HCL Technologies Limited and Subsidiaries

Consolidated Financial Statements

Years Ended March 31, 2017, 2018 and 2019

With Report of Independent Auditors

HCL Technologies Limited and Subsidiaries
Table of Contents

Report of Independent Auditors

The Board of Directors
HCL Technologies Limited

We have audited the accompanying consolidated financial statements of HCL Technologies Limited and Subsidiaries, which comprise the consolidated balance sheets as of March 31, 2018 and March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2019 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HCL Technologies Limited and Subsidiaries at March 31, 2018 and 2019, and the consolidated results of their operations and their cash flows for the three years in the period ended March 31, 2019 in conformity with U.S. generally accepted accounting principles.

Gurugram, India
May 9, 2019

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

	As of March 31,	
	2018	**2019**
ASSETS		
Current assets		
Cash and cash equivalents	$259,569	$857,771
Term deposits with banks	355,707	279,689
Deposit with corporations	522,903	189,477
Accounts receivable, net	1,478,227	1,693,513
Unbilled receivable (Previous year : Unbilled revenue)	401,591	420,102
Investment securities, available for sale	361,661	321,174
Inventories	26,434	13,142
Other current assets	360,059	524,492
Total current assets	**3,766,151**	**4,299,360**
Deferred income taxes, net	274,518	349,597
Investment securities, available for sale	39,949	-
Deposit with corporations	36,055	51,366
Investments in affiliates	4,109	5,009
Other investments	2,421	7,217
Property and equipment, net	795,445	839,317
Intangible assets, net	1,131,260	1,223,008
Goodwill	1,078,830	1,337,331
Other assets	301,079	408,965
Total assets (a)	**$7,429,817**	**$8,521,170**

See accompanying notes.

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

	As of March 31,	
	2018	2019
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	$6,877	$15,245
Accounts payable	277,221	257,548
Short term borrowings	6,363	104,676
Current portion of long term debt	20,246	56,209
Accrued employee costs	320,388	399,041
Contract liabilities (Previous year : Deferred revenue)	102,990	152,337
Income taxes payable	105,733	133,955
Other current liabilities	707,490	654,699
Total current liabilities	**1,547,308**	**1,773,710**
Long term debt	40,435	415,835
Deferred income taxes, net	5,292	32,242
Capital lease obligations, net of current portion	11,538	14,844
Accrued employee costs	107,980	113,121
Contract liabilities (Previous year : Deferred revenue)	27,641	30,953
Other liabilities	41,875	31,346
Total liabilities (a)	**$1,782,069**	**$2,412,051**
Commitments and contingencies (Note 26)		
Redeemable non-controlling interests	-	65,695
HCL Technologies Limited Shareholders' Equity		
Equity shares, ` 2 par value, authorized 1,500,000,000 shares		
Issued and outstanding 1,392,246,384 and 1,356,278,868 shares as of March 31, 2018 and March 31, 2019, respectively	56,715	55,743
Additional paid-in capital	412,658	412,327
Shares application money pending allotment	2	1
Retained earnings	5,757,298	6,462,718
Accumulated other comprehensive loss	(578,925)	(887,365)
Total equity	**5,647,748**	**6,043,424**
Total liabilities, redeemable non-controlling interests and equity	**$7,429,817**	**$8,521,170**

a) Consolidated assets at March 31, 2018 and March 31, 2019 include assets of certain variable interest entities (VIE's) that can only be used to settle the liabilities of those VIEs. Consolidated liabilities at March 31, 2018 and March 31, 2019, include liabilities of certain VIEs for which the VIEs creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 10).

See accompanying notes.

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

	Year ended March 31,		
	2017	2018	2019
Revenues	**$6,975,204**	**$7,837,692**	**$8,632,425**
Cost of revenues (exclusive of depreciation and amortization)	4,611,542	5,151,283	5,613,956
Gross profit	**2,363,662**	**2,686,409**	**3,018,469**
Selling, general and administrative expenses	824,643	913,497	1,028,542
Depreciation and amortization	124,638	225,153	306,673
Other income, net	(152,281)	(182,540)	(135,059)
Finance cost	12,856	10,785	20,172
Income before income taxes	**1,553,806**	**1,719,514**	**1,798,141**
Provision for income taxes	291,353	359,043	354,332
Net income	**1,262,453**	**1,360,471**	**1,443,809**
Net (loss) gain attributable to redeemable non-controlling / non-controlling interest	20	223	3,057
Net income attributable to HCL Technologies Limited shareholders	**$1,262,433**	**$1,360,248**	**$1,440,752**
Earnings per equity share			
Basic	$0.89	$0.97	$1.05
Diluted	$0.89	$0.97	$1.05
Weighted average number of equity shares used in computing earnings per equity share			
Basic	1,411,444,783	1,401,349,735	1,375,363,202
Diluted	1,412,641,203	1,402,209,558	1,375,857,472

See accompanying notes.

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Comprehensive Income

Amount in thousands, except share and per share data

	Year ended March 31,		
	2017	**2018**	**2019**
Net income attributable to HCL Technologies Limited shareholders	**$1,262,433**	**$1,360,248**	**$1,440,752**
Add : Net (loss) gain attributable to redeemable non-controlling / non-controlling interest	**$20**	**$223**	**$3,057**
Other comprehensive income (loss) net of taxes:			
Change in unrealized gain (loss) on cash flow hedges, net of taxes ($16,893), $12,120 and ($217) for the years ended March 31, 2017, 2018 and 2019, respectively.	67,397	(47,659)	3,752
Change in unrealized gain (loss) on securities available for sale, net of taxes ($344), ($218) and $151 for the years ended March 31, 2017, 2018 and 2019, respectively.	613	648	(573)
Change in unrealized gain (loss) on defined benefit plan, net of taxes ($388), ($361) and ($900) for the years ended March 31, 2017, 2018 and 2019, respectively.	(330)	1,298	3,709
Change in foreign currency translation	9,822	58,584	(315,328)
Other comprehensive income (loss)	**77,502**	**12,871**	**(308,440)**
Add: Comprehensive loss attributable to non-controlling interest	**(5,270)**	**-**	**-**
Total comprehensive income	**$1,334,685**	**$1,373,342**	**$1,135,369**

See accompanying notes.

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

	Equity shares		Additional paid-in capital	Ordinary shares subscribed	Retained earnings	Accumulated other comprehensive loss	HCL Technologies Limited Shareholder' Equity	Non controlling interest	Total Equity
	Shares	Par value							
Balances as at March 31, 2016	**1,410,381,314**	**$57,286**	**$711,027**	**$7**	**$4,098,241**	**($669,298)**	**$4,197,263**	**$31,909**	**$4,229,172**
Shares issued for exercised options	838,680	25	-	(7)	-	-	18	-	18
Shares issued for consideration other than cash on acquisition of business of Geometric Limited	15,563,430	480	201,927	-	-	-	202,407	-	202,407
Stock options exercised pending allotment of shares	-	-	-	5	-	-	5	-	5
Excess tax benefit from stock options	-	-	3,560	-	-	-	3,560	-	3,560
Cash dividend	-	-	-	-	(607,412)	-	(607,412)	-	(607,412)
Net income	-	-	-	-	1,262,433	-	1,262,433	20	1,262,453
Other comprehensive income (loss)	-	-	-	-	-	77,502	77,502	(5,270)	72,232
Balances as at March 31, 2017	**1,426,783,424**	**$57,791**	**$916,514**	**$5**	**$4,753,262**	**($591,796)**	**$5,135,776**	**$26,659**	**$5,162,435**

See accompanying notes.

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

	Equity shares				Retained earnings					
	Shares	Par value	Additional paid-in capital	Ordinary shares subscribed	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	HCL Technologies Limited Shareholder' Equity	Non-controlling Interest	Total Equity
Balances as at March 31, 2017	**1,426,783,424**	**$57,791**	**$916,514**	**$5**	**$4,753,262**	**$-**	**($591,796)**	**$5,135,776**	**$26,659**	**$5,162,435**
Shares issued for exercised options	462,960	14	-	(5)	-	-	-	9	-	9
Buyback of equity shares	(35,000,000)	(1,090)	(504,853)	-	(39,214)	-	-	(545,157)	-	(545,157)
Expenses on buyback of equity shares	-	-	-	-	(2,193)	-	-	(2,193)	-	(2,193)
Stock options exercised pending allotment of shares	-	-	-	2	-	-	-	2	-	2
Excess tax benefit from stock options	-	-	997	-	-	-	-	997	-	997
Change in non-controlling interest	-	-	-	-	141	-	-	141	(26,882)	(26,741)
Cash dividend	-	-	-	-	(314,946)	-	-	(314,946)	-	(314,946)
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(47,562)	47,562	-	-	-	-
Net income	-	-	-	-	1,360,248	-	-	1,360,248	223	1,360,471
Other comprehensive income (loss)	-	-	-	-	-	-	12,871	12,871	-	12,871
Balances as at March 31, 2018	**1,392,246,384**	**$56,715**	**$412,658**	**$2**	**$5,709,736**	**$47,562**	**($578,925)**	**$5,647,748**	**$-**	**$5,647,748**

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

See accompanying notes.

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

	Equity shares				Retained earnings				
	Shares	Par value	Additional paid-in capital	Ordinary shares subscribed	Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive loss	Total Equity	Redeemable non-controlling interest
Balances as at March 31, 2018	**1,392,246,384**	**$56,715**	**$412,658**	**$2**	**$5,709,736**	**$47,562**	**($578,925)**	**$5,647,748**	**$-**
Shares issued for exercised options	396,120	11	-	(2)	-	-	-	9	-
Buyback of equity shares	(36,363,636)	(983)	(331)	-	(539,565)	-	-	(540,879)	-
Expenses on buyback of equity shares	-	-	-	-	(1,603)	-	-	(1,603)	-
Stock options exercised pending allotment of shares	-	-	-	1	-	-	-	1	-
Redeemable non-controlling interest	-	-	-	-	-	-	-	-	59,050
Dividend to redeemable non-controlling interest	-	-	-	-	-	-	-	-	(1,972)
Change in fair value of redeemable non-controlling interest	-	-	-	-	(5,560)	-	-	(5,560)	5,560
Cash dividend	-	-	-	-	(188,604)	-	-	(188,604)	-
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(62,839)	62,839	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	-	44,082	(44,082)	-	-	-
Net income	-	-	-	-	1,440,752	-	-	1,440,752	3,057
Other comprehensive income (loss)	-	-	-	-	-	-	(308,440)	(308,440)	-
Balances as at March 31, 2019	**1,356,278,868**	**$55,743**	**$412,327**	**$1**	**$6,396,399**	**$66,319**	**($887,365)**	**$6,043,424**	**$65,695**

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

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Cash Flows

Amount in thousands

	Year ended March 31,		
	2017	2018	2019
Cash flows from operating activities			
Net income	**$1,262,453**	**$1,360,471**	**$1,443,809**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	124,638	225,153	306,673
Deferred income taxes	5,199	(10,518)	(86,500)
(Gain) loss on sale of property and equipment	880	(228)	(402)
Excess tax benefit related to stock options exercise	(3,584)	(1,002)	-
Gain on sale of investment securities	(5,861)	(23,884)	(23,435)
Equity in earnings of affiliates	(436)	(2,288)	(580)
Provision for doubtful accounts, net	1,354	12,345	3,211
Others, net	19,394	15,664	(6,155)
Changes in assets and liabilities, net of effects of acquisitions			
Accounts receivable and unbilled receivable	(33,204)	(179,117)	(251,167)
Other assets	8,886	19,247	(254,675)
Accounts payable	9,250	36,707	60,437
Accrued employee costs	55,726	9,107	96,480
Other liabilities	(37,079)	(116,526)	52,521
Net cash provided by operating activities	**1,407,616**	**1,345,131**	**1,340,217**
Cash flows from investing activities			
Investment in term deposit with banks	(1,160,739)	(361,321)	(277,797)
Proceeds from term deposit with banks on maturity	1,292,722	1,198,710	332,819
Investment in term deposits with corporations	(373,147)	(564,780)	(204,117)
Proceeds from term deposits with corporations on maturity	296,396	387,487	486,497
Purchase of property and equipment and intangibles	(584,287)	(832,776)	(519,948)
Proceeds from sale of property and equipment	16,793	4,265	4,399
Purchase of investment securities	(1,664,560)	(3,104,514)	(3,458,026)
Proceeds from sale or maturity of investment securities	1,601,667	2,901,091	3,537,522
Purchase of other investment	(1,783)	(452)	(4,949)
Acquisition of business, net of cash acquired	(72,055)	(16,922)	(402,508)
Net cash in deconsolidated subsidiaries	-	(22,375)	-
Investment in equity method investee	(3,144)	(240)	(320)
Net cash used in investing activities	**(652,137)**	**(411,827)**	**(506,428)**

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

	Year ended March 31,		
	2017	2018	2019
Cash flows from financing activities			
(Decrease) Increase of principal under capital lease obligations, net	(107)	1,462	7,664
Proceeds from short term borrowings	30,005	-	201,206
Repayment of short term borrowings	(52,130)	(5,095)	(100,000)
Proceeds from long term debt	4,674	3,011	444,590
Repayment of long term debt	(36,299)	(20,783)	(26,837)
Buyback of equity shares	-	(542,594)	(540,018)
Expenses for Buy Back of Equity Shares	-	(2,211)	(1,684)
Capital contribution from redeemable non-controlling interests	-	-	41,000
Dividend to redeemable non-controlling Interests	-	-	(1,972)
Payment for deferred consideration on business acquisition	(4,920)	(2,465)	(3,788)
Proceeds from issuance of equity shares	18	14	8
Proceeds from subscription of shares pending allotment	5	2	1
Dividend paid	(607,270)	(314,863)	(188,589)
Excess tax benefit related to stock options exercise	3,584	1,002	-
Net cash used in financing activities	**(662,440)**	**(882,519)**	**(168,419)**
Effect of exchange rate changes on cash and cash equivalents	(191)	5,867	(67,168)
Net increase (decrease) in cash and cash equivalents	92,848	56,652	598,202
Cash and cash equivalents at the beginning of the year	110,069	202,917	259,569
Cash and cash equivalents at the end of the year	**$202,917**	**$259,569**	**$857,771**

Supplemental disclosures of cash flow			
Shares issued for consideration other than cash on acquisition of business of Geometric Limited	$202,407	-	-
Property and equipment acquired under capital lease obligation	$6,295	$15,795	$25,379
Cash payments for interest expenses	$2,032	$3,055	$2,348
Cash payments for income taxes	$291,548	$388,959	$402,750

See accompanying notes.

1. ORGANIZATION AND NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying consolidated financial statements include the accounts of HCL Technologies Limited and its subsidiaries and are prepared on the basis of US generally accepted accounting principles (“US GAAP”)

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

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

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

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

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

(b) Use of estimates

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

(c) Functional currency and translation

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

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

(d) Revenue recognition

Adoption of new accounting principles

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

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

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

Contracts involving provision of services and material

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

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

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

Fixed Price contracts

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

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

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

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

Multiple-performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which group would sell a promised good or service separately to the customer. When not directly observable, we typically estimate standalone selling price by using the expected cost plus a margin approach. We typically establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable using the guidance for recognizing Software revenue (ASC 606-10-55) and the lease revenue, as amended.

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

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

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

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

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

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

(e) Inventories

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

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

(f) Property and equipment

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

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

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

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before the balance sheet date are classified as capital work-in-progress (Note 7).

(g) Leases

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

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

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

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

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

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

(i) Investment securities

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

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

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

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

(j) Research and development

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

Research and development expenses for the years ended March 31, 2017, 2018 and 2019 were $17,152, $19,507 and $132,167, respectively.

Research and development amount capitalised after technological feasibility has been established during the years ended March 31, 2017, 2018 and 2019 were $1,505, $1,958 and $842, respectively.

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

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

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

(l) Income taxes

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

(m) Earnings per share

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

(n) Stock based compensation

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

All excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur.

(o) Employee benefits

Defined contribution plan

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

Defined benefit plan

Provident fund:

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

Gratuity:

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

Compensated absences:

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

(p) Dividend

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

(q) Derivative and hedge accounting

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

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

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

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

See Note 12 for additional information.

(r) Goodwill and intangibles

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

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

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

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

(t) Recently issued accounting pronouncements

Adoption of new accounting principles

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 (ASU 2016-09) "Compensation—Stock Compensation (Topic 718)" as part of its Simplification Initiative. ASU 2016-09 identifies areas for simplifying several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, *as well as certain classifications on the statement of cash flows*. The amendments are effective for the year ended March 31, 2019 and interim periods within annual periods beginning after December 15, 2018.

The Group has adopted this ASU No. 2016-09 effective April 01, 2018. As a result of this adoption, the Group recognized discrete adjustments to income tax expense for the year ended March 31, 2019 in the amount of $891 related to excess tax benefits, whereas such benefits were previously recognized in equity. The Group elected to apply the change in presentation in the statement of cash flows prospectively, and as a result, excess tax benefits are classified as operating activities when realized through reductions to subsequent tax payments. The treatment of forfeitures did not change as the Group elected to continue its current practice of estimating expected forfeitures.

New accounting pronouncement

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

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

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

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

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

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) “Restricted Cash - Statement of Cash Flows (Topic 230)”. Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. Early adoption is permitted and any adjustments should be reflected as of the beginning starting first quarter of that year. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

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

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

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

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

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

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

3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash equivalents, short term deposits with banks and corporations, accounts receivables, unbilled receivable, finance lease receivable, investment securities and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties. In the management's opinion, as of March 31, 2018 and 2019, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

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

4. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of March 31, 2018 and 2019 are as follows:

	March 31, 2018	March 31, 2019
Deposits with banks, having maturities less than three months	$30,933	$281,638
Other cash and bank balances*	228,636	576,133
Total	**$259,569**	**$857,771**

* Includes balance in EEFC Account of $646 and $378,177 for the years ended March 31, 2018 and 2019, respectively.

5. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivable based facilities of $111,000 permitting it to sell certain accounts receivables to banks on a non-recourse basis in the normal course of business. The aggregate maximum capacity utilized by the Group at any time during the years ended March 31, 2018 and 2019 was $22,745 and $78,801, respectively. Outstanding utilization against this facility as of March 31, 2018 nil and 2019 is $77,658.

The Group has sold finance lease receivables of $8,128 and $13,634 during years ended March 31, 2018 and 2019, respectively, on non-recourse basis.

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

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

6. ACQUISITIONS IN CURRENT YEAR

Acquisition of Actian Corporation

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

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

Total purchase consideration of $341,446 (including fair value of options $18,050) has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $5,204)	($15,319)
Deferred tax liability	(23,812)
Property plant and equipment	1,453
Customer relationship	51,264
Technology	58,768
Goodwill (including fair value of options $18,050)	269,092
Total purchase consideration	**$341,446**

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

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

	Amount	Life (Years)
Customer relationship	$51,264	10.0
Technology	58,768	7.0
Total Intangibles	**$110,032**	

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

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

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

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

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

Subsequent to deal consummation, CEO of Actian have paid $1000 to acquire 0.49% stake in the Joint Venture Company. Post this investment, the Group and SEP stake in the joint venture company is 80.00% and 19.51%, respectively.

Other Acquisitions

During the year ended March 31, 2019, the Group has made other acquisitions at a total purchase price of $97,535. The Group has paid $96,389 and holdback of $1,146 is payable at the end of two years from the acquisition date

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

	Amount
Net working capital (including cash of $12,257)	$57,134
Property plant and equipment	13,376
Goodwill	27,025
Total purchase consideration	**$97,535**

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

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

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

Acquisition of Select IBM Software products

On December 07, 2018, the Company has signed a definitive agreement to acquire business relating to select IBM software products for $1,775,000 including earn out, 862,500 of the same will be paid at close and balance after one year from closing date. It is an asset carve-out deal with 100% control on the assets being acquired.

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

ACQUISITIONS IN PREVIOUS YEAR

During the year ended March 31, 2018, the Group has made acquisitions with a total purchase consideration of $43,486, including deferred earn-out component of $23,982 which is dependent on achievement of certain specified performance obligations as set out in the agreement. The Group has paid $19,220 and $284 is payable at March 31, 2019.

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

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

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

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

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

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

During the year ended March 31, 2019, the Group has finalised purchase price allocations including earnout liability for these acquisitions to adjust for certain factors related to pre acquisition period, which has resulted in reduction in fair value of earn out liability to $2,826 against $12,641 with corresponding reduction in value of Intangibles from $23,283 to $13,547 as at acquisition date and Goodwill to $6,768 from earlier value of $6,847.

During the year ended March 31, 2019, the group has made earnout payment of $1,303

As at March 31, 2019, balance earn out liability has been fair valued at $1,987 with finance expense of $464 on fair valuation recognized in the statement of income.

7. PROPERTY AND EQUIPMENT

As of March 31, 2018 and March 31, 2019, property and equipment comprises the following:

	March 31, 2018	March 31, 2019
Freehold land	$8,438	$10,771
Buildings	432,611	432,262
Computer and networking equipment	488,856	617,375
Software	165,149	189,366
Furniture, fixtures and office equipment	110,199	119,870
Plant and equipment	279,776	287,620
Vehicles	18,170	18,254
Capital work-in-progress	59,992	37,693
	1,563,191	**1,713,211**
Accumulated depreciation and amortization	(767,746)	(873,894)
Property and equipment, net	**$795,445**	**$839,317**

Depreciation expense was $105,538, $134,753 and $165,276 for the years ended March 31, 2017, 2018 and 2019, respectively.

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

8. GOODWILL AND INTANGIBLES

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

	Software services	Infrastructure services	Business process outsourcing services	Total
Balance as at March 31, 2017	**$930,407**	**$92,080**	**$22,291**	**$1,044,778**
Acquisitions during the year	3,264	81	3,502	6,847
Deletion during the year	(8,595)	-	-	(8,595)
Purchase price adjustments	2,275	-	-	2,275
Effect of exchange rate changes	25,724	7,090	711	33,525
Balance as at March 31, 2018	**$953,075**	**$99,251**	**$26,504**	**$1,078,830**

The changes in the carrying value goodwill balances by reportable segment, for the year ended March 31, 2019, are as follows:

	Software services	Infrastructure services	Business process outsourcing services	Total
Balance as at March 31, 2018	**$953,075**	**$99,251**	**$26,504**	**$1,078,830**
Acquisitions during the year	278,658	14,437	2,941	296,036
Effect of exchange rate changes	(27,612)	(9,572)	(351)	(37,535)
Balance as at March 31, 2019	**$1,204,121**	**$104,116**	**$29,094**	**$1,337,331**

The components of intangible assets are as follows:

	31-Mar-18			31-Mar-19		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Intellectual property rights	$1,099	($284)	$815	$1,041	($529)	$512
Technology	13,444	(9,173)	4,271	71,586	(16,498)	55,088
Customer related intangibles	189,046	(128,279)	60,767	221,062	(139,674)	81,388
Licensed IPRs	1,128,969	(95,882)	1,033,087	1,258,219	(198,573)	1,059,646
Assembled workforce	36,598	(6,180)	30,418	38,618	(13,410)	25,208
Customer contracts	13,320	(11,885)	1,435	12,745	(11,893)	852
Non-compete agreements	3,644	(3,223)	421	3,464	(3,150)	314
Brand and others	4,044	(3,998)	46	3,784	(3,784)	-
	$1,390,164	**($258,904)**	**$1,131,260**	**$1,610,519**	**($387,511)**	**$1,223,008**

Amortization expense for the years ended March 31, 2017, 2018 and 2019 is $19,100, $90,400 and $141,397, respectively.

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

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

Year ending March 31,	
2020	131,626
2021	125,627
2022	119,339
2023	110,100
2024	102,479
Thereafter	633,837
	$1,223,008

9. INVESTMENTS IN AFFILIATE

Equity method investment

Morado Venture Partners II LLP

Morado Venture Partners II LLP, is a limited liability partnership "Venture Fund". During the current year, the Group has further invested $320 in Morado Venture Partners II LLP. The Group has a commitment to contribute an additional $160 to Morado Venture Partners II LLP in future years.

Equity method investment as of March 31, 2018 and 2019 is as follows:

	March 31, 2018		March 31, 2019	
Name of the Affiliate	**Carrying Value**	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
Morado Venture Partners II LLP	$4,109	12.79%	$5,009	12.52%
	$4,109		**$5,009**	

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the years ended March 31, 2017, 2018 and 2019 are shown below:

	Year ended March 31,		
Name of the Affiliate	**2017**	**2018**	**2019**
Morado Venture Partners II LLP	$120	$318	$580
	$120	**$318**	**$580**

Arrangement with DXC

In November 2015, the Group entered into a joint venture arrangement with DXC Technology Company (DXC) to operate and expand the existing Core Banking business of DXC. Under the joint venture arrangement, two entities, Celeritifintech Limited and Celeritifintech Services Limited were formed, where Celeritifintech Limited was focusing on account management and delivery governance and Celeritifintech Services Limited was focusing on service delivery and product development.

With a view to better leverage the capabilities of the Group and DXC Technology Company (DXC), on September 30, 2017, the Group terminated its existing arrangements with DXC. Accordingly, the balance sheet and statement of income of CeleritiFinTech Limited (and its step down subsidiaries) has not been consolidated with the Group from that date.

The net amount estimated to be received by the Group, on winding up of these joint venture entities, as per terms of the termination agreement were shown as receivable under other financial assets amounting to $13,726 and $ 7,015 as of March 31,2018 and March 31, 2019, respectively.

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

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the years ended March 31, 2017, 2018 and 2019 are shown below:

	Year ended March 31,		
Name of the Affiliate	**2017**	**2018**	**2019**
Celeritifintech Services Limited	$316	$1,970	$-
	$316	**$1,970**	**$-**

10. VARIABLE INTEREST ENTITIES (VIEs)

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

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

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

	March 31, 2018	March 31, 2019
Current assets		
Cash and cash equivalents	$5,394	$8,773
Short term deposits with banks	31,247	26,475
Accounts receivables, net	5,556	2,761
Unbilled receivable (Previous year : Unbilled revenue)	2,376	1,730
Other current assets	2,090	4,625
Total Current Assets	**$46,663**	**$44,364**
Deferred income taxes, net	5,758	6,708
Property and equipment, net	4,615	6,063
Other assets	892	2,641
Total Assets	**$57,928**	**$59,776**
Current liabilities		
Accounts payable	$597	$267
Accrued employee costs	1,281	1,487
Other current liabilities	3,485	4,594
Total current liabilities	**$5,363**	**$6,348**
Accrued employee costs	520	667
Total liabilities	**$5,883**	**$7,015**

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

b) For the years ended March 31, 2017, 2018 and 2019, total revenues, excluding intercompany from VIEs were $46,289 and $49,736 and $42,668, respectively.

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

11. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of March 31, 2018:

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

As of March 31, 2019:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$142,969	$828	$-	$143,797
Corporate debt securities – bonds	176,847	530	-	177,377
Total	**$319,816**	**$1,358**	**$-**	**$321,174**

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

The maturity profile of the investments classified as available for sale as of March 31, 2019 is set out below:

	Fair value
Less than one year	$148,860
After 1 year through 5 years	137,784
After 5 years through 10 years	34,530
	$321,174

Proceeds from the sale of available-for-sale securities during the years ended March 31, 2017, 2018 and 2019 were $1,601,667, $2,901,091 and $3,537,522, respectively.

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

The table summarizes the transactions for available for sale securities:

	Year ended March 31,		
	2017	**2018**	**2019**
Net realised gain	$5,861	$23,884	$23,435
Reclassification into earnings on maturity out of other comprehensive income	$2,408	$16,465	$14,679

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2018	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**
Foreign exchange forward denominated in:				
USD /INR	$246,394 (Sell)	$680,470 (Sell)	$3,730	$11,117
GBP/ INR	£9,760 (Sell)	£14,200 (Sell)	(69)	666
GBP/USD	£14,730 (Sell)	£45,250 (Sell)	124	(9)
EUR / USD	€ 45,700 (Sell)	€ 75,979 (Sell)	484	409
EUR/ INR	€ 67,895 (Sell)	€ 72,500 (Sell)	(2167)	6350
AUD/INR	AUD 34,350 (Sell)	AUD 16,171 (Sell)	921	796
AUD/USD	AUD 9,100 (Sell)	AUD 5,680 (Sell)	135	11
SEK/INR	SEK 315,100 (Sell)	SEK 145,000 (Sell)	914	2341
CHF/USD	CHF 1,500 (Sell)	CHF 18,133 (Sell)	10	21
CHF/ INR	CHF 21,000 (Sell)	CHF 20,900 (Sell)	531	1038
MXN/USD	MXN 197,500 (Sell)	MXN 262,000 (Sell)	(161)	(11)
RUB/USD	RUB 198,000 (Sell)	RUB 244,000 (Sell)	9	(49)
NOK/USD	- (Sell)	NOK 42,000 (Sell)	-	(3)
NOK/INR	NOK 160,000 (Sell)	NOK 201,000 (Sell)	339	1,965
CNY/USD	CNY 67,550 (Sell)	CNY 57,500 (Sell)	(83)	(9)
NZD/USD	NZD 4,560 (Sell)	- (Sell)	12	-
PLN/USD	- (Sell)	PLN 17,750 (Sell)	-	-
ZAR/USD	ZAR 195,000 (Sell)	ZAR 92,500 (Sell)	98	32
JPY/USD	JPY 939,069 (Sell)	- (Sell)	45	-
BRL/USD	BRL 24,500 (Sell)	BRL 36,500 (Sell)	50	(76)
CAD/USD	CAD 23,000 (Buy)	CAD 29,300 (Buy)	(509)	(316)
SGD/USD	SGD 35,650 (Buy)	SGD 41,000 (Buy)	48	(87)
GBP/USD	£19,000 (Buy)	£10,000 (Buy)	(113)	89
CHF/USD	CHF 1,700 (Buy)	- (Buy)	(39)	-
SEK/USD	SEK 60,000 (Buy)	SEK 368,500 (Buy)	(286)	(154)
JPY /USD	- (Buy)	JPY 1,500,000 (Buy)	-	(18)
PLN /USD	- (Buy)	PLN 20,950 (Buy)	-	(58)
NOK /USD	NOK 81,000 (Buy)	NOK 84,000 (Buy)	10	110
DKK/USD	DKK 58,000 (Buy)	DKK 24,500 (Buy)	55	(51)
PHP/USD	PHP 335,000 (Buy)	PHP 580,000 (Buy)	(20)	(74)
RUB/USD	- (Buy)	RUB 14,000 (Buy)	-	-
CZK/USD	- (Buy)	CZK 111,000 (Buy)	-	(53)
			$4,068	**$23,977**

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

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

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2018	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**
Range Forward				
USD/INR	$1,099,485	$1,216,487	$28,636	$15,261
EUR/INR	€ 110,380	€ 44,250	(2,442)	3,324
GBP/INR	£60,800	£15,500	(946)	834
AUD/INR	AUD 10,580	AUD 16,950	255	862
CHF/INR	-	CHF 1,500	-	136
SEK/INR	-	SEK 15,000	-	151
EUR/USD	€ 3,500	-	(8)	-
Seagull				
USD/INR	$14,750	$7,000	(33)	(53)
EUR/INR	€ 14,200	-	(66)	-
GBP/INR	£6,000	-	(46)	-
PUT				
USD/INR	$50,000	$14,000	118	408
			$25,468	**$20,923**

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

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

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

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

March 31, 2018

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

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

	March 31, 2019				
	Other current assets	Other assets	Other current liabilities	Other liabilities	Total fair value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$20,531	$16,368	$1,404	$1,418	$39,721
Foreign exchange contracts in a liability position	(1,404)	(1,418)	(1,404)	(1,474)	(5,700)
Net asset (liability)	**$19,127**	**$14,950**	**$0**	**($56)**	**$34,021**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$13,283	$-	$1,772	$-	$15,055
Foreign exchange contracts in a liability position	(1,772)	-	(2,404)	-	(4,176)
Net asset (liability)	**$11,511**	**$-**	**($632)**	**$-**	**$10,879**
Total Derivatives at fair value	**$30,638**	**$14,950**	**($632)**	**($56)**	**$44,900**

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets as on March 31, 2018 and March 31, 2019:

Derivatives designated as hedging instruments:

	March 31, 2018	March 31, 2019
Unrealized gain on financial instruments classified under current assets	$27,237	$19,127
Unrealized gain on financial instruments classified under non current assets	3,590	14,950
Unrealized loss on financial instruments classified under non-current liabilities	(107)	(56)
	$30,720	**$34,021**

Derivatives not designated as hedging instruments:

	March 31, 2018	March 31, 2019
Unrealized gain on financial instruments classified under current assets	$83	$11,511
Unrealized loss on financial instruments classified under current liabilities	(1,267)	(632)
	($1,184)	**$10,879**

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

The following tables summarize the activities in the consolidated statement of income during the year ended March 31, 2017.

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in AOCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from AOCI into income (Effective portion)	Amount of gain or (loss) reclassified from AOCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	$101,284	Other income (expense),net	$18,469	Other income (expense),net	Nil
	$101,284		**$18,469**		**Nil**

Derivatives not designated as hedging	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$647

The following tables summarize the activities in the consolidated statement of income during the year ended March 31, 2018

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in AOCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from AOCI into income (Effective portion)	Amount of gain or (loss) reclassified from AOCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	$20,952	Other income (expense),net	$80,336	Other income (expense),net	Nil
	$20,952		**$80,336**		**Nil**

Derivatives not designated as hedging	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$2,156

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

The following tables summarize the activities in the consolidated statement of income during the year ended March 31, 2019.

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in AOCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from AOCI into income (Effective portion)	Amount of gain or (loss) reclassified from AOCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	$11,868	Other income (expense),net	$6,418	Other income (expense),net	Nil
	$11,868		**$6,418**		**Nil**

Derivatives not designated as hedging	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$642

The following table summarizes the activity in the accumulated 'Other comprehensive (loss) gain' within equity related to all derivatives classified as cash flow hedges for the year ended March 31, 2017, 2018 and 2019, respectively:

	Year ended March 31,		
	2017	**2018**	**2019**
Balance as at the beginning of the year (before tax)	$1,506	$85,796	$26,017
Unrealized gain on cash flow hedging derivatives during the year	101,284	20,952	11,868
Addition on account of acquisitions	1,443	-	-
Net loss (gain) reclassified into net income on occurrence of hedged transactions	(18,469)	(80,336)	(6,418)
Effect of exchange rate fluctuations	32	(395)	(1,481)
Balance as at the end of the year	**$85,796**	**$26,017**	**$29,986**
Deferred tax	(17,179)	(5,059)	(5,276)
	$68,617	**$20,958**	**$24,710**

As of March 31, 2019, the estimated net amount of existing gain that is expected to be reclassified into the income statement from AOCI within the next twelve months is $15,903.

13. INVENTORY

As of March 31, 2018 and 2019, Inventory comprises the following:

	March 31, 2018	**March 31, 2019**
Finished goods	$26,434	$13,142
	$26,434	**$13,142**

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

14. OTHER CURRENT ASSETS

As of March 31, 2018 and March 31, 2019, other current assets comprise the following:

	March 31, 2018	March 31, 2019
Prepaid expenses	$112,065	$146,115
Prepaid rentals for leasehold land	568	535
Interest receivable	5,035	13,598
Prepaid/advance taxes	21,440	18,524
Deposits	11,292	11,563
Deferred contract cost (Previous year : Deferred cost)	34,647	57,625
Contract assets	-	60,778
Employee receivables	6,618	7,759
Derivative financial instruments	27,320	30,638
Advance to suppliers	12,869	12,476
Finance lease receivable	52,361	80,203
Restricted cash	812	1,482
Others	75,032	83,196
	$360,059	**$524,492**

15. OTHER ASSETS

As of March 31, 2018 and March 31, 2019, other assets comprise the following:

	March 31, 2018	March 31, 2019
Deposits	$30,455	$31,960
Deferred contract cost (Previous year : Deferred cost)	73,220	120,448
Unbilled receivable (Previous year : Unbilled revenue)	33,190	16,114
Prepaid expenses	37,842	58,890
Prepaid rentals for leasehold land	43,739	40,714
Derivative financial instruments	3,590	14,950
Finance lease receivable	78,997	123,031
Contract assets	-	2,227
Restricted cash	33	19
Others	13	612
	$301,079	**$408,965**

16. ALLOWANCES FOR ACCOUNTS RECEIVABLE

The Group maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors considered by the management in determining the adequacy of the allowance include the present and prospective financial condition of the debtor and the ageing of the trade receivables.

The movement in allowance for accounts receivable is given below:

	March 31, 2018	March 31, 2019
Balance at the beginning of the year	$45,566	$44,659
Additional provision during the year	20,671	19,253
Deductions on account of write offs and collections	(22,136)	(17,295)
Effect of exchange rates changes	558	(1,853)
Balance at the end of the year	**$44,659**	**$44,764**

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

17. DEBTS

SHORT TERM BORROWINGS

The Group has availed unsecured short term loan amounting to $100,000 as of March 31, 2019 at effective interest rate of 3.3%,

The Group has availed an unsecured bank line of credit from its bankers amounting to $6,363 and $4,676 as of March 31, 2018 and March 31, 2019, respectively, at effective interest rates ranging from 0.6% to 9.6%.

LONG TERM DEBT

	March 31, 2018	March 31, 2019
From banks	$58,389	$470,745
Other	2,292	1,299
Less: Current portion	(20,246)	(56,209)
	$40,435	**$415,835**

The scheduled principal repayments are as follows:

	March 31, 2019
Within one year	$56,209
One to two years	55,344
Two to three years	38,895
Three to five years	321,596
	$472,044

The Group's borrowings are subject to certain financial and non financial covenants. At March 31, 2019, the Group was in compliance with all such covenants.

Long term debts from banks include:

Unsecured long term loans of $50,913 and $463,510 as of March 31, 2018 and March 31, 2019, respectively, at effective interest rates of 0.8% to 3.8%.

Term loans of $7,476 and $7,235 as of March 31, 2018 and March 31, 2019, respectively, at effective interest rates of 8.5% to 10.4% and secured by hypothecation of vehicles with a gross book value of $16,910 and $16,529 as of March 31, 2018 and March 31, 2019, respectively.

Other long term debts include:

Unsecured long term loans from a vendor of $2,292 and $1,299 as of March 31, 2018 and March 31, 2019, respectively, at nil interest.

18. OTHER CURRENT LIABILITIES

As of March 31, 2018 and March 31, 2019, other current liabilities comprise the following:

	March 31, 2018	March 31, 2019
Advances from customers	$9,902	$498
Sales tax and other taxes payable	89,683	108,586
Accrued liabilities and expenses	433,730	409,146
Supplier's credit*	138,353	97,239
Due to related parties	3,055	4,419
Derivative financial instruments	1,267	632
Others	31,500	34,179
	$707,490	**$654,699**

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

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

19. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of March 31, 2019 is $0.03 (` 2.00).

Voting

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

Dividends

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

Buyback

During the year ended March 31, 2019, the Company has completed the share buyback by extinguishing 36,363,636 fully paid-up equity shares of face value of ₹ 2/- each at a price of ₹ 1,100/- per share paid in cash for an aggregate consideration of $540,879 (₹ 40,000 million). Same has been recorded as reduction of equity share capital by $983 (₹ 73 million), additional paid-in capital (APIC) by $331 (₹ 29 million) and Retained earnings by $539,565 (₹ 39,898 million).

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

Liquidation

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

Stock options

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

20. OTHER INCOME (EXPENSES), NET

For the years ended March 31, 2017, 2018 and 2019, other income/ (expenses), net consist of:

	Year ended March 31,		
	2017	**2018**	**2019**
Interest income	$117,591	$71,790	$80,918
Gain on sale of investment securities and other investments, net	5,861	23,884	23,435
Foreign exchange gain (loss), net	28,072	83,481	25,936
Equity in earning of affiliates	436	2,288	580
Gain (loss) on sale of property and equipment	(880)	228	402
Miscellaneous income	1,201	869	3,788
Other income, net	**$152,281**	**$182,540**	**$135,059**

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

21. INCOME TAXES

Entities in the Group file tax returns in their respective tax jurisdictions.

The Group's provisions (benefit) for income taxes consist of the following:

	Year ended March 31,		
	2017	2018	2019
Current taxes			
Indian taxes	$262,347	$294,799	$284,509
Foreign taxes	23,807	74,762	156,323
	$286,154	**$369,561**	**$440,832**
Deferred taxes			
Indian taxes	($16,613)	($26,145)	($87,803)
Foreign taxes	21,812	15,627	1,303
	$5,199	**($10,518)**	**($86,500)**
Total taxes	**$291,353**	**$359,043**	**$354,332**

The reconciliation between the Group's provision for income tax and amount computed by applying the statutory income tax rate in India is as follows:

	Year ended March 31,		
	2017	2018	2019
Income before taxes, equity in earnings of affiliates and noncontrolling interest	$1,553,806	$1,719,514	$1,798,141
Average enacted tax rate in India	34.61%	34.61%	34.94%
Expected tax expense	537,741	595,090	628,351
Non-taxable export income	(206,808)	(219,804)	(224,398)
Non-taxable other income	(1,748)	(863)	(5,234)
Additional provision created in books	3,270	3,689	-
Reversal of prior year provision, (net)	(45,498)	(11,586)	(27,509)
Differences between India and foreign tax rates	(3,133)	(6,319)	(25,241)
Reduction in deferred tax assets due to change in US federal tax rate	-	9,510	-
Increase (decrease) in valuation allowance	5,732	(17,315)	-
Provision for deemed branch taxes	477	677	-
Others	1,320	5,964	8,363
Total taxes	**$291,353**	**$359,043**	**$354,332**

In India, the company has benefited from certain tax incentives that the Government of India has provided to Units situated in Special Economic Zones (SEZs) under the Special Economic Zone Act, 2005, which began providing services on or after April 1, 2005. The Units are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50% of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the Unit meeting defined conditions. The aforesaid tax benefits will not be available to units commencing operations on or after April 1, 2020.

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

Income tax charged to equity for the years ended March 31, 2017, 2018 and 2019, are as follows:

	Year ended March 31,		
	2017	**2018**	**2019**
Income tax from continuing operations	$291,353	$359,043	$354,332
Stockholder's equity for:-			
Tax benefits received on exercise of employee stock options reflected as part of additional paid in capital	(3,560)	(997)	-
Unrealized holding (loss) gain on available for sale investment securities	344	218	(151)
Unrealized loss (gain) on cash flow hedge	16,893	(12,120)	217
Unrealized actuarial loss (gain)	388	361	900
Effect of exchange rate fluctuations	(5,407)	1,875	13,927
	$300,011	**$348,380**	**$369,225**

In India, the Company is subject to Minimum Alternate Tax (MAT) on its book profit, which gives rise to future economic benefits in the form of adjustment of future income tax liability. MAT paid for a year can be set-off against the normal tax liability within fifteen subsequent years, expiring over the financial years between 2023 to 2034.

The tax returns are subject to examination by the tax authorities in the jurisdictions where the Group conducts business. The examination may result in assessment of additional taxes that are resolved with the authorities or through legal proceedings. Resolution of these matters involves some degree of uncertainty; accordingly, the Group recognizes income tax liability that it believes will ultimately result from the proceedings.

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

	March 31, 2018	**March 31, 2019**
Balance at the beginning of the year	$85,602	$94,091
Increase due to tax position taken during the current year	13,167	33,311
(Decrease) Increase due to tax position taken during the prior year	(4,146)	13,897
Increase in tax position due to acquisition during the year	-	2,500
Effect of exchange rate fluctuations	(532)	(5,275)
Balance at the end of the year	**$94,091**	**$138,524**

The unrecognized tax benefits, if recognized, would affect the Group's effective tax rate. Significant changes in the amount of unrecognized tax benefits within the next 12 months cannot be reasonably estimated as the changes would depend upon the progress of tax proceedings with various tax authorities.

Income tax expense includes penalties and interest related to income tax. As of March 31, 2018 and 2019, income tax payable includes $20,826 and $22,154, respectively, on account of accrued interest and penalties related to uncertain tax positions.

The Group's two major tax jurisdictions are India and USA. The tax examination is open in India for annual year beginning April 1, 2014 onwards and in USA for annual year beginning July 1, 2014 onwards.

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

The components of the deferred tax balances as of March 31, 2018 and 2019 are as follows:

	March 31, 2018	March 31, 2019
Deferred tax assets:		
Business losses (foreign)	$6,933	$12,471
Allowance for accounts receivable	12,884	13,259
Accrued employee costs	54,812	66,292
Property and equipment	4,411	3,968
Minimum alternate tax	211,424	289,846
Employee stock compensation	445	187
Leased assets	3,529	3,379
Other temporary differences	19,677	27,898
	314,115	**417,300**
Less: Valuation allowance	(3,880)	(6,431)
Total deferred tax assets	**$310,235**	**$410,869**
Deferred tax liabilities:		
Unrealized gains on investment securities	$609	$457
Unrealized gain on derivative financial instruments	5,059	5,276
Intangibles	8,532	38,609
Property and equipment	15,764	28,459
Others	11,045	20,713
Total deferred tax liabilities	**$41,009**	**$93,514**
Net deferred tax assets	**$269,226**	**$317,355**

Above table represent the gross deferred tax assets and liabilities. Amounts of deferred tax assets and liabilities presented in statement of consolidated balance sheets has been offset, wherever the Group has legally enforceable right and is related to same taxable authority.

The components of valuation allowance as of March 31, 2018 and 2019 are as follows:

	March 31, 2018	March 31, 2019
Business losses (Foreign)	($3,676)	($6,431)
Others (Indian)	($204)	$-

In assessing the realizability of deferred tax assets, the management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and its tax planning strategies, including projections for future taxable income over the periods in which the deferred tax assets are deductible, the management believes that it is more likely than not that the Group will realize the benefits of those deductible differences, net of existing valuation allowances. 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.

Business losses carried forward of certain subsidiaries of the Group for tax purposes amount to approximately $29,259 and $50,436 as of March 31, 2018 and 2019, respectively, and are available as an offset against future taxable income expiring at various dates through 2022.

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

The management is of the opinion that it is less likely that all of these subsidiaries would be in a position to realize the tax benefits associated with business losses carried forward. Given the uncertainties, a valuation allowance has been created against such business losses.

During the years ended March 31, 2017 and 2018, the US and Europe based subsidiary of the Group received excess tax benefit aggregating $3,560 and $997, respectively upon exercise of employee stock options was recognized in equity and $891 for the year ended March 31, 2019 was recognized in income tax expense in consolidated statements of income. As of March 31, 2019, the Group recognized a deferred tax asset amounting to $187 on the stock compensation expense expected to be realized on exercise of stock options in future periods.

Undistributed earnings of subsidiaries aggregate approximately $1,180,978 and $1,478,950 as of March 31, 2018 and 2019, respectively. The Group has the intent to reinvest the undistributed foreign earnings indefinitely in its significant overseas operations and consequently did not record a deferred tax liability on the undistributed earnings.

22. EQUITY SHARES

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

	Year ended March 31,		
	2017	**2018**	**2019**
Weighted average number of equity shares outstanding used in computing basic EPS	1,411,444,783	1,401,349,735	1,375,363,202
Dilutive effect of stock options	1,196,420	859,823	494,270
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	1,412,641,203	1,402,209,558	1,375,857,472

For the years ended March 31, 2017, 2018 and 2019, there were no options respectively to purchase equity shares of common stock with exercise price greater than the average market value of our stock that would have been anti-dilutive.

23. STOCK BASED COMPENSATION

ESOP 2004 (the “2004 Plan”): In December 2004, the Company instituted the 2004 Stock Option Plan to provide equity-based incentives to all eligible employees and directors of the Company and its subsidiaries. The 2004 Plan is administered by the Nomination and Remuneration Committee of the Company. The 2004 Plan provides for the issuance of a maximum of 160,000,000 underlying shares at the option price determined by the Nomination and Remuneration Committee on the date the option is granted. Each option granted under the above plan entitles the holder to eight equity shares of the Company at an exercise price, which is approved by the Nomination and Remuneration Committee.

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

Changes in number of shares representing the outstanding stock options during the year ended March 31, 2018 and 2019 are given below:

	Shares arising out of option 2004 Plan March 31		Weighted average exercise price 2004 Plan March 31		Weighted average remaining contractual term (in year) 2004 Plan March 31		Aggregate Intrinsic Value 2004 Plan March 31	
	2018	2019	2018	2019	2018	2019	2018	2019
Outstanding at beginning of the year	1,471,320	989,160	$0.03	$0.03	2.46	1.38	$19,793	$14,670
Granted	-	-	-	-	-	-	-	-
Forfeited	(19,200)	(38,400)	$0.03	$0.03	-	-	-	-
Expired	-	(960)	$0.03	$0.03	-	-	-	-
Exercised	(462,960)	(396,120)	$0.03	$0.03	-	-	-	-
Outstanding at the end of the year	989,160	553,680	$0.03	$0.03	1.38	0.50	$14,670	$8,696
Vested and exercisable at the end of the year	950,760	553,680	$0.03	$0.03	1.37	0.50	$14,100	$8,696
Weighted-average grant date fair value of grants during the year	-	-	-	-	-	-	-	-
Estimated fair value of option vested during the year	-	-	-	-	-	-	-	-
Vested and exercisable at the end of year and expected to vest thereafter	985,584	553,680	$0.03	$0.03	1.37	0.50	$14,616	$8,696

Total number of outstanding options for the 2004 Plan includes 69,210 performance based options as of March 31, 2019 (123,645 as of March 31, 2018). These options will vest with the employees of the Group based on the achievement of certain targets by the Group.

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

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2018:

	Outstanding			Exercisable	
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life(years)**	**Weighted average exercise price**	**Number of shares arising out of Options**	**Weighted average exercise price**
2004 Plan					
($0.00- $0.03)	989,160	1.38	$0.03	950,760	$0.03

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2019:

	Outstanding			Exercisable	
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life(years)**	**Weighted average exercise price**	**Number of shares arising out of Options**	**Weighted average exercise price**
2004 Plan					
($0.00- $0.03)	553,680	0.50	$0.03	553,680	$0.03

As of March 31, 2018 and 2019, options for 78,880 shares and 37,760 shares, respectively, under the 2004 Plan, were pending allotment.

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

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of March 31, 2018:

	Option vested or expected to vest		
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
2004 Plan			
($0.00-$0.03)	985,584	1.38	$0.03

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of March 31, 2019:

	Option vested or expected to vest		
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
2004 Plan			
($0.00-$0.03)	553,680	0.50	$0.03

The aggregate intrinsic value of shares for the 2004 Plan is $8,696. This value represents the total pre-tax intrinsic value calculated as the difference between the Company's closing stock price on the last trading day of the year ended March 31, 2019 and the exercise price.

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

There are no options granted during year ended March 31, 2018 and 2019.

Cash received from options exercised under the stock option plan for the years ended March 31, 2017, 2018 and 2019, was $25, $14 and $11, respectively.

The tax benefit on account of compensation cost of stock options exercised in United States of America, Great Britain, Netherlands and Germany aggregated $3,584, $1,002 and $891 for the year ended March 31, 2017, 2018 and 2019, respectively.

For the years ended March 31, 2017, 2018 and 2019, stock-based compensation expense related to the stock option plans was allocated as follows:

	Year ended March 31,		
	2017	**2018**	**2019**
Cost of sales	$-	$-	$-
Selling, general and administrative	-	-	-
Stock compensation cost before income tax benefit	**-**	**-**	**-**
Deferred tax benefit	86	287	7
Stock compensation cost (net)	**$86**	**$287**	**$7**

24. EMPLOYEE BENEFIT PLANS

India operations

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

Defined benefit Plan

Gratuity

In accordance with the Indian law, the Group provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's base salary and tenure of employment subject to a maximum of $31 (` 2,000,000/-) and the years of employment with the Group.

The reconciliation of the beginning and ending balance of the projected benefit obligation and the paid value of plan assets for the years ended March 31, 2018 and 2019, and the accumulated benefit obligation as of March 31, 2018 and 2019 is as follows:

	March 31, 2018	**March 31, 2019**
Change in benefit obligation		
Obligation at the beginning of the year	$51,672	$61,141
Service cost	11,007	11,251
Interest cost	4,329	4,991
Benefits paid	(3,900)	(4,598)
Actuarial gain	(1,684)	(4,937)
Addition on account of acquisition	-	126
Foreign currency translation	(283)	(3,127)
Obligation at the end of the year	**$61,141**	**$64,847**

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

Changes in plan assets		
Fair value of plan assets at the beginning of the year	$2,453	$2,210
Actual return on plan assets	$135	$72
Addition on account of acquisition	-	126
Employer contributions	-	3,724
Benefits paid	(394)	(3,430)
Foreign currency exchange rate changes	16	128
Plan assets at the end of the year	**$2,210**	**$2,830**

Funded status	$2,210	$2,830
Net amount recognized	(61,141)	(64,847)
Amounts recognized in the statement of financial position consist of:	-	-
Accrued benefit obligation	**($58,931)**	**($62,017)**

	March 31, 2018	**March 31, 2019**
Benefit obligation current	$8,807	$11,607
Benefit obligation Non-current	$50,124	$50,410
Accumulated benefit obligation	**$58,931**	**$62,017**

	March 31, 2018	**March 31, 2019**
Net actuarial loss	$6,620	$9,523
Net prior service cost	(1,697)	(1,236)
Total accumulated other comprehensive loss	**$4,923**	**$8,287**

Net gratuity cost for the year ended March 31, 2017, 2018 and 2019, comprise of the following components:

	Year ended March 31,		
	2017	**2018**	**2019**
Service cost	$8,205	$11,007	$11,251
Interest cost (net)	3,760	4,329	4,838
Amortization of unrecognized actuarial loss (gain)	-	-	(117)
Net gratuity cost	**$11,965**	**$15,336**	**$15,972**

The weighted average actuarial assumptions used in accounting for the benefit obligations and net gratuity cost under the Gratuity Plan for the year ended March 31, 2017, 2018 and 2019, respectively, are given below:

	Year ended March 31,		
	2017	**2018**	**2019**
Discount rate	7.80%	8.00%	8.50%
Expected rate of increase in salaries			
-for next year	7.0%	7.0%	7.0%
-thereafter	7.0%	7.0%	7.0%
Expected rate of return on assets	7.5%	7.5%	7.5%

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

Discount rates are based on the current market yield on government securities adjusted for a suitable risk premium to reflect the additional risk for high quality bonds. The Group assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The mortality rates used are as published by one of the leading life insurance companies in India.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during:

Year ending March 31,	
- 2020	$11,829
- 2021	12,193
- 2022	13,650
- 2023	15,369
- 2024	16,674
Thereafter	83,030
Total	**$152,745**

The expected benefits are based on the same assumptions as are used to measure the Group's benefit obligations as of March 31, 2019.

Provident fund

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

The actuary has provided a valuation based on the assumption mentioned below and there is no shortfall as at 31 March, 2018 and 2019.

The details of the fund and plan asset position are given below: -

	March 31, 2018	March 31, 2019
Plan assets at the year end	$433,620	$503,112
Present value of benefit obligation at year end	433,620	503,112
Asset recognized in balance sheet	**$-**	**$-**

Assumptions used in determining the present value obligation of the interest rate guarantee under the deterministic approach:

	March 31, 2018	March 31, 2019
Government of India (GOI) bond yield	7.60%	7.20%
Remaining term of maturity	8.51 Years	8.00 Years
Expected guaranteed interest rate	8.55%	8.65%

Total contributions made by the Group in respect of this plan for the years ended March 31, 2017, 2018 and 2019 are $15,642, $19,239 and $20,553, respectively.

Total contributions made by the Group towards Employees' Pension Scheme for the years ended March 31, 2017, 2018 and 2019 are $13,174, $15,355 and $15,486 respectively.

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

Defined Contribution Plan

Superannuation

In respect to superannuation, a defined contribution plan for eligible employees who contribute to a recognized Trust under schedule IV, Part B of Income Tax 1961, Trust funds are administered on its behalf by an appointed fund manager and such contributions for each year of service rendered by the employees are charged to the consolidated statements of income. The Group has no further obligations to the superannuation plan beyond its contributions. Total contributions made in respect of this plan for the years ended March 31, 2017, 2018 and 2019 are $241, $438 and $547, respectively.

Others

Total contributions made by the Group in respect of other foreign defined contribution plan for the years ended March 31, 2017, 2018 and 2019 are $56,457, $69,514 and $73,891, respectively.

25. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with the following related parties:

a. Companies in which Mr. Shiv Nadar, the principal shareholder, or any other director has controlling interest or over which he exercises significant influence (significant interest entities);
b. Affiliates of the Company and their subsidiaries (affiliates); and
c. Employees of the Group.

The related party transactions are categorized as follows:

Revenues

The Group earns revenue from software development and other services to related parties. The related parties to whom these services were provided and the corresponding amounts of revenue earned are as follows:

	Year ended March 31,		
	2017	**2018**	**2019**
Significant interest entities	$838	$2,503	$3,911
Affiliates	-	-	-
Total	**$838**	**$2,503**	**$3,911**

Cost of revenues and selling, general and administrative expenses

The Group outsources certain contracts to related parties and also procures personnel and licenses from them for software development and other services. These costs are recorded as part of cost of revenues and selling, general and administrative expenses.

The related parties to whom such charges were paid and the corresponding amounts are as follows:

	Year ended March 31,		
	2017	**2018**	**2019**
Significant interest entities	$6,050	$22,424	$30,875
Affiliates	46,480	40,713	-
Total	**$52,530**	**$63,137**	**$30,875**

Computer equipment, software purchases and others

The Group purchases computer equipment, software and other items from certain significant interest entities and affiliates. These purchases from significant interest entities and affiliates during the years ended March 31, 2018 and 2019 amounted to $1,548 and $70, and $1,958 and nil respectively.

Subleasing of facilities

Significant interest entities have leased certain facilities to the Group. The total amount charged for the years ended March 31, 2017, 2018 and 2019 were $4,392, $6,727 and $6,555, respectively.

Interest paid on extended vendor credit:

The Group has negotiated extended interest bearing credit terms with certain related parties for extended payment terms up to 360 days and have paid interest during the years ended March 31, 2017, 2018 and 2019 of $426, $478 and $1,087 respectively.

Loans to employees

The Group has advanced general purpose loans to its employees at rates of interest not more that 3%. The repayment periods for these loans are fixed with the tenure of these loans extending up to four years. Employee loan balances outstanding as of March 31, 2018 and 2019 are $318 and $349, respectively.

The balances receivable from and payable to related parties other than employees as of March 31, 2018 and 2019 are as follows:

Accounts receivable include amounts due from significant interest entities totaling $914 and $1,498, respectively.

Unbilled receivable include amounts due from significant interest entities totaling $23 and $95, respectively.

Other assets include amounts due from significant interest entities totaling $3,373 and $9,915, respectively.

Capital advances include amounts due from significant interest entities totaling $4 and nil respectively.

Accounts payable include amounts due to significant interest entities totaling $710 and $325, respectively.

Other liabilities include amounts due to significant interest entities totaling $24,704 and $28,786, respectively.

26. COMMITMENTS AND CONTIGENCIES

Capital commitments

As of March 31, 2019, the Group had contractual commitments for capital expenditure of $66,864.

Other commitments

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

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

Other Contingencies

The Group is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Group records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Group reviews these provisions at least annually and adjusts these provisions accordingly, to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Group believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of March 31, 2019.

27. LEASES

The Group has taken networking and computer equipment, vehicles, office furniture and equipment on capital leases. Future minimum lease payments under capital leases as of March 31, 2019 are as follows:

Year ending March 31,	
2020	$15,509
2021	8,149
2022	4,471
2023	2,033
2024	447
Total minimum payments	30,609
Less: Amount representing future interest	520
Present value of minimum payments	30,089
Less: Current portion	15,245
Long term capital lease obligation	**$14,844**

The Group has taken office facilities on lease under non-cancellable operating lease agreements. Future minimum lease payments as of March 31, 2019 for such non-cancellable operating leases are as follows:

Year ending March 31,	
2020	$73,634
2021	62,008
2022	49,856
2023	44,158
2024	33,677
Thereafter	47,990
Total minimum payments	**$311,323**

Additionally, the Group has taken office facilities on leases under cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee.

Rental expenses under operating leases are amortized on the straight line method. Rent expense for the years ended March 31, 2017, 2018 and 2019 amounts to $66,226, $79,549 and $97,290, respectively.

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

The Group has given IT equipment to its customers on sales type and direct finance leases. The future lease receivables in respect of equipments given on such leases are as follows:

	Total minimum lease payments receivables	Interest included in minimum lease payments receivables	Present value of minimum lease payments receivables
Year ending March 31,			
2020	$85,689	$5,486	$80,203
2021	52,741	3,354	49,387
2022	35,427	1,911	33,516
2023	32,908	2,371	30,537
2024	9,738	147	9,591
	$216,503	**$13,269**	**$203,234**

The amounts recoverable on account of such leases within one year have been included under 'other current assets' and the balance under 'other assets'.

28. SEGMENT REPORTING

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

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

Information on reportable segments for the year ended March 31, 2017 is as follows::

	Software services	**Infrastructure management services**	**Business process outsourcing services**	**Total**
Revenue	$3,926,072	$2,767,871	$281,261	$6,975,204
Depreciation and amortization	65,763	51,807	7,068	124,638
Segment earnings	**$825,849**	**$551,052**	**$37,480**	**$1,414,381**

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

Information on reportable segments for the year ended March 31, 2018 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	$4,589,323	$2,959,474	$288,895	$7,837,692
Depreciation and amortization	147,467	67,954	9,732	225,153
Segment earnings	**$933,585**	**$587,246**	**$26,928**	**$1,547,759**

Information on reportable segments for the year ended March 31, 2019 is as follows:

	Software Services	Infrastructure management services	Business process outsourcing services	Total
Revenue	$4,988,163	$3,210,668	$433,594	$8,632,425
Depreciation and amortization	205,166	88,807	12,700	306,673
Segment earnings	**$992,656**	**$638,975**	**$51,623**	**$1,683,254**

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

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

	Year ended March 31,		
	2017	**2018**	**2019**
Segment earnings	$1,414,381	$1,547,759	$1,683,254
Foreign exchange gain (loss)	28,072	83,481	25,936
Finance cost	(12,856)	(10,785)	(20,172)
Other income, net	124,209	99,059	109,123
Income before income taxes	**$1,553,806**	**$1,719,514**	**$1,798,141**

Revenues from the geographic segments, based on domicile of the customers, are as follows:

	Year ended March 31,		
	2017	**2018**	**2019**
America	$4,021,749	$4,566,408	$5,139,404
Europe	1,858,804	2,145,451	2,305,639
India*	284,343	309,189	302,147
Others	810,308	816,644	885,235
	$6,975,204	**$7,837,692**	**$8,632,425**

* Includes revenue billed to India based captive of global customers

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

During the years ended March 31, 2017, 2018 and 2019, top customer accounted for approximately 4.6%, 5.1% and 7.1% and top five customers accounted for 14.7%, 16.3% and 17.0% of the Group's revenue, respectively.

Group operates out of various geographies and America & Europe constitute major portion of revenue. In case of Software services and Business processing and outsourcing services over 60% of revenues are generated in America, Europe generates around 20% revenue and balance is generated by other geographies. Infrastructure management services segment generates over 45% revenue from America, over 40 % from Europe and balance geographies generates rest of revenue. Revenue and Cash flow from these geographies are consistent across various periods and are effected only in cases of specific risk with respect to any country or customer as the case maybe.

29. REVENUE FROM CONTRACT WITH CUSTOMERS:

A. Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended March 31, 2019 by contract type.

Revenues by contract type

	Year Ended March 31, 2019
Fixed price	$ 5,414,015
Time and material	3,218,410
Total	**$ 8,632,425**

Of the above, fixed price revenue, Infrastructure management services and Software services accounts for 52% and 45% respectively. For time and material revenue Software services accounts for 79% revenue and balance about equally between other two segments.

B. Remaining Performance Obligations

As of March 31, 2019, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of ASC 606 was $7,134,796 out of which, approximately 40% is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusions of below:

a) Contracts for which we recognize revenues based on the right to invoice for services performed,
b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 60610-32-40 have been met, or
c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

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

C. Contract Balances

Contract assets

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our consolidated balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

During the year, out of $68,755 contract assets as on March 31, 2018, invoicing for 87% has been done and balance is pending for invoicing.

Contract liabilities

A contract liability arises when there is excess billing over the revenue recognized. The below table discloses the significant movement in contract liabilities:

	Year Ended March 31, 2019
Balance as at March 31, 2018	**$130,631**
Additional amounts billed but not recognized as revenue	140,157
Deduction on account of revenues recognized during the year	(95,886)
Addition on account of acquisitions	14,525
Effect of exchange fluctuations	(6,136)
Balance as at March 31, 2019	**$183,291**

Deferred contract cost

Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract The below table discloses the significant movement in Deferred contract cost:

	Year Ended March 31, 2019
Balance as at March 31, 2018	$107,867
Additional cost capitalised during the year	114,471
Deduction on account of cost amortised during the year	(39,116)
Effect of exchange fluctuations	(5,148)
Balance as at March 31, 2019	**$178,074**

30. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

Cost approach – Replacement cost method.

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

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

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, corporations and debt securities having maturities less than three months	$281,638	$281,638	-	-
Term deposits with banks	$280,818	-	$280,818	-
Deposits with corporation	$243,281	-	$243,281	-
Investment securities, available for sale	$321,174	$321,174	-	-
Derivative contracts	$45,588	-	$45,588	-
Liabilities				
Derivative contracts	($688)	-	($688)	-

Valuation Methodologies

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

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

Derivative financial instruments: The Group's derivative financial instruments consist of foreign currency forward exchange contracts. Fair values for derivative financial instruments are based on broker quotations and are classified as Level 2. See note 12 for further details on Derivative financial instruments.

Fair value of earn-out consideration: The fair value measurement of earn-out consideration is determined using Level 3 inputs. The Group earn-out consideration represents a component of the total purchase consideration for its acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals. During the year ended March 31, 2018 and 2019, the group has charged finance cost of $11 and $464, recognized other income of $640 and $2,629 and has fair valued the earn-out consideration.

During the year ended March 31, 2019, the group has made earnout payment of $3,792 and has reduced the fair value of earnout liability estimated as at acquisition date by $9,815.

The Group estimated the total fair value of the earn out consideration to be $17,759 and $1,987 as of March 31, 2018 and March 31, 2019, respectively for acquisitions consummated in previous periods.

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

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

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

31. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Year ended March 31		
	2017	2018	2019
Unrealized gain on securities available for sale:			
Opening balance (net of tax)	$214	$827	$1,475
Unrealized gains	3,365	17,331	13,955
Reclassification adjustments into other (income) expenses, net	(2,408)	(16,465)	(14,679)
Income tax benefit (expense)	(344)	(218)	151
Effect of exchange fluctuations	-	-	-
Closing balance (net of tax)	**$827**	**$1,475**	**$902**
Unrealized gain on cash flow hegdes:			
Opening balance (net of tax)	$1,220	$68,617	$20,958
Unrealized gain (loss)	101,284	20,952	11,868
Reclassification adjustments into other (income) expenses, net	(18,469)	(80,336)	(6,418)
Addition on account of acquisition	1,443	-	-
Income tax benefit (expense)	(16,893)	12,120	(217)
Effect of exchange fluctuations	32	(395)	(1,481)
Closing balance (net of tax)	**$68,617**	**$20,958**	**$24,710**
Actuarial gain on defined benefit plan:			
Opening balance (net of tax)	$2,754	$2,424	$3,722
Actuarial gain (loss)	(1)	1,684	4,937
Reclassification adjustments into employee benefit expenses*	-	-	(117)
Income tax benefit (expense)	(388)	(361)	(900)
Effect of exchange fluctuations	59	(25)	(211)
Closing balance (net of tax)	**$2,424**	**$3,722**	**$7,431**
Foreign currency translation loss:			
Opening balance	($673,486)	($663,664)	($605,080)
Foreign currency translation	9,822	58,584	(315,328)
Closing balance	**($663,664)**	**($605,080)**	**($920,408)**

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

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

32. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2018 and March 31, 2019 are as follows:

	March 31,2018	March 31, 2019
Unrealized gain on securities available for sale	$1,475	$902
Unrealized gain (loss) on cash flow hedges	20,958	24,710
Unrealized gain on defined benefit plan	3,722	7,431
Foreign currency translation	(605,080)	(920,408)
	($578,925)	**($887,365)**

33. SUBSEQUENT EVENTS

a. Acquisition of Strong-Bridge Envision

On March 13, 2019, the Group through a wholly owned subsidiary has entered into an agreement to acquire 100% shareholding of Strong-Bridge Holdings, Inc. (doing business as Strong-Bridge Envision or SBE) a provider of digital and analytics (digital consulting services) across various industry verticals for purchase consideration of $45,000 payable in cash. The acquisition is a step towards enhancing HCL's Digital Consulting capabilities which are an integral part of Digital and Analytics business by adding digital strategy development, agile program management and organizational change management capabilities.

The acquisition is consummated on April 01,2019

b. The Group has evaluated all the subsequent events through May 09, 2019, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date that would have material impact on the consolidated financial statements.