the numbers presented throughout the document may not add up precisely to the totals and percentages may not precisely reflect the absolute figures. Previous year figures have been regrouped/re-arranged, wherever necessary.

The Board of Directors of Holding Company Hinduja Global Solutions Limited ('HGS') at their meeting held on February 8, 2018 considered and approved amalgamation of HGS International Services Private Limited ('the Transferor Company' or 'HGSISPL'), with HGS pursuant to a Scheme of Amalgamation in accordance with Section 232(2)(c) of the Companies Act, 2013.

The scheme is subject to regulatory approvals. Pending the completion of all required approvals, the financial statements have been prepared on a going concern basis.

(ii) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for the following:

- a. certain financial assets and liabilities (including derivative instruments) that is measured at fair value;
- b. defined benefit plans - plan assets measured at fair value;

b Use of estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is provided below.

i) Estimation of provisions & contingent liabilities.

The Company exercises judgement in measuring and recognizing provisions and the exposures to contingent liabilities which is related to pending litigation or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual liability may be different from the originally estimated as provision. (Refer note 23)

ii) Estimation of defined benefit plans

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for post employment plans include the discount rate. Any changes in these assumptions will impact the carrying amount of such obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds of maturity approximating the terms of the related plan liability. Refer note 27 for the details of the assumptions used in estimating the defined benefit obligation.

HGS International Services Private Limited

Notes to the financial statements for the year ended March 31, 2018

iii) Useful lives of property, plant and equipment

The Company depreciates property, plant and equipment on a straight-line basis over estimated useful lives of the assets. The charge in respect of periodic depreciation is derived based on an estimate of an asset's expected useful life and the expected residual value at the end of its life. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The estimated useful life is reviewed at least annually.

iv) Income taxes

Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

v) Deferred taxes

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

c Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The financial statements are presented in Indian rupee (INR), which is company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

d Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The revenue is presented net of rebates, trade allowances and taxes as applicable.

The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured.

Revenues and costs relating to time and materials contracts are recognized as the related services are rendered. 'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

e Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its branch operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

f Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

HGS International Services Private Limited

Notes to the financial statements for the year ended March 31, 2018

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and MAT credit entitlements only if it is probable that future taxable amounts will be available to utilize those temporary differences, losses and credit. Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in branches where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in branches where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The Company has thus disclosed the Income Tax Assets/ Liabilities on a net basis to the extent that the same is settled within the same tax jurisdictions, which is in line with Accounting statements prescribed under Ind AS 12.

g Leases

As a lessee

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

h Impairment of assets

i) Impairment of non financial assets

Long-lived assets such as Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

ii) Impairment of financial assets

The Company applies the expected credit loss model for recognizing impairment loss on trade receivables measured at amortized cost. Expected credit loss is the difference between the contractual cash flows and the cash flows that the entity expects to receive discounted using effective interest rate.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Lifetime expected credit loss is computed based on a provision matrix which takes in to the account historical credit loss experience adjusted for forward looking information.

i Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

j Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

HGS International Services Private Limited
Notes to the financial statements for the year ended March 31, 2018

k Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following measurement categories:

- a. those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b. those measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Currently there are no debt instruments measured at Fair value.

(iii) Derecognition of financial assets

A financial asset is derecognized only when

- a. The company has transferred the rights to receive cash flows from the financial asset or
- b. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

(v) Income recognition

- a. Interest income:

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument.

- b. Dividends:

Dividends are recognized in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the company, and the amount of the dividend can be measured reliably.

HGS International Services Private Limited

Notes to the financial statements for the year ended March 31, 2018

l Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The company designates their derivatives as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions.

The company documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The company documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss within other gains/(losses).

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

m Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

n Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Particulars	Useful life
Leasehold improvements	Over the period of Lease
Office Equipment	Upto 7 years
Computers	Upto 6 years
Furniture and Fixtures	Upto 10 years
Vehicles	8 years

Assets costing less than Rs. 5000 each are depreciated fully in the year of acquisition.

HGS International Services Private Limited

Notes to the financial statements for the year ended March 31, 2018

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

The useful lives have been determined based on technical evaluation done by the management's expert which are higher than those specified by Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets given to employees on contractual obligations are depreciated to the extent of 50% of the value over a period of four years, at the end of which these assets are transferred to the respective employees at the residual book value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/ expenses.

Borrowing costs include interest, other costs incurred in connection with borrowing and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to the interest cost. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The cost of property, plant and equipment not available for use before such date are disclosed under capital work- in-progress.

o Intangible assets

(i) Computer software

Costs associated with maintaining software programs are recognized as an expense as incurred.

Costs associated with acquisition of intangible assets is capitalized when it is controlled by entity and probable future economic benefits are expected to flow.

Amortization methods and periods

The company amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Particulars	Useful life
Computer Software	3 to 6 years

Gains or Losses arising from the retirement or disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of asset and recognized as income or expense in the Statement of Profit and Loss.

p Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

q Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

r Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

s Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

(iii) Post-employment obligations

The company operates the following post-employment schemes:

- (a) defined benefit plans such as gratuity; and
- (b) defined contribution plans such as provident fund

Defined benefit obligations

The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to government bond that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

Defined contribution plans

The company pays provident fund contributions to publicly administered provident funds as per Indian regulations. The company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognizes termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

t Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

HGS International Services Private Limited

Notes to the financial statements for the year ended March 31, 2018

v Earnings per share

(i) Basic earning per share

Basic earnings per share is calculated by dividing:

a. the profit attributable to owners of the company

b. by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

(ii) Diluted earning per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

a. the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

b. the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

w Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The Board of Directors of the company has been identified as CODM consists of key managerial personnel of the company. Refer note 34 for segment information.

x Rounding off amounts

All amounts disclosed in the financial statements and notes have been rounded off to nearest lakhs as per the requirement of schedule III unless otherwise stated.

y New standards/ amendments to existing standards issued but not yet adopted

Following are the amendments to existing standards which have been issued by The Ministry of Corporate Affairs ('MCA') that are not effective for the reporting period and have not been early adopted by the Company:

Amendment to Ind AS 115 – Revenue from Contracts with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts when it becomes effective.

The core principle of Ind AS 115 is that an entity should recognize 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. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Company has completed its evaluation of the possible impact of Ind AS 115 and will adopt the standard with all related amendments to all contracts with customers retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Under this transition method, cumulative effect of initially applying IND AS 115 is recognized as an adjustment to the opening balance of retained earnings of the annual reporting period. The standard is applied retrospectively only to contracts that are not completed contracts at the date of initial application. The Company does not expect the impact of the adoption of the new standard to be material on its retained earnings and to its net income on an ongoing basis.

Amendment to Ind AS 21 – The effect of changes in Foreign Exchange rates

The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company is evaluating the impact of this amendment on its financial statements.

HGS International Services Private Limited
Notes to the financial statements for the year ended March 31, 2018
(All amounts are in Rupees Lakhs)

2 Property, Plant and Equipment and Capital work-in-progress

	Furniture and Fixtures	Vehicles	Office Equipment	Computers	Leasehold Improvements	Total	Capital work-in-progress
<u>As at March 31, 2017</u>							
Gross carrying amount	308.20	12.93	191.62	1,176.22	1,315.04	3,004.01	135.49
Additions	216.25	-	198.09	744.78	1,496.66	2,655.78	2,224.30
Disposals	(0.62)	-	(8.46)	(15.16)	-	(24.24)	(2,359.79)
Gross carrying amount	523.83	12.93	381.25	1,905.84	2,811.70	5,635.55	-
Accumulated depreciation	67.22	4.83	46.45	205.71	90.38	414.59	-
Depreciation(Refer note 21)	129.99	4.08	71.40	329.56	200.64	735.68	-
Disposals	(0.58)	-	(8.26)	(12.21)	-	(21.05)	-
Accumulated depreciation	196.63	8.91	109.59	523.06	291.02	1,129.22	-
Net carrying amount as at March 31, 2017	327.20	4.02	271.66	1,382.78	2,520.68	4,506.33	-
<u>As at March 31, 2018</u>							
Gross carrying amount	523.83	12.93	381.25	1,905.84	2,811.70	5,635.55	-
Additions	27.64	-	45.14	209.34	205.39	487.50	-
Disposals	(2.00)	-	(5.75)	(8.97)	(1.95)	(18.66)	-
Gross carrying amount	549.47	12.93	420.64	2,106.21	3,015.14	6,104.39	-
Accumulated depreciation	196.63	8.91	109.59	523.06	291.02	1,129.22	-
Depreciation(Refer note 21)	65.37	2.52	84.52	363.13	289.84	805.39	-
Disposals	(1.84)	-	(2.58)	(4.04)	(1.57)	(10.03)	-
Accumulated depreciation	260.16	11.43	191.54	882.15	579.30	1,924.58	-
Net carrying amount as at March 31, 2018	289.30	1.50	229.10	1,224.06	2,435.85	4,179.81	-

HGS International Services Private Limited

Notes to the financial statements for the year ended March 31,2018

(All amounts are in Rupees Lakhs)

3 Intangible Assets

	Computer Software	Commercial Rights	Total	Intangible assets under development
<u>As at March 31, 2017</u>				
Gross carrying amount	356.83	75.00	431.83	5.59
Additions	201.60	-	201.60	156.77
Disposals	-	-	-	(162.36)
Gross carrying amount	558.43	75.00	633.43	-
Accumulated amortization	94.22	37.53	131.75	-
Amortization (Refer note 21)	135.97	37.47	173.44	-
Disposals	-	-	-	-
Accumulated amortization	230.19	75.00	305.19	-
Net carrying amount as at March 31, 2017	328.24	-	328.24	-
<u>As at March 31, 2018</u>				
Gross carrying amount	558.43	75.00	633.43	-
Additions	45.61	-	45.61	-
Disposals	-	-	-	-
Closing gross carrying amount	604.04	75.00	679.04	-
Accumulated amortization	230.19	75.00	305.19	-
Amortization (Refer Note 21)	95.11	-	95.11	-
Disposals	-	-	-	-
Closing accumulated amortization	325.30	75.00	400.30	-
Net carrying amount as at March 31, 2018	278.74	-	278.74	-

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

4 Other financial asset

	As at March 31, 2018	As at March 31, 2017
Security Deposit	438.73	405.15
Total	438.73	405.15

5a Income Tax Assets (net)

	As at March 31, 2018	As at March 31, 2017
Advance tax, tax deducted at source	6,500.49	6,375.41
Less: Provision for Income tax	(6,032.78)	(6,207.15)
Total	467.71	168.26

5b Current tax liabilities

	As at March 31, 2018	As at March 31, 2017
Provision for Income tax	2,066.56	-
Less : Advance tax & Tax deducted at source	(1,630.71)	-
Total	435.85	-

6 Other non current assets

	As at March 31, 2018	As at March 31, 2017
Capital Advances	29.57	8.55
Advance to employees	-	0.17
Prepaid Expenses	10.58	-
Deferred Rent	595.11	649.16
Total	635.26	657.88

There were no loans due by directors or other officers of the Company or any of them severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a member.

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

7 Trade receivables

	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good	9,702.57	2,257.10
Considered doubtful	23.00	6,925.26
Less: Allowance for doubtful debts	(23.00)	(30.45)
Total	9,702.57	9,151.91
Current portion	9,702.57	9,151.91
Non-current portion	-	-

8a Cash and cash equivalents

	As at March 31, 2018	As at March 31, 2017
Balances with banks		
in current accounts	555.81	790.01
in Exchange Earners Foreign Currency Account (EEFC) accounts	746.76	1,368.97
in deposits with original maturity of less than three months	6,600.00	400.00
in Cash Credit accounts	863.02	46.69
Cash on hand	0.29	0.93
Total	8,765.88	2,606.60

Cash at banks in current account and Exchange Earners Foreign Currency Account (EEFC) does not bear any interest. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods

HGS International Services Private Limited**Notes to the financial statements****(All amounts are in Rupees Lakhs)****8b Bank balances other than Cash and cash equivalents**

	As at March 31, 2018	As at March 31, 2017
Bank Deposits maturing more than 3 months and less than 12 months	138.44	111.61
Total	138.44	111.61

9 Other current financial asset

	As at March 31, 2018	As at March 31, 2017
Unbilled revenue	2,276.37	2,390.22
Security Deposit	30.61	14.28
Interest accrued on deposits	1.85	37.84
Derivatives - Foreign Exchange Forward Contracts (Refer note 32)	280.65	462.12
Other receivables	11.54	18.83
Total	2,601.02	2,923.29

10 Other Current assets

	As at March 31, 2018	As at March 31, 2017
Unsecured and considered good, unless otherwise stated		
Balances with Government Authorities	82.96	334.93
Advance to employees	9.95	12.64
Advance to Vendors	182.80	113.37
Prepaid Expenses	136.62	76.51
Others	0.10	0.25
Total	412.43	537.70

There were no loans due to the directors or other officers of the Company or any of them severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a member.

11 Equity Share capital

	As at March 31, 2018	As at March 31, 2017
Authorized:		
2,500,000 (March 31, 2017 - 1,950,000) Equity Shares of Rs. 10 each	250.00	195.00
150,000 (March 31, 2017: 150,000) 1% Participatory Redeemable Non Cumulative Preference Shares of Rs. 10 each	15.00	15.00
Total	265.00	210.00
Issued, subscribed and Paid up :		
2,227,110 (Previous Year : 1,113,555) Equity Shares of Rs. 10 each, fully paid-up	222.72	111.36
Total	222.72	111.36

(i) Movements in equity share capital

	Notes	No. of shares	Equity share Capital (par value)
As at April 1, 2017		1,113,555	111.36
Additions during the year on account of bonus share		1,113,555	111.36
As at March 31, 2018		2,227,110	222.72

Terms/ rights attached to equity shares

Equity Shares: The company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of Interim Dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(ii) In the period of five years immediately preceding March 31, 2018

The Company has allotted 1,113,555 fully paid up equity shares during the year ended March 31, 2018, pursuant to 1:1 bonus share issue approved by shareholders.

(iii) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of the Shareholder	As at March 31, 2018		As at March 31, 2017	
	Number of Shares	% held	Number of Shares	% held
Hinduja Global Solutions Limited the Holding Company and its Nominees	2,227,110	100.00	1,113,555	100.00

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents the legal ownerships of shares.

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

12 Non current- provisions

	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits:		
Gratuity (Refer note 27)	348.92	194.25
Total	348.92	194.25

13 Trade Payables

	As at March 31, 2018	As at March 31, 2017
i. Total outstanding dues of micro enterprises and small enterprises (Refer note 38)	31.43	-
ii. total outstanding dues of creditors other than micro enterprises and small enterprises	1432.95	1,680.89
Total	1,464.38	1,680.89

14 Other current financial liabilities

	As at March 31, 2018	As at March 31, 2017
Capital Creditors	16.52	94.49
Derivatives - Foreign Exchange Forward Contracts (Refer note 32)	35.60	-
Salary payable	1,028.69	910.94
Total	1,080.81	1,005.43

15 Current - provisions

	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits:		
Compensated Absences (Refer note 27)	299.89	147.12
Total	299.89	147.12

16 Other Current liabilities

	As at March 31, 2018	As at March 31, 2017
Advances from customers	4.36	-
Statutory dues payable	710.14	392.51
Other Payables	45.98	8.61
Total	760.48	401.12

17 Revenue from operations

	Year ended March 31, 2018	Year ended March 31, 2017
Sale of services		
Business Process Management	40,192.80	36,493.48
Total	40,192.80	36,493.48

18 Other income

	Year ended March 31, 2018	Year ended March 31, 2017
Interest income	37.66	101.93
Unwinding of discount on security deposits	51.56	35.75
Dividend income	173.77	-
Foreign Exchange Gain (net)	20.93	-
Provision for Doubtful Debts no longer required written-back	7.45	10.58
Miscellaneous income	3.15	5.19
Total	294.52	153.45

19 Employee benefits expense

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and wages	21,631.00	17,375.21
Contribution to provident and other funds	1,293.00	993.43
Gratuity expense (Funded & Unfunded)(Refer note 27)	81.25	44.20
Staff welfare expenses	294.93	283.72
Total	23,300.18	18,696.56

20 Finance costs

	Year ended March 31, 2018	Year ended March 31, 2017
Interest expense	2.57	148.07
Other Borrowing Costs	-	20.22
Total	2.57	168.29

21 Depreciation and Amortization expenses

	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation on property, plant and equipment (Refer note 2)	805.39	735.68
Amortization of Intangibles (Refer Note 3)	95.11	173.43
Total	900.50	909.11

22 Other expenses

	Year ended March 31, 2018	Year ended March 31, 2017
Power and Fuel	492.31	459.82
Rent	1,984.97	1,850.25
Repairs and Maintenance - Leased Premises	544.20	514.26
Repairs and Maintenance - Others	264.90	194.07
Insurance	36.09	19.64
Rates and Taxes	25.83	23.70
Directors' Sitting Fees	10.40	11.60
Payment to the Auditors:		
- as Auditors	15.00	17.75
- for other services	2.75	2.75
- for reimbursement of expenses	0.41	0.48
Connectivity Cost	230.57	382.26
Advertisement and Business Promotion	9.95	11.50
Communication	123.00	92.72
Travelling, Conveyance and Car Hire Charges	166.32	159.64
Legal and Professional	1,390.99	1,440.49
Training and Recruitment	154.37	245.67
Membership and Subscription	1.85	-
Commission	-	48.38
Donations	0.05	-
Software Expenses	60.76	37.37
Expenditure towards Corporate Social Responsibility (Refer Note 22(a))	145.84	100.00
Security Expenses	445.53	345.79
Foreign Exchange Loss (net)	-	395.90
Loss on Sale of Assets (net)	1.97	1.40
Fixed Assets Written Off	1.89	-
Miscellaneous Expenses	185.34	162.86
Total	6,295.29	6,518.30

22a Corporate Social Responsibility (CSR)

	March 31, 2018	March 31, 2017
Gross amount required to be spent by the Company during the year	145.12	100.00
Total	145.12	100.00

Amount spent during the year	In cash	
	March 31, 2018	March 31, 2017
a. Construction/ acquisition of any asset	-	-
b. On purposes other than (a) above	145.84	100.00
Total	145.84	100.00

* There are no amounts yet to be paid in cash.

Party Name	Nature of CSR Activity	Amount spent during the year
National Health and Education Society	For providing quality healthcare for the needy.	50.00
The Akshaya Patra Foundation	Contribution to facilitating education to underprivileged children through abundant, school meals for deprived children who come to school.	10.00
Plan International(India Chapter)	Contribution towards making quality education accessible to children through setting up of models schools in Mumbai and Pune.	56.84
Nasscom Foundation	Contribution to empowering persons with disabilities	29.00
Total amount spent during the year		145.84

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

23 - Contingent Liabilities

a) Contingent Liabilities

A) Claims against the Company not acknowledged as debts:

	As at March 31, 2018	As at March 31, 2017
(i) Income Tax demand raised by authorities against which appeal has been filed by the Company	77.68	77.68

Notes:

Future cash outflow in respect of above, if any, is determinable only on receipt of judgements/ decisions pending with relevant authorities.

b) Capital and other commitments:

Estimated Amount of Contracts (net of capital advances) remaining to be executed on Capital Account - Rs. 90.54 lakhs (As at March 31, 2017: Rs.107.24 lakhs).

c) Non-cancellable operating leases:

The company leases various offices premises under non-cancellable operating leases expiring within fifteen years from the date inception. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	As at March 31, 2018	As at March 31, 2017
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,309.42	1,976.70
Later than one year but not later than five years	7,959.28	7,785.78
Later than five years	9,143.76	10,926.11

Rental expense relating to operating lease

	As at March 31, 2018	As at March 31, 2017
Minimum lease payments	1,984.97	1,850.25
Total rental expense relating to operating leases	1,984.97	1,850.25

24 - Earnings per share (EPS)

	As at March 31, 2018	As at March 31, 2017
<u>Numerator for Basic and Diluted EPS</u>		
Profit attributable to the equity holders of the company used in calculating basic and diluted EPS:	9,124.34	9,630.60
Denominator for Basic EPS Weighted average number of equity shares	2,227,110	2,227,110
Denominator for Diluted EPS Number of equity shares	2,227,110	2,227,110
Basic EPS attributable to the equity holders of the company (Rs.)	409.69	432.43
Diluted EPS attributable to the equity holders of the company (Rs.)	409.69	432.43
Nominal value of shares (Rs.)	10.00	10.00
Number of shares considered for basic EPS	2,227,110	2,227,110
Number of shares considered for diluted EPS	2,227,110	2,227,110

Earning per share and number of shares outstanding for the year ended March 31, 2018 and 2017 have been proportionately adjusted for the bonus issue in the ratio of 1:1 as approved by the shareholders on October 9, 2017.

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

25 Income Tax Expense

a) Income Tax Expense

	As at March 31, 2018	As at March 31, 2017
Current tax		
Current tax on profits for the year	2,066.57	2,209.85
Adjustments for current tax of prior periods	(174.37)	-
Total Current tax expense	1,892.20	2,209.85
Deferred Tax		
Decrease/ Increase) in Deferred tax assets	14.41	(90.34)
Mat credit (Avalied)/ Utilized	(1,042.17)	(1,395.44)
Total Deferred tax expense/(benefit)	(1,027.76)	(1,485.78)
Income Tax expense	864.44	724.07

b) Reconciliation of income tax expense and the accounting profit multiplied by corporate tax rate

	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit before income tax expense	9,988.78	10,354.67
Profit before income tax expense, net of exemption	-	-
	9,988.78	10,354.67
Tax at corporate tax rate of 34.61% (2016-17 - 34.61%)	3,457.12	3,583.75
Tax effects of amounts which are not deductible (taxable) in calculating taxable income		
-Sec 10AA Exemption	(2,475.89)	(2,812.75)
- Adjustments for current tax of prior periods	(174.37)	-
- Dividend Income	(30.40)	-
- Expenses towards corporate social responsibility	25.51	34.61
- Others	62.46	(81.54)
Income Tax expense	864.44	724.07

26 Deferred tax Assets

The balance comprises temporary differences attributable to:

	As at March 31, 2018	As at March 31, 2017
Property, Plant and Equipment	34.92	91.38
Provision for Compensated Absences	28.66	16.80
Provision for Gratuity	159.63	90.61
Mat Credit Entitlement	5,046.87	4,004.70
Total Deferred Tax Assets	5,270.08	4,203.49
Deferred tax liabilities	(84.09)	(159.94)
Net deferred tax assets	5,185.99	4,043.55

Movement in Deferred Tax Assets

	Property, Plant and Equipment	Provision for Gratuity	Compensated absences	Derivative Liabilities/(Assets)	Mat Credit Entitlement	Total
At April 01, 2017	91.38	90.61	16.80	(159.94)	4,004.70	4,043.55
Charged/(Credited)						
- to profit or loss	(56.46)	30.19	11.86	-	1,042.17	1,027.76
- to other comprehensive income	-	38.83	-	75.85	-	114.68
At March 31, 2018	34.92	159.63	28.66	(84.09)	5,046.87	5,185.99

	Property, Plant and Equipment	Provision for Gratuity	Compensated absences	Derivative Liabilities/(Assets)	Mat Credit Entitlement	Total
At April 01, 2016	67.64	22.80	-	(14.07)	2,592.20	2,668.57
Charged/(Credited)						
- to profit or loss	23.74	50.32	16.80	(17.59)	1,412.50	1,485.77
- to other comprehensive income	-	17.49	-	(128.28)	-	(110.79)
At March 31, 2017	91.38	90.61	16.80	(159.94)	4,004.70	4,043.55

HGS International Services Private Limited

Notes to the financial statements

(All amounts are in Rupees Lakhs)

27 Employee Benefit obligations

(i) obligations for compensated absence

The leave obligations cover the Company's liability for earned leave.

The amount of the provision of Rs. 299.89 Lakhs (31 March 2017 : Rs. 147.12 Lakhs) is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(ii) Post-employment obligations

a) Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to Life Insurance Corporation of India (LIC) as per Investment Pattern stipulated for Pension and Group Schemes Fund by Insurance Regulatory and Development Authority Regulations. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

(iii) Defined contribution plans

The Company has classified various benefits provided to employees as under:

a) Provident Fund

b) State Defined Contribution Plans:

i. Employers' Contribution to Employee's State Insurance

ii. Employer's Contribution to Employee's Pension Scheme

Amounts recognized in the Statement of Profit and Loss pertaining to the contribution to the above contribution plans is as follows:

	2017-18	2016-17
Employers' Contribution to Provident Fund [Includes EDLI charges and Employers' Contribution to Employees' Pension Scheme 1995]*	857.86	664.19
Employers' Contribution to Employee's State Insurance	413.64	296.40
Employer's Contribution to Other Employees' Benefit Scheme	21.50	33.80
Total	1,293.00	994.39

*Included in Contribution to Provident and Other Funds (Refer Note 19)

(iv) Defined Benefit Plan

The amounts recognized in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Funded	Un Funded	Present value of obligations	Fair value of plan assets(Funded)	Total
April 01, 2016	43.22	131.97	175.19	12.95	162.24
Current service cost	11.81	19.46	31.27	-	31.27
Past service cost	-	-	-	-	-
Interest expense/(income)	3.19	9.74	12.93	0.96	11.97
Total amount recognized in profit or loss	15.00	29.20	44.20	0.96	43.24
Remeasurements					
- Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-	(2.56)	2.56
- Actuarial (Gain)/loss from change in demographic assumptions	-	-	-	-	-
- Actuarial (Gain)/loss from change in financial assumptions	3.81	0.07	3.88	-	3.88
- Actuarial Experience adjustments	15.85	29.74	45.59	-	45.59
Total amount recognized in other comprehensive income	19.66	29.81	49.47	(2.56)	52.03
Transfers	(0.44)	-	(0.44)	8.98	(9.42)
Contributions:					
- Employers	-	-	-	38.16	(38.16)
- Plan participants	-	-	-	-	-
Benefit payments	(11.63)	(15.66)	(27.29)	(11.63)	(15.66)
March 31,2017	65.80	175.32	241.11	46.86	194.25

	Funded	Unfunded	Present value of obligations	Fair value of plan assets (Funded)	Total
April 01, 2017	65.80	175.32	241.11	46.86	194.25
Current service cost	16.95	23.85	40.80	-	40.80
Past service cost	-	28.08	28.08	-	28.08
Interest expense/(income)	4.32	11.13	15.46	3.08	12.38
Total amount recognized in profit or loss	21.27	63.06	84.33	3.08	81.25
Remeasurements					
- Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-	(4.74)	4.74
- Actuarial (Gain)/loss from change in demographic assumptions	(1.22)	-	(1.22)	-	(1.22)
- Actuarial (Gain)/loss from change in financial assumptions	5.54	(7.65)	(2.11)	-	(2.11)
- Actuarial Experience adjustments	67.75	41.97	109.72	-	109.72
Total amount recognized in other comprehensive income	72.08	34.31	106.39	(4.74)	111.13
Transfers					
Contributions:					
- Employers	-	-	-	23.83	(23.83)
- Plan participants	-	-	-	-	-
Benefit payments	(13.74)	(13.91)	(27.65)	(13.74)	(13.91)
31 March 2018	145.41	258.79	404.20	55.29	348.92

The net liability disclosed above relates to funded and unfunded plans are as follows:

	As at March 31, 2018	As at March 31, 2017
Present value of funded obligations	145.41	60.01
Fair value of plan assets	55.29	46.87
Deficit of funded plans	90.12	13.16
Unfunded plans	258.79	181.09
Deficit	348.92	194.25

(v) Post-Employment benefit (Gratuity)

The significant actuarial assumptions were as follows:

	As at March 31, 2018	As at March 31, 2017
Discount Rate	6.93%	7.38%
Salary growth rate	6.00%	5.00%
Rate of return on Plan assets	6.93%	7.38%
Rate of Employee Turnover	For agents 80.00% p.a. and others 10.00% p.a.	For service 4 years and below 50.00% p.a. For service 5 years and above 10.00% p.a.

(vi) Sensivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on defined benefit obligation						
	Change in assumption		Increase in assumption (Rs. in Lakhs)		Decrease in assumption (Rs. in Lakhs)	
	March 31, 2018	March 31, 2017	As at March 31,2018	As at March 31,2017	As at March 31,2018	As at March 31,2017
Discount Rate	1%	1%	(20.34)	(14.76)	23.05	14.67
Salary Growth rate	1%	1%	23.31	14.83	(20.91)	(15.13)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(vii) The major categories of plan assets are as follows

	As at March 31,2018			As at March 31,2017		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Insurance Funds (LIC Pension and Group Schemes fund)	55.29	-	55.29	46.87	-	46.87
Total	55.29	-	55.29	46.87	-	46.87

(viii) Risk Exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk with derivatives to minimize risk to an acceptable level. A portion of the funds are invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The Company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The Company intends to maintain the above investment mix in the continuing years.

Changes in bond yields A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

A large portion of assets in 2018 consists of government bonds and LIC Pension and Group Scheme Fund. The plan asset mix is in compliance with the requirements of the regulations.

(ix) Defined benefit liability and employer contributions

Expected contributions to post-employment benefit plans for the year ending 31 March 2019 are Rs. 128.02 lakhs.

The weighted average duration of the defined benefit obligation is 3.00 years (2017 - 9.06 years). The expected maturity analysis of undiscounted gratuity is as follows:

	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
March 31, 2018					
Defined benefit obligation (gratuity)	91.27	42.66	115.54	408.59	658.06
Total	91.27	42.66	115.54	408.59	658.06
March 31, 2017					
Defined benefit obligation (gratuity)	31.96	25.76	70.19	95.88	223.78
Total	31.96	25.76	70.19	95.88	223.78

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

28 - Capital management

A) Risk management

The company's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholder's and benefits for other stakeholder's, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

B) Dividends

Particulars	As at	
	March 31, 2018	March 31, 2017
Equity shares (number of shares)	2,227,110	1,113,555
Interim dividend for the year ended	2,082.35	1,503.30

29 - Related Party Transactions

I Holding Company

Hinduja Global Solutions Limited

II Fellow Subsidiaries

- 1 HGS International
- 2Hinduja Global Solutions Inc.
- 3 HGS Colibrium Inc
- 4 HGS Canada Inc.
- 5 C-Cubed B.V.
- 6 C-Cubed N.V.
- 7 Customer Contact Centre Inc.
- 8 Hinduja Global Solutions Europe Limited
- 9 Hinduja Global Solutions UK Limited
- 10 HGS France, S.A.R.L
- 11 HGS (USA) LLC
- 12 HGS Healthcare LLC
- 13 Affina Company
- 14 HGS St. Lucia Limited
- 15 Team HGS Limited
- 16 HGS Properties LLC
- 17 HGS Canada Holdings LLC
- 18 HGS Italy, S.A.R.L (Liquidated effective July 31, 2017)
- 19 HGS EBOS LLC
- 20 HGS Mena FZ LLC
- 21 HGS Population Health LLC (w.e.f. February 20, 2018)

III Enterprises where common control exists

- 1 Hinduja Group Limited
- 2 Hinduja Ventures Limited
- 3 IndusInd Media and Communication Limited
- 4 National Health and Education Society
- 5 Hinduja Healthcare Limited
- 6 Hinduja Realty Ventures Limited
- 7 Gulf Oil Lubricant India Limited
- 8 Gulf Oil International Limited
- 9 UActiv Technology Private Limited
- 10 Cyqurex Systems Private Limited
- 11 Hinduja Foundation
- 12 Trunk Digital Studios LLC

IV Key Management Personnel

Mr. Harish Chopra - Whole Time Director

Non executive directors:

Mr. Rangan Mohan, Chairman
 Mr. Viswanath R Rao
 Mr. S. Mahadevan
 Mr. Sridhar K
 Mr. Ramesh Gopalan

V Relatives of Key Management personnel

Mrs. Santosh Chopra , Mother of Mr. Harish Chopra

The following details pertain to transactions carried out with the related parties in the ordinary course of business and the balances outstanding at the year-end:

Nature of Transaction	Parties referred to in I above		Parties referred to in II and III above		Parties referred to in IV & V above	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Transactions with related parties						
Rendering of Services						
Hinduja Global Solutions Limited	1,319.70	1,128.74	-	-	-	-
Hinduja Global Solutions Inc. and its subsidiaries	-	-	14,054.83	14,388.82	-	-
HGS EBOS LLC	-	-	9,498.65	9,761.84	-	-
IndusInd Media and Communication Limited	-	-	56.05	-	-	-
Others	-	-	3.40	3.02	-	-
Total	1,319.70	1,128.74	23,612.93	24,153.68	-	-
Business Process Management Services Received						
Hinduja Global Solutions Limited	141.28	124.56	-	-	-	-
Total	141.28	124.56	-	-	-	-
Rent Expense						
Hinduja Realty ventures Limited	-	-	113.00	31.29	-	-
Harish Chopra	-	-	-	-	4.80	4.80
Santosh Chopra	-	-	-	-	3.00	3.00
Total	-	-	113.00	31.29	7.80	7.80
Corporate social responsibility						
National Health and education Society	-	-	50.00	50.00	-	-
Total	-	-	50.00	50.00	-	-
Dividend Paid						
Hinduja Global Solutions Limited	2,082.35	1,503.30	-	-	-	-
Total	2,082.35	1,503.30	-	-	-	-
Director's remuneration*						
Mr. Harish Chopra	-	-	-	-	125.86	69.72
Total	-	-	-	-	125.86	69.72
Director's sitting fees						
Sitting fees paid to Director's	-	-	-	-	10.40	11.60
Total	-	-	-	-	10.40	11.60
Expenses reimbursed by Other Companies						
Hinduja Global Solutions Limited	1.10	2.28	-	-	-	-
Hinduja Global Solutions Inc. and its subsidiaries	-	-	45.87	13.70	-	-
HGS EBOS LLC	-	-	11.53	0.08	-	-
Total	1.10	2.28	57.40	13.78	-	-
Purchase of Fixed Assets						
Hinduja Global Solutions Limited	3.68	35.39	-	-	-	-
Hinduja Group Limited	-	-	-	68.86	-	-
Total	3.68	35.39	-	68.86	-	-
Sale of Fixed Assets						
Hinduja Global Solutions Limited	3.26	-	-	-	-	-
Total	3.26	-	-	-	-	-

Note:

* The above director's remuneration excludes Gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

Related Party Transactions(continued)

	Parties referred to in I above		Parties referred to in II and III above		Parties referred to in IV & V above	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2016
Receivable net of payable as at the year-end						
Hinduja Global Solutions Inc. and its subsidiaries	-	-	4,078.38	3,643.51	-	-
HGS EBOS LLC	-	-	2,771.14	3,276.12	-	-
Others	-	-	2.12	4.53	-	-
Total	-	-	6,851.65	6,924.16	-	-
Payable net of Receivables as at year-end						
Hinduja Global Solutions Limited	103.39	27.16	-	-	-	-
Hinduja Group Limited	-	-	-	-	-	-
Total	103.39	27.16	-	-	-	-
Income Accrued						
Hinduja Global Solutions Limited	88.66	90.81	-	-	-	-
Hinduja Global Solutions Inc.	-	-	1,186.55	1,011.60	-	-
HGS EBOS LLC	-	-	900.63	1,182.59	-	-
Total	88.66	90.81	2,087.18	2,194.19	-	-
Security Deposit						
Hinduja Realty Ventures Limited	-	-	18.00	-	-	-
Total	-	-	18.00	-	-	-

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

30 - Fair Value Measurements

(a) Financial instruments by category

	As at March 31, 2018			As at March 31, 2017		
	FVPL	FVOCI	Amortized Cost	FVPL	FVOCI	Amortized Cost
Financial assets						
Security deposit	-	-	469.34	-	-	419.43
Bank deposits	-	-	138.44	-	-	111.61
Interest accrued on deposits	-	-	1.85	-	-	37.84
Trade receivables	-	-	9,702.57	-	-	9,151.91
Cash and Cash equivalents	-	-	8,765.88	-	-	2,606.60
Unbilled revenue	-	-	2,276.37	-	-	2,390.22
Other receivables	-	-	11.54	-	-	18.83
Derivative financial assets	-	280.65	-	-	462.12	-
Total Financial assets	-	280.65	21,365.99	-	462.12	14,736.44
Financial Liabilities						
Trade payables	-	-	1,464.38	-	-	1,680.89
Other financial liabilities	-	-	1,045.21	-	-	1,005.43
Derivative financial liability	-	35.60	-	-	-	-
Total Financial liabilities	-	35.60	2,509.59	-	-	2,686.32

A. Fair Value Hierarchy

Financial assets and liabilities measured at fair value - recurring fair value measurements	Date of Valuation	Notes	Level 1	Level 2	Level 3	Total
Financial assets						
Derivatives designated as hedges						
Foreign exchange forward contracts	March 31, 2018	9	-	280.65	-	280.65
	March 31, 2017		-	462.12	-	462.12
Financial liabilities						
Derivatives designated as hedges						
Foreign exchange forward contracts	March 31, 2018	14	-	35.60	-	35.60
	March 31, 2017		-	-	-	-

Financial assets and liabilities measured at amortized cost

The carrying amounts of trade receivables, trade payables, capital creditors, cash and cash equivalents and other financial assets and liabilities are considered to be the same as their fair values, due to their short-term nature.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers among Level 1, Level 2 and Level 3 during the period.

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

31 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments - foreign currency forward contracts to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk, excluding receivables from related parties, is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortized cost	Ageing analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts

The Company's risk management is carried out by a finance department under direction of the Board of Directors. The company's finance department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The board provides direction for overall risk management as well as policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and managing the liquidity.

A) Credit risk

Credit risk arises from trade receivables, unbilled revenue, receivables on security deposits, cash and cash equivalents and deposits with banks and financial institutions.

i) Credit risk management:

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. Credit risk is managed on a financial asset basis. For banks and financial institutions, only high rated banks/institutions are accepted.

Company's maximum exposure to credit risk for each class of financial asset is the carrying amount of the financial assets recognized in the statement of financial position.

The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Historical trend of collections and defaults in case applicable financial asset
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Other applicable macroeconomic information such as regulatory changes

A default on a financial asset is when the counterparty fails to make contractual payments within agreed credit terms from the date when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

HGS International Services Private Limited
Notes to the financial statements
(All amounts are in Rupees Lakhs)

The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Rs. 9,702.57 Lakhs (March 31, 2017 - Rs. 9,151.91 Lakhs) and unbilled revenue amounting to Rs. 2,276.37 Lakhs (March 31, 2017 - Rs. 2,390.22 Lakhs) as at reporting date. Trade receivables and unbilled revenue are typically unsecured. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the company grants credit terms in the normal course of business. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 120 days past due from agreed credit terms with customer. The company expects that estimate of expected credit loss for impairment is not significant based on historical trend and the nature of business. Provision amounting to Rs 23.00 lakhs(March 31, 2017- 30.45 lakhs) is considered necessary as at reporting date and management continuously assesses the requirement for provision on ongoing basis. During the period, the company made no write-offs of trade receivables.

Exposure of credit loss on security deposits given against the rented premises is considered to be low as recovery of these deposits is supported by contractual agreement and the properties are in company's occupancy. As a internal process management performs background check of counterparty before entering into contractual agreement where credit risk assessment is carried out. As at reporting date credit risk has not increased significantly since initial recognition.

ia) The following table gives details in respect of percentage of revenues generated from top customer and top five customers.

	March 31, 2018	March 31, 2017
Revenue from top customer	15.61%	17.00%
Revenue from top five customers	47.48%	65.82%

Credit Risk Exposure

The Company's general credit period is 60-90 days. The impact of default, i.e. receipts more than 60 days based on the historical experience is insignificant.

	March 31, 2018	March 31, 2017
Trade receivables	9,702.57	9,151.91
Days sales outstanding - DSO (days)	88.11	91.54

Exposure of credit loss on security deposits given against the rented premises is considered to be low as recovery of these deposits is supported by contractual agreement. As an internal process, Management performs background check of counterparty before entering into contractual agreement where credit risk assessment is carried out. As at reporting date credit risk has not increased significantly since initial recognition.

Trade receivable Ageing Report

Ageing	Expected credit loss
With in the Credit Period	-
1-30 day past due	-
31-60 day past due	-
60-90 day past due	-
More than 90 day past due	5.83%

Ageing of Receivables	As at March 31, 2018	As at March 31, 2017
With in the Credit Period	5,963.06	6,173.56
1-30 day past due	2,041.22	1,805.35
31-60 day past due	1,193.09	927.34
60-90 day past due	110.51	19.64
More than 90 day past due	394.69	226.02
Total	9,702.57	9,151.91

HGS International Services Private Limited
Notes to the financial statements
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Movement in excepted credit loss allowance

	As at March 31, 2018	As at March 31, 2017
Balances at beginning of the year	28.08	41.03
Movement in excepted credit loss Allowance on trade receivables calculated at life time excepted credit losses	(5.09)	(12.95)
Balances at closing of the year	23.00	28.08

B) Liquidity risk

Prudent Liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet Liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

i) Financing arrangements

The company had access to the following undrawn borrowing facilities at the end of the reporting period:

Ageing	As at March 31, 2018	As at March 31, 2017
Floating rate	8.45%	9.15%
Expiring within one year (bank overdraft and other facilities)	2,500.00	2,500.00
Expiring beyond one year (bank loans)	-	-
Total	2,500.00	2,500.00

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice subject to the continuance of satisfactory credit ratings.

i) Maturities of financial liabilities

The tables below analyze the company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities - March 31, 2018	Within 1 year	between 1 to 2 years	between 2 to 5 years	More than 5 years	Total
Non-derivatives					
Trade payables	1,464.38	-	-	-	1,464.38
Other financial liabilities	1,045.21	-	-	-	1,045.21
Total non-derivative liabilities	2,509.59	-	-	-	2,509.59
Derivatives					
Derivative liabilities	35.60	-	-	-	35.60
Total derivative liabilities	35.60	-	-	-	35.60

HGS International Services Private Limited
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Contractual maturities of financial liabilities - March 31, 2017	Within 1 year	between 1 to 2 years	between 2 to 5 years	More than 5 years	Total
Non-derivatives					
Trade payables	1,680.89	-	-	-	1,680.89
Other financial liabilities	1,005.43	-	-	-	1,005.43
Total non-derivative liabilities	2,686.32	-	-	-	2,686.32
Derivatives					
Derivative liabilities	-	-	-	-	-
Total derivative liabilities	-	-	-	-	-

The average credit period of trade payables is 45 days. The company has financial risk management policies in place to ensure all payables are paid with in the pre- agreed credit terms.

C) Market risk

i) Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimize the volatility of the INR cash flows of highly probable forecast transactions.

The company's risk management policy is to hedge upto 75% of forecasted foreign currency sales for the next 12 months. As per the risk management policy, foreign exchange forward contracts are taken to hedge upto 75% of the forecasted sales.

In accordance with its risk management policies and procedures, the Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecasted transactions. When derivative is entered into for the purpose of being a hedge, the company negotiates the terms of those derivatives to match the terms of the hedge exposure and assesses the effectiveness of the hedged item and hedging relationship based on economic relationship.

a) Foreign currency risk exposure:

The companies exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows

Particulars	Currency	As at	
		March 31, 2018	March 31, 2017
Financial assets			
Trade receivables	USD	6,845.42	6,914.53
Unbilled Revenue	USD	2,087.18	2,194.19
Bank Balances in EEFC accounts	USD	746.76	1,368.97
Financial liabilities			
Trade Payables	USD	-	68.71

c) Sensitivity:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

Particulars	Impact on profit after tax and equity	
	March 31, 2018	March 31, 2017
USD sensitivity		
INR/USD -Increase by 4% (March 31, 2017-4%)*	253.18	416.37
INR/USD -Decrease by 4% (March 31, 2017-4%)*	(253.18)	(416.37)

* Holding all other variables constant

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32 Financial risk management

Impact of hedging activities

(a) Disclosure of effects of hedge accounting on financial position:

The company's hedging policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item.

Ineffectiveness is recognized on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk.

March 31, 2018

Types of hedge and risks	Foreign Currency Notional Amount (USD Mn)	Carrying amount of hedging instrument		Maturity date	Hedge ratio*	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognizing hedge effectiveness
		Assets	Liabilities				
Cash flow hedge Foreign exchange risk							
Foreign exchange forward contracts: Sell USD, buy INR (included in Other Current Financial Assets/ liabilities)	32.50	280.65	(35.60)	April 2018 - May 2019	1:1	245.05	(245.05)

March 31, 2017

Types of hedge and risks	Foreign Currency Notional Amount (USD Mn)	Carrying amount of hedging instrument		Maturity date	Hedge ratio*	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognizing hedge effectiveness
		Assets	Liabilities				
Cash flow hedge Foreign exchange risk							
Foreign exchange forward contracts: Sell USD, buy INR (included in Other Current Financial Assets)	11.50	462.12	-	April 2017 - March 2018	1:1	462.12	(462.12)

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*The foreign exchange forward contracts are denominated in the same currency as the highly probable future sales therefore the hedge ratio is 1:1.

(b) Disclosure of effects of hedge accounting on financial performance

March 31, 2018

Type of hedge	Change in the value of hedging instrument recognized in Other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from cash flow hedging reserve to profit or loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Foreign exchange risk	664.15	-	(881.23)	Revenue

March 31, 2017

Type of hedge	Change in the value of hedging instrument recognized in Other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from cash flow hedging reserve to profit or loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Foreign exchange risk	593.65	-	(221.50)	Revenue

Offsetting arrangements

Master netting arrangements - not currently enforceable

Agreements with derivative counterparties are based on an International Swaps and Derivatives Associations (ISDA) Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the company does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

33 - Disclosure Under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act)

Particulars	As at March 31, 2018	As at March 31, 2017
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	31.43	-
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-
Further interest remaining due and payable for earlier years	-	-

The above information has been determined to the extent such parties have been identified on the basis of the information available with the Company.

HGS International Services Private Limited
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34 - Segment reporting

The companies's board of directors examines the company's performance and has identified single reportable segment, namely business process management.

Segment Revenue

Particulars	March 31,2018			March 31, 2017		
	Total segment revenue	Revenue from related parties	Revenue from external customers	Total segment revenue	Revenue from related parties	Revenue from external customers
India	15,758.09	1,319.70	14,438.39	12,344.75	1,128.74	11,216.01
Outside India	24,434.71	24,434.71	-	24,148.73	24,148.73	-
Total segment revenue	40,192.80	25,754.41	14,438.39	36,493.48	25,277.47	11,216.01

Revenue for an amount of Rs. 6,050.63 lakhs (Previous year: Rs. 6,205.66 lakhs) is derived from a single external customer located outside India.

Non-current assets

Particulars	As at March 31,2018		As at March 31, 2017	
	India	Outside India	India	Outside India
Property, Plant and Equipment	4,179.81	-	4,506.33	-
Intangible assets	278.74	-	328.24	-
Total	4,458.55	-	4,834.57	-
Others	6,727.69	-	5,274.84	-
Total non-current assets	11,186.24	-	10,109.41	-

35 Previous year's figures have been regrouped/ rearranged ,wherever considered necessary, to confirm to current year classification.

As per our report of even date

For Deloitte Haskins & Sells LLP

Firm registration no. 117366W/W-100018

Chartered Accountants

For and on behalf of the Board of Directors of HGS

International Services Private Limited

Vikas Bagaria

Partner

Membership No.060408

Harish Chopra

Director

DIN : 01062707

S Mahadevan

Director

DIN : 05268057

Place : Bangalore

Date : May 29, 2018

Place : Mumbai

Date : May 29, 2018

Place : Mumbai

Date : May 29, 2018