UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

Commission File Number 0-22903

SYNTEL, INC.
(Exact name of Registrant as specified in its charter)

Michigan (State or other jurisdiction of Incorporation or organization)	**38-2312018** (I.R.S. Employer Identification No.)
525 E. Big Beaver Road, Suite 300, Troy, Michigan (Address of principal executive offices)	**48083** (Zip Code)

Registrant's telephone number, including area code: (248) 619-2800

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, no par value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant has been required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company or emerging growth company. See definition of “large accelerated filer,” “accelerated filer” and “small reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The aggregate market value of the Common Stock held by non-affiliates of the Registrant as of the last business day of the Registrant’s most recently completed second fiscal quarter, June 30, 2017**,** based on the last sale price of $16.96 per share for the Common Stock on The NASDAQ Global Select Market on such date, was approximately $554,288,060.

As of January 31, 2018, the Registrant **had 82,965,154** shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant’s Proxy Statement for the 2018 Annual Meeting of Shareholders to be held on or about June 6, 2018 are incorporated by reference into Part III hereof.

SYNTEL INC.

FORM 10-K

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PART I

ITEM 1. BUSINESS

References herein to the "Company" or "Syntel" refer to Syntel, Inc. and its subsidiaries worldwide on a consolidated basis.

FORWARD-LOOKING STATEMENTS

Certain statements and information set forth in this report on Form 10-K, including the allowance for doubtful accounts, contingencies and litigation, potential tax liabilities, interest rate or foreign currency risks, and projections regarding the Company's liquidity and capital resources could be construed as forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements containing words such as "could," "expects," "may," "anticipates," "believes," "estimates," "plans," and similar expressions. In addition, the Company or persons acting on its behalf may, from time to time, publish other forward-looking statements. Such forward-looking statements are based on management's current estimates, assumptions and projections and are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements, including, without limitation, the risks and uncertainties detailed in "Item 1A, Risk Factors," of this Form 10-K.

Other factors not currently anticipated may also materially and adversely affect the Company's results of operations, cash flows, financial position and prospects. There can be no assurance that future results will meet expectations. While the Company believes that the forward-looking statements in this Annual Report on Form 10-K are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. The Company does not undertake, and expressly disclaims any obligation to update or alter any statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

OVERVIEW

Syntel, incorporated under Michigan law on April 15, 1980, is a global provider of digital transformation, information technology (IT) and knowledge process outsourcing (KPO) services to Global 2000 companies.

The Company's reportable business segments are as follows:

- Banking and Financial Services
- Healthcare and Life Sciences
- Insurance
- Manufacturing
- Retail, Logistics and Telecom

In each of our business segments, Syntel helps customers adapt to market change by providing a broad array of technology-based, industry-specific solutions. These solutions leverage Syntel's strong understanding of the underlying trends and market forces in our chosen industry segments. These solutions are complemented by strong capabilities in Digital Modernization, Social, Mobile, Analytics and Cloud (SMAC) technologies, Business Intelligence (BI), Knowledge Process Outsourcing (KPO), application services, testing, Enterprise Resource Planning (ERP), IT Infrastructure Management Services (IMS), and business and technology consulting.

Banking and Financial Services

Our Banking and Financial Services segment serves financial institutions throughout the world. Our clients include companies providing banking, capital markets, cards and payments, investments and transaction processing services to third parties. Our clients engage us to help make their operations as effective, productive and cost-efficient as possible, and to support new capabilities. We assist these clients in such areas as: payment solutions, retail banking, wholesale banking, consumer lending, risk management, investment banking, reconciliation, fraud analysis, mobile banking, and compliance and securities services. The demand for our services in the banking and financial services sector is being driven by changing global regulatory requirements, customer interest in newer technology areas and related services such as digital modernization, and an ongoing focus on cost reduction and operational efficiencies.

Healthcare and Life Sciences

Our Healthcare and Life Sciences segment serves healthcare payers, providers and pharmaceutical and medical device providers, among others. The healthcare industry is constantly seeking to improve the quality of care while managing the cost of care in order to make healthcare affordable to a larger population. Our healthcare practice focuses on providing a broad range of services and solutions to the industry across the consumer lifecycle, which includes regulatory requirements, integrated care, stakeholder engagement and wider use of electronic health records, among others. We also partner with clients to modernize their systems and processes to enable them to deal with the increasing consumer orientation of healthcare, such as adoption of mobile and analytics solutions to improve access to health information and decision making by end consumers.

In the life sciences category, we partner with leading pharmaceutical, biotech, and medical device companies, as well as providers of generics, animal health and consumer health products. Our life sciences solutions help transform many of the business processes in the life sciences value chain (research, clinical development, manufacturing and supply chain, and sales and marketing) as well as regulatory and administrative functions.

Insurance

Syntel serves the needs of global property and casualty insurers, insurance brokers, personal, commercial, life and retirement insurance service providers. These customers turn to us for assistance in improving the efficiency and effectiveness of their operations and in achieving business transformation. We focus on aspects of our clients' systems and operations, such as policy administration, claims processing and compliance reporting. We also serve the growing trend among insurers to improve their sales and marketing processes by deepening direct customer relationships and strengthening interactions with networks of independent and captive insurance agents. This is often accomplished through the use of digital front-end technologies like web enablement, social media and mobility, and supported by modernization of applications, product implementations and infrastructure elements, along with cloud enablement. Additionally, many insurers seek to improve business effectiveness by reducing expense ratios. Syntel helps our customers achieve this by managed services and IT and process automation with our industry leading SyntBots® automation platform.

Manufacturing

We provide technology services and business consulting in a range of sub-sectors including industrial products, aerospace and automotive manufacturing, as well as to processors of raw materials and natural resources. Demand for our services in this segment is being driven by trends that, among others, include the increasing globalization of sourcing and the desire of clients to further penetrate emerging markets, leading to longer and more complex supply chains. Some of our solutions for industrial and manufacturing clients include warranty management, dealer system integration, Product Lifecycle Management (PLM), Supply Chain Management (SCM), sales and operations planning, and mobility. Digitization, including connectivity leveraging the Internet of Things, Analytics based decision support and Mobility are some of the emerging trends on which we are working with our clients.

Retail, Logistics and Telecom

Syntel's Retail, Logistics and Telecom (RLT) Business unit is the fastest growing and second-largest business unit and leverages its comprehensive understanding of the business and technology needs of these industries. Aligned to Syntel's Corporate Offering strategy, the RLT business unit offers legacy elimination and digital modernization solutions to its clientele. Our industry solutions for our clients include SCM, merchandising, sales and operations planning, point of sale (POS) solutions, omnichannel enablement and integration, web content management solutions, sales force and cloud foundry enablement, among others. Syntel's RLT offerings are designed to provide effective operations and enhanced customer experiences.

INDUSTRY

Digital technologies are becoming ubiquitous in our personal and professional lives. Every industry is facing disruption from "Born Digital" competitors who are leveraging technology to disrupt existing business models.

Global 2000 companies are facing the urgent need to evolve into digital enterprises. They must simultaneously address two challenges – to **implement digital technology and business models** to compete with disruptive competitors and **modernize their technology infrastructure and systems** to seamlessly integrate into the digital ecosystem.

Syntel's message to its clients is "**Evolve the Core** and **Go Digital to achieve more.**" Syntel helps Global 2000 companies manage and modernize their existing IT systems and knowledge processes and delivers digital solutions to transform their business for the Digital Age.

- **Core Services:** Optimize the management of "Run the Business" services, through outsourcing of their information technology (IT) and business / knowledge processes. The primary driver for outsourcing is greater efficiency through standardized processes, reliability and scalability, resulting in lower total cost of ownership.

- **Digital Services:** Invest in transformational "Change the Business" digital programs to drive new customer acquisition, revenue growth, speed to market and business agility.

Demand for core IT services is driven by companies seeking to outsource not just specific projects for the design, development and integration of new technology systems, but also ongoing management, maintenance and enhancement of existing technology systems and infrastructure. Traditional application and infrastructure management services have evolved into integrated IT Operations services (IT Ops) through the use of intelligent automation. Service providers best positioned to benefit from the demand for Core Services have access to a pool of skilled professionals, a proven ability to manage large-scale IT and KPO programs, robust methodologies for managing transition, projects and risk, low-cost offshore software development facilities, and operational scalability to meet customer growth requirements. Providers with strong expertise in automation solutions can create competitive advantage by providing greater efficiency and lower risk.

Digital Services include the implementation and management of new technology solutions in Big Data analytics, customer experience, process digitization and connected devices using Internet of Things (IoT). Demand for Digital Services is driven by skills in new and emerging technologies, an understanding of the complexities of a rapidly-changing technology landscape and knowledge of digital business models and their impact on different industries. Companies are increasingly adopting a "Product Engineering" approach for developing new applications, leveraging cloud based development platforms, Agile development methodology and integrated software development and testing (DevOps).

Demand for Knowledge Process Outsourcing (KPO) services is driven by enterprises looking beyond IT outsourcing to drive cost efficiency by outsourcing business and knowledge processes. KPO services can deliver greater efficiency and improved service levels for the client. Companies are increasingly adopting automation technologies to drive greater efficiency levels in business process operations.

Global delivery of services is an integral element of the business strategy of any Global 2000 corporation. Services globalization enables companies to access a global pool of skilled talent and capabilities to drive greater competiveness. A well-executed global services model delivers higher quality, lower cost, faster turnaround, and responsive and customized service.

Syntel's customer-centric approach delivers tangible value to clients through a flexible model that combines technology skills, intellectual property and business domain expertise to develop innovative solutions to solve unique business problems. Our organization is focused on and aligned to help customers strike the right balance between investing in new initiatives and optimizing and modernizing existing ones. Syntel's "Customer for Life" philosophy emphasizes flexibility, customer responsiveness, value focus and a tradition of delivery excellence.

During 2017, the Company provided services to 136 customers, primarily in the U.S. and Europe. Syntel has been chosen as a preferred vendor by many of its customers and has been recognized for its quality and responsiveness. The Company seeks to develop long-term relationships with its customers in order to become a trusted business partner and expand its presence with current customers. Additionally, the Company believes that its domain expertise, breadth of services and strong alignment with client culture and business imperatives are important decision factors in Syntel being chosen as a preferred vendor. The Company's investment in developing the SyntBots intelligent automation platform enables it to deliver higher levels of efficiency and quality to client engagements.

The Company has an integrated sales and marketing approach that leverages a dedicated sales team to identify and acquire new accounts and work with engagement teams to expand and cross-sell within existing accounts. The sales and engagement teams' efforts are complemented by teams who cover the analyst, advisory and product alliance channels.

The Company believes that human resources are its most valuable asset and invests significantly in programs to recruit, train and retain technology and operations professionals. The Company recruits through a global recruiting network and maintains a broad package of employee support programs. Syntel believes that its management structure and human resources organization is designed to maximize the Company's ability to efficiently expand its professional staff in response to customer needs. The Company launched a global workforce transformation program called **Syntel X.0** to prepare its workforce for the future. This comprehensive program realigns learning and development, career planning and performance measurement to meet the dynamic requirements of the Digital Age.

As of December 31, 2017, Syntel's worldwide billable headcount consisted of 17,307 professionals providing professional services to Syntel's customers.

The information set forth under Note 16, "Geographic Information," to the Consolidated Financial Statements in the separate financial section of this Annual Report on Form 10-K is incorporated herein by reference.

COMPETITIVE ADVANTAGE

Over the past 37 years, Syntel has been able to align its services, client value proposition and its business model to stay ahead of the curve and remain relevant and valuable to its clients. Syntel's competitive advantage is underpinned by the following core competencies:

Customers for Life: The Company recognizes that its best source for new business opportunities comes from existing customers and believes that superior customer service is a differentiating factor — as evidenced by Syntel's high rate of repeat business. At the beginning of a customer engagement, Syntel's services are based on technical and domain expertise and experience. Over time, Syntel develops an in-depth knowledge of the customer's business processes, applications, processes and industry, enabling Syntel to identify and implement new higher-value services for that customer.

Industry Domain: Syntel's mission statement is "We create new opportunities for our clients by harnessing our talent, passion and innovation." The Company is focused on developing a strong understanding of its clients' businesses to drive new opportunities to improve their business performance. Syntel has developed methodologies, toolsets and proprietary knowledge applicable to specific industries. Syntel combines deep industry knowledge with an understanding of its clients' needs and technologies to provide high-value, high-quality services that are strongly linked to their underlying business. For the year ended December 31, 2017, the Company's percentage of revenue by industry segment was 45%, 18%, 18%, 15% and 4% for banking and financial services, retail, logistics and telecom, healthcare and life sciences, insurance and manufacturing, respectively.

Depth and Breadth of Technology Service Offerings: The Company provides a comprehensive range of technology services, including IT Ops (application and infrastructure management), Product Engineering (application development, and testing), Legacy Modernization (application modernization, data modernization and cloud migration) and Digital (customer experience, process digitization, data and insights and IoT). This broad technology expertise and experience enables the Company to partner closely with its customers to solve a wide variety of business problems through the power of technology.

Intellectual Property: Over its 37-year history, Syntel has developed proven methodologies and practices, innovative accelerators, tools and utilities, reusable software assets, and technical expertise for the development, management and transformation of its customers' information systems and business processes. The Company believes this intellectual property enhances its ability to understand customer needs, design customized solutions and provide high quality services faster and cost-effectively.

The Company strives to continually enhance its knowledge base by creating competencies in emerging technical fields such as automation, artificial intelligence, Big Data analytics, cloud computing, mobile and embedded technologies, open source platforms, and social media. Syntel's intelligent automation platform SyntBots® is gaining traction among clients and analysts.

Through these efforts, the Company delivers additional value to its clients, drives an expanded scope of work for existing customers, and creates greater efficiency in its own service delivery.

In order to protect the Company's intellectual property rights, the Company relies upon a combination of non-disclosure and other contractual arrangements as well as trade secret, patent, copyright and trademark laws. The Company enters into confidentiality agreements with its employees, consultants, clients and potential clients, which limit access to and distribution of the Company's proprietary information.

Commitment to Client Success: Syntel aligns its objectives with those of its clients by committing to outcome-based delivery models such as fixed-price, fixed-time frame engagements. The Company also believes its ability to take ownership for its clients' successes is an important competitive differentiator in the marketplace. The Company leverages its domain expertise, skilled technical resources and proprietary tools and methodologies to meet and exceed customer expectations on these engagements.

Global Delivery: Syntel performs its services on-site at customer locations, off-site at the Company's U.S. and European locations, and offshore at the Company's locations in Asia. By linking each of its service locations together through a dedicated data and voice network, Syntel provides a seamless service capability to its customers around the world, largely unconstrained by geographies, time zones and cultures. Syntel's Global Delivery Model gives the Company the flexibility to deliver to each customer a unique mix of onsite, offsite, nearshore and offshore services to meet varying customer needs for direct interaction with Syntel personnel, access to technical and process expertise, resource availability and cost-effective delivery.

Benefits to clients include responsive delivery based on an in-depth understanding of client-specific processes and needs, quick turnaround, access to the most knowledgeable personnel and best practices, resource depth, 24-hour support seven days a week, scalability, and cost-effectiveness. Syntel has Global Development Centers in Pune, Mumbai, Gurugram (previously known as "Gurgaon") and Chennai, India; Glasgow, Scotland; Krakow, Poland; and Manila, Philippines. The Company has offsite development facilities in Phoenix, Arizona; Memphis, Tennessee; Nashville, Tennessee, and a support center in Cary, North Carolina to support the Company's Global Delivery Model.

BUSINESS STRATEGY

The Company strives to become a strategic partner with its customers to manage the lifecycle of their technology, business and knowledge process operations. Syntel's strategy is based on the following levers:

Focus on wallet share expansion in current customers (Top 50) and selectively add new customers: Syntel's emphasis on customer service and long-term relationships has enabled the Company to generate recurring revenues from existing customers. The Company has intensified its efforts to become a preferred supplier for all its top 50 accounts. The Company also seeks to expand its customer base within its chosen industries through sales and marketing efforts. The Company is also increasing its marketing efforts in other parts of the world, particularly in Europe.

Leverage Global Delivery Model: The ability to deliver a seamless service capability virtually anywhere in the world from local and offshore facilities gives Syntel an effective ability to meet customer needs for technical and process expertise, best practice solutions, resource availability, scalability, responsive turnaround and cost-effective delivery. The Company has invested in expanding its offshore delivery footprint beyond India, and has established centers in Manila, Philippines and Krakow, Poland. A significant proportion of the Company's services are delivered from offshore delivery locations. Measured by billable headcount, the percentage of services delivered from offshore centers was approximately 76% and 76% as of December 31, 2017 and December 31, 2016, respectively.

Selectively pursue partnership opportunities: The Company has entered into partnership alliances with numerous software product companies. These alliances combine the partner's software capabilities with Syntel's extensive implementation and delivery capabilities to drive value delivery to clients. Before entering into a partnership alliance, the Company considers a number of criteria, including: the technology employed, the industry served, the projected product lifecycle, the size of the potential market, the product's integration requirements, and the reputation of the potential partner.

Attract and retain highly skilled professionals: The Company believes that employees are its most valuable asset, and that its success depends in large part upon the ability to attract, develop, motivate, retain and effectively utilize highly skilled professionals. Over the years, the Company has developed a worldwide recruiting network, logistical expertise to relocate its personnel, and programs for human resource retention and development.

The Company believes that its management structure and human resources organization is designed to maximize the Company's ability to efficiently expand its professional staff in response to customer needs. The Company believes that its investments in creating world-class campus facilities have positively impacted its ability to attract and retain high quality talent.

Additionally, the Company's "Syntel X.0" program is designed to ensure that Syntel's workforce stays up-to-date and equipped with the right skills, competencies and knowledge to meet changing customer requirements and continue delivering high-value technology and business solutions in the Digital Age.

Focus on services powered by intelligent automation: Syntel has invested heavily in a comprehensive intelligent automation platform, SyntBots, which underpins the delivery of IT and process outsourcing services. Syntel's IT Ops, Legacy Modernization, Product Engineering, Digital One and KPO services leverage the SyntBots platform's tools, components and accelerators, which enables the Company to deliver higher efficiency, improved quality, lower risk and greater value to clients.

SERVICE OFFERINGS

Syntel's focus on customer service is evidenced by the high level of repeat business from existing customers, and the performance and quality awards its customers have bestowed on Syntel. During 2017, approximately 99% of Syntel's revenue came from clients the Company has worked with for at least one year. Syntel has earned recognition for its quality and innovation from a host of clients in a variety of industries. Syntel is also an ISO 9001:2015 and ISO 27001:2013 certified company and has been issued a SOC 1 Type II report as per the Statement of Standard for Attestation Engagement No. 18 (SSAE18) and SOC 2 Type II report performed under AT Section 101, Attest Engagements (AICPA), Professional Standards.
Syntel provides a comprehensive range of services to its customers, including IT Ops, Product Engineering, Legacy Modernization, Digital One® and KPO services.

IT Operations Management (IT Ops): Drive availability, scalability and business agility

Syntel provides end-to-end, integrated application and infrastructure management services to its clients. The ideal delivery method for these services is a managed services model, where Syntel assumes responsibility for managing the system and delivering agreed-upon service levels for availability, performance and problem resolution. The Company's SyntBots® intelligent automation platform delivers robust, reusable automation capabilities that enhance the productivity and quality of its IT Operations Management services.

Product Engineering: Enable innovation at speed

Enterprises are adopting a "product engineering" approach for building new software applications. Syntel enables clients to build and test applications using traditional and cloud-based development platforms.

Syntel uses a Scaled Distributed Agile development methodology along with continuous testing and integration (DevOps) frameworks and toolsets to deliver new applications faster and more efficiently. The Company's SyntBots intelligent automation platform provides reusable tools and accelerators to improve productivity and quality in the development and testing cycle.

Legacy Modernization: Digital-ready IT

Global enterprises are often saddled with technical debt accumulated over the course of decades, which comprises older systems built on different technologies and architectures. Technical debt is one of the most significant obstacles that prevents enterprises from providing a seamless digital customer experience. Syntel has a comprehensive suite of services to help clients modernize their legacy systems to seamlessly interoperate with the digital ecosystem.

Syntel's legacy modernization services cover all three layers of the technology stack: applications, data and infrastructure. Syntel's legacy modernization services include software analysis, language conversion, reverse engineering, database migration, code optimization, cloud onboarding and migration, ecosystem migration, testing and management. Syntel's intelligent automation platform, SyntBots, provides tools and accelerators for faster speed to market, improved quality, greater efficiency and lower risk for modernization programs.

Digital One: Deliver outstanding customer experience

Syntel's Digital One services enable clients to deliver outstanding customer experience across all digital channels. The Company's digital services include consulting, implementation and management of solutions for customer experience, data and insights, process digitization and smart connected devices. Syntel's services cover a wide array of technologies across enterprise architecture, data warehousing, business intelligence, enterprise application integration (EAI), mobility, big data, analytics and Internet of Things (IoT).

Knowledge Process Outsourcing

Syntel's KPO services provide high-value outsourced solutions for knowledge and business processes. Syntel's proven process expertise combined with process automation capabilities using the SyntBots automation platform enables the Company to deliver greater efficiency and value to clients.

Syntel's Global Delivery Organization (GDO) is responsible for seamless delivery of IT services to all its clients. GDO enables greater efficiency, agility and client satisfaction through integrated and automation-enabled delivery of application and infrastructure services using a factory model. It enables the Company to respond to client needs for ongoing service and flexibility, and provides the ability to quickly and cost-effectively ramp up engagements to meet timing and resource demands for mission-critical applications.

Syntel aligns its service delivery model to every customer organization's IT strategy and preferred delivery model. For example, if the customer's business requires fast delivery of a mission-critical application update, Syntel will combine on-site professionals with knowledge of the customer's business processes and applications with its global infrastructure to deliver around-the-clock resources. If the customer's primary goal is cost reduction, Syntel may increase the portion of work performed at its offshore Global Development Centers to significantly lower costs. The Company believes that its ability to provide flexible service delivery and access to resources permits responsiveness to customer needs and is an important factor that differentiates its services in the marketplace.

The Company believes its approach to providing these services and its commitment to improved business outcomes results in a long-term collaborative relationship with customers.

CUSTOMERS

Syntel provides its services to a broad range of Global 2000 corporations in the banking and financial services, healthcare and life sciences, insurance, manufacturing, retail, logistics and telecom industries.
During 2017, the Company provided services to 136 customers, principally in the U.S. and Europe. The Company also serves a number of customers in Asia, many of whom are subsidiaries or affiliates of U.S. customers.

For the years ended December 31, 2017, 2016 and 2015, the Company's top ten customers accounted for approximately 69%, 73% and 74% of the Company's total revenues, respectively. The Company's three largest customers in 2017 contributed approximately 16%, 15% and 14%, respectively, of the total revenues. The Company's largest customer for the years ended December 31, 2017, 2016 and 2015 was American Express, accounting for approximately 16%, 22% and 21% of the total consolidated revenues for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's second-largest customer, State Street Bank, contributed approximately 15%, 14% and 15% of total consolidated revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Finally, the Company's third-largest customer, Federal Express Corporation, contributed approximately 14%, 12%, and 12% of total consolidated revenues for the years ended December 31, 2017, 2016 and 2015, respectively.

SALES AND MARKETING

The Company markets and sells services directly through a professional sales and account management team operating from the Company's offices in key markets across North America and Europe.

The sales and account management team is aligned by industry vertical and is equipped to sell the entire range of Syntel services to existing and prospective clients. The sales team is supported by domain and technical subject matter experts from the client solutions, practice, pre-sales and delivery teams.

The sales cycle involves multiple stages including marketing activities to generate leads, collateral and capability presentations, responding to RFIs (Requests for Information) and RFPs (Requests for Proposal), technical solution development, presenting proposals to clients, hosting site visits for clients and commercial and contractual negotiations.

The sales team collaborates with Syntel's client solutions, pre-sales, practice, delivery, finance, marketing, human resources and legal teams to develop a technical solution and commercial value proposition that meets client requirements. Senior Syntel leaders from Sales, Business Unit and Corporate functions are involved and engaged with client management throughout the sales process.

The sales cycle for IT engagements can range from six to twelve months and depends on the nature of the services required and contracted for, as well as the scope, size and complexity of the engagement.

The sales cycle for KPO engagements can range from six to eighteen months from initial contact to execution of an agreement, and varies by type and scope of services, account size and complexity of the engagement.

The Company's marketing initiatives cover traditional and digital channels to connect and engage with customers and prospects. Digital channels include Syntel's corporate website, online advertising, social media outreach and online events such as webinars. Offline channels include direct marketing campaigns, sponsoring and exhibiting at conferences and tradeshows, hosting client-focused events, public relations activities and maintaining strong relationships with industry trade groups, industry analysts and sourcing advisory firms.

HUMAN RESOURCES

The Company believes that its human resources are its most valuable asset. As of December 31, 2017, the Company globally had 22,114 full-time employees including a billable headcount of 17,307 providing a wide range of IT and KPO services to Syntel's customers.

The Company has implemented a management structure and human resources organization intended to maximize the Company's ability to efficiently expand its professional staff to meet customer demands. The Company believes that it has the capability to meet its anticipated future staffing needs for IT and KPO professionals through its established recruiting, talent management and training programs.

Talent Acquisition: The Company has developed a robust recruiting methodology over the years, with campus hiring as the primary focus in key global regions. The Company has also significantly expanded its global recruiting team, with recruiters in the U.S., Europe, the Philippines, and at offices across India working to recruit candidates with the right mix of skills and experience to support its global customer base.

Talent Management:

The Company seeks to provide meaningful development and advancement opportunities to its employees, which the Company believes leads to improved employee retention and better customer service.

Syntel X.0 is the Company's key workforce transformation initiative, which aims to foster a learning culture powered by agility, inspired leadership, and empowered people.

In addition, Syntel's talent management program STEP (Syntel Talent Engagement Program) is focused on amplifying the agility of our employees and helping them evolve with and stay ahead of changing market needs and requirements. The primary objectives of this program is to focus on employee potential, nurture employee talent and identify future leaders from within the Company's ranks.

As part of its retention strategy, the Company provides a competitive compensation and benefits package on par with industry standards.

Training:

In line with Syntel X.0, Syntel's entire training framework is powered by an exhaustive learning engine, which is mapped to an industry standard content library that provides on-demand learning opportunities to Syntel employees.

Syntel's training team leverages proven methodologies and practices with the objective of developing a consistent and reliable talent pool of qualified IT and KPO professionals. Syntel periodically introduces new and relevant training programs to enhance the skills and abilities of its employees in one of the Company's four core training areas: Technical, Functional, Industry Domain, and Management.

- Technical training programs encompass the core technology skills, programming languages, software packages, and development methodologies used for executing projects.
- Functional training is primarily focused on instructing employees how to properly execute processes involved in the Company's KPO engagements.
- Industry domain training is intended to provide employees with deep knowledge of the fundamental principles of a customer's underlying business.
- Management training covers a range of topics that include project management, leadership development, and behavioral skills.

Training is delivered in instructor-led, eLearning and video learning modes, in stand-alone as well as blended learning formats.

COMPETITION

The IT and KPO services industry is competitive, fragmented and subject to rapid changes. The Company competes for business with a variety of other firms, including system integrators, application software companies, professional services companies and contract programming companies.

Syntel competes with IT services companies that utilize a similar integrated on-site/offshore business model, such as Tata Consultancy Services, Cognizant Technology Solutions, Infosys Technologies and Wipro Technologies, as well as large global IT service providers like Accenture and IBM Global Services.

Competition also arises from geographies such as Eastern Europe and the Philippines, as well as from smaller local companies in the various geographic markets in which Syntel operates.

In KPO services, the Company primarily competes with other offshore KPO vendors including Genpact, HCL, Wipro Technologies, WNS, and with offshore captive units established by client organizations.

AVAILABLE INFORMATION

Syntel makes available free of charge, through its website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The URL for Syntel's web site is www.syntelinc.com.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Registrant, their ages, and the position or office held by each, are as follows:

NAME	AGE	POSITION
Bharat Desai	65	Co-Chairman and Director
Prashant Ranade	65	Co-Chairman and Director
Rakesh Khanna	55	Chief Executive Officer, President and Director
Anil Agrawal	41	Chief Financial Officer and Chief Information Security Officer
Daniel M. Moore	63	Chief Administrative Officer, General Counsel and Secretary
Rahul Aggarwal	48	Vice President, Insurance Business Unit Head
Ben Andradi	57	Vice President, Head – Europe Sales
Sameer Arora	47	Vice President, Chief Marketing Officer
Sanjay Garg	51	Vice President, Chief Executive Officer, State Street Syntel Services Private Limited
Anil Jain	59	Senior Vice President, Head – Sales NAO
Chetan Manjarekar	52	Senior Vice President, Digital One Head
Sujay Puthran	46	Vice President, Global Head – Human Resources & Administration
V. S. Raj	54	Senior Vice President, Banking and Financial Services Business Unit Head

Raja Ray	55	Senior Vice President, RCT, Logistics and Travel Business Unit Head
Murlidhar Reddy	48	Senior Vice President, Healthcare Business Unit Head
Narendar Reddy	53	Vice President, Life Sciences Business Unit Head
Avinash Salelkar	55	Vice President, Manufacturing Business Unit Head
Ramakumar Singampalli	50	Senior Vice President, Chief Delivery Officer

Bharat Desai is a co-founder of the Company and serves as its Co-Chairman of the Board and as a director. He served as the Company's Chief Executive Officer from the Company's formation through February 2009 and has been the Chairman of the Company's Board of Directors since February 1999 and Co-Chairman since November 2016.

Prashant Ranade was appointed Co-Chairman in November 2016. He served as Executive Vice Chairman from April 2014 to October 2016 and Chief Executive Officer and President of the Company from February 2010 to April 2014. He has served as a director of the Company since June 2007.

Rakesh Khanna was appointed Chief Executive Officer and President of the Company in July 2017. He previously served the Company as Interim Chief Executive Officer from November 2016 to July 2017 and as Chief Operating Officer from January 2012 to October 2016. He has served as a director of the Company since July 2017.

Anil Agrawal was appointed Chief Financial Officer and Chief Information Security Officer in October 2016. Mr. Agrawal served as Acting Chief Financial Officer and Chief Information Security Officer from December 2015 to October 2016 and has been with the Company since April 2001 serving in various positions in the finance and operations departments including most recently as Head of Corporate Financial Planning and Analytics.

Daniel M. Moore has served the Company as Chief Administrative Officer, General Counsel and Secretary since August 1998.

Rahul Aggarwal was appointed Vice President, Insurance Business Unit Head in December 2016. Mr. Aggarwal has been with the Company since February 2008 and served as MSO Location Head from June 2014 to November 2016 and Head for Infrastructure Services from January 2013 to May 2014.

Ben Andradi was appointed Vice President, Head – Europe Sales in March 2015. Mr. Andradi has been with the Company since June 2009 and was responsible for the Banking and Financial Services and Insurance business units in Europe through March 2015.

Sameer Arora was appointed Vice President, Chief Marketing Officer in November 2016. Mr. Arora previously served with Syntel as Vice President – Emerging Technologies & Innovation from January 2016 to October 2016, Vice President & Head – Digital One from June 2014 to December 2015, and Vice President & Head Marketing from December 2010 to May 2014.

Sanjay Garg was appointed Vice President, Chief Executive Officer State Street Syntel Services Private Limited in July 2013. Mr. Garg has been with the Company since May 2011 serving in various other KPO service delivery capacities.

Anil Jain was appointed Senior Vice President – Head Sales NAO in December 2016. Mr. Jain previously served the Company as Senior Vice President, Insurance Business Unit Head from February 2006 to November 2016.

Chetan Manjarekar was appointed Senior Vice President, Digital One Head in January 2016. Mr. Manjarekar previously served with Syntel as Senior Vice President, Head—Enterprise Solutions Group from June 2014 to December 2015 and Vice President, Head Strategic Offerings Group from December 2006 to May 2014.

Sujay Puthran was appointed Vice President, Global Head – Human Resources and Administration in December 2016. Prior to that Mr. Puthran served the Company as Head—HR Operations from December 2009 to December 2016.
V. S. Raj was appointed Senior Vice President, Banking and Financial Services Business Unit Head in November 2012. Mr. Raj served as Chief Executive Officer of State Street Syntel Services Private Limited from October 2008 to June 2013.

Raja Ray was appointed Senior Vice President, RCT, Logistics and Travel Business Unit Head in December 2016. Mr. Ray was Senior Vice President, Retail, CPG, and Telecom Business Unit Head from January 2015 to November 2016 and he was Senior Vice President, Retail, Logistics and Telecom Business Unit Head from February 2011 to December 2014.

Murlidhar Reddy was appointed Senior Vice President, Healthcare Business Unit Head in July 2016. Prior to that, he served as Senior Vice President, Healthcare and Life Sciences Business Unit Head from October 2011 to June 2016.

Narendar Reddy was appointed Vice President, Life Sciences Business Unit Head in July 2016. Prior to that, Mr. Reddy served the Company as Vice President – Healthcare and Life Sciences Sales for North America from April 2012 to July 2016.

Avinash Salelkar was appointed Vice President, Manufacturing Business Unit Head in February 2011.

Ramakumar Singampalli was appointed Senior Vice President – Chief Delivery Officer in December 2016. Mr. Singampalli previously served the Company as Senior Vice President, MSO Head from June 2014 to December 2016. Prior to that, he headed corporate strategy as Vice President, Strategic Initiatives from May 2010 to June 2014.

ITEM 1A. RISK FACTORS

Our business and financial condition can be impacted by a number of factors, including the risks described below and elsewhere in this Annual Report on Form 10-K. Any of these risks could cause our actual results to vary materially from recent or anticipated results and could materially and adversely affect our business, results of operations and financial condition.

The Company's business could be materially adversely affected if one of the Company's significant clients terminates its engagement of the Company or if there is a downturn in one of the industries the Company serves.

The Company's ten largest clients generated approximately 69%, 73% and 74% of the Company's total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's largest client for the years ended December 31, 2017, 2016 and 2015 was American Express, which generated approximately 16%, 22% and 21% of the Company's total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's second-largest client for the years ended December 31, 2017, 2016 and 2015 was State Street Bank, which generated approximately 15%, 14% and 15% of the Company's total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's third-largest client for the years ended December 31, 2017, 2016 and 2015 was Federal Express Corporation, which generated approximately 14%, 12% and 12% of the Company's total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. The Company expects to continue to derive a significant portion of the Company's revenues from American Express, State Street Bank and Federal Express Corporation. Failure to meet a client's expectations could result in cancellation or non-renewal of the Company's engagement and could damage the Company's reputation and adversely affect its ability to attract new business. Many of the Company's contracts, including all of the Company's contracts with its ten largest clients, are terminable by the client with limited notice to the Company and without compensation beyond payment for the professional services rendered through the date of termination. An unanticipated termination of a significant engagement could result in the loss of substantial anticipated revenues. The loss of any significant client or engagement could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company also derived, and expects to continue to derive, a significant portion of its revenues from clients in certain industries, including the financial services, insurance and healthcare industries. Clients in the financial services industry generated approximately 45%, 49% and 49% of the Company's revenues for the years ended December 31, 2017, 2016 and 2015, respectively. A downturn in the financial services industry or other industries from which the Company derives significant revenues could result in less revenue from current and potential clients in such industry and could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, the Company's KPO services to State Street Bank and Trust Company and its affiliate are provided through a joint venture between Syntel and an affiliate of State Street Bank and Trust Company. Sales of KPO services only to State Street Bank and Trust Company and its affiliate represented approximately 10%, 11% and 12% of the Company's total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. The current master agreement under which the Company is able to provide KPO services to State Street Bank and Trust Company and its affiliate appoints the Company as an authorized provider but does not require that the clients use the Company for KPO services. KPO services are ordered through separate work orders as may be agreed to by the clients and the Company from time to time. The master agreement is terminable on short notice, has no minimum volume commitments, and has an initial expiration date of September 30, 2020, with the ability of State Street Bank and Trust Company to further extend the agreement for an additional one-year term by providing at least 6 months prior written notice to the Company. State Street Bank and Trust Company, through a separate shareholders agreement between an affiliate and an affiliate of Syntel, has the right to purchase the Company's interest in the joint venture at an agreed upon formula price. This purchase right is exercisable by State Street Bank and Trust Company affiliate (i) during the 30-day period beginning on the first business day of the 90-day period prior to the expiration of the initial term of the master agreement (September 30, 2020) or the expiration of the renewal term (September 30, 2021), (ii) in the event that State Street Bank and Trust Company or its affiliate terminates the master agreement due to the Company's change in control, insolvency, inadequate financial resources or material breach of the master agreement or the shareholders agreement, (iii) if State Street Bank and Trust Company and its affiliates suffer certain cumulative losses under the master agreement that exceed $25 million, or (iv) if the master agreement is required by law or regulation to be terminated. The exercise of this purchase right would have the effect of terminating the Company's ability to provide KPO services to State Street Bank and Trust Company and its affiliate and transferring some related KPO professionals and assets to State Street Bank and Trust Company. State Street Bank and Trust Company's exercise of the purchase right under the shareholders agreement could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's business could be materially adversely affected if there were a default in providing contracted services and that default resulted in damages that were substantially in excess of current insurance coverage or there were a denial of an insurance claim by the Company's insurance carriers.

The Company provides information technology and KPO services that are integral to our clients' businesses. If the Company were to default in the provision of contractually agreed-upon services, Company clients could suffer significant damages and make claims upon the Company for those damages. Although the Company believes it has adequate processes in place to protect against defaults in the provisions of services, errors may occur, particularly in KPO services which are more transactional in nature. The Company currently carries $50 million in errors and omissions liability coverage for all services provided by the Company other than the joint venture between an affiliate of Syntel and an affiliate of State Street Bank and Trust company. That joint venture currently carries $40 million in errors and omissions coverage. To the extent client damages were deemed recoverable against the Company and were substantially in excess of the Company's insurance coverage, or if the Company's claims for insurance coverage were denied by the Company's insurance carriers for any reason including, but not limited to a Company client's failure to provide insurance carrier-required documentation or a Company client's failure to follow insurance carrier-required claim settlement procedures, there could be a material adverse effect on our business, results of operations and financial condition.

A dislocation or downturn in world financial markets could adversely affect the Company's business, results of operations and financial condition.

World financial markets are highly economically sensitive and any dislocation or downturn may cause customers in the sector to curtail spending, which could result in a decrease in demand for the Company's services. In addition, certain of the Company's customers could experience an inability to pay suppliers. Likewise, suppliers may be unable to sustain their current level of operations, fulfill their commitments and/or fund future operations and obligations, each of which could adversely affect the Company's business, results of operations and financial condition.

Failure to hire and retain a sufficient number of qualified professionals could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's business of delivering professional services is labor intensive, and accordingly, the Company's success depends upon the Company's ability to attract, develop, motivate, retain and effectively utilize highly-skilled professionals. The Company believes that there is a continuing shortage of, and significant competition for, professionals who possess the technical skills and experience necessary to deliver the Company's services, both in the United States and in India, and that such professionals are likely to remain a limited resource for the foreseeable future. Further unplanned exit of senior management team members could have an adverse impact on the Company's business or results. The Company believes that as a result of these factors, the Company operates within an industry that experiences a significant rate of annual turnover of personnel. The Company's business plans are based on hiring and training a significant number of additional professionals each year to meet anticipated turnover and increased staffing needs. The Company's ability to maintain and renew existing engagements and to obtain new business depends, in large part, on the Company's ability to hire and retain qualified professionals. The Company performs a portion of the Company's employee recruitment for U.S. positions in foreign countries, particularly India. For the years ended December 31, 2017, 2016 and 2015, annual voluntary attrition was 21.4%, 23.1% and 22.3%, respectively. For the same periods, the number of net hires was (897), (1,526) and (16), respectively. There can be no assurance that the Company will be able to recruit and train a sufficient number of qualified professionals or that the Company will be successful in retaining current or future employees. Increased hiring by technology companies, particularly in India, and increasing worldwide competition for skilled technology professionals may lead to a shortage in the availability of qualified personnel in the markets in which the Company operates and hires. Failure to hire and train or retain qualified professionals in sufficient numbers could have a material adverse effect on the Company's business, results of operations and financial condition.

Government regulation of immigration and work permits/visas could impact the Company's ability to effectively utilize the Company's Global Delivery Model.

The Company recruits professionals on a global basis and, therefore, must comply with the immigration and work permit/visa laws and regulations of the countries in which the Company operates or plans to operate. As of December 31, 2017, 3,291 IT professionals representing approximately 14.9% of the Company's worldwide workforce provided services under work permits/visas. The Company's inability to obtain sufficient work permits/visas due to the impact of these regulations, including any changes to immigration and work permit/visa regulations in particular jurisdictions, could have a material adverse effect on the Company's business, results of operations and financial condition.

Government taxation in the countries where the Company does business could reduce the Company's overall profitability.

The Company's Indian subsidiaries have units registered as a Software Technology Park (STP), an Export Oriented Unit (EOU), or a Special Economic Zone (SEZ) unit. Units registered as a STP, EOU and certain units located in a SEZ were exempt from payment of corporate income taxes on the profits generated by these units either for ten years of operations or until March 31, 2011, whichever came first. Other units located in a SEZ are eligible for 100% exemption from payment of corporate income taxes for the first five years of operation and 50% exemption for the next two years and a further 50% exemption for another three years, subject to fulfillment of criteria laid down. New units in a SEZ that are operational after April 1, 2005 are eligible for a 100% exemption from payment of corporate income taxes for the first five years of operation, 50% exemption for the next five years and a further 50% exemption for another five years, subject to the fulfillment of certain criteria. Without the above exemptions, business income is taxable at the Indian statutory rate (34.608% as of December 31, 2017).

The Company expects to continue to locate a portion of our new development centers in areas designated as Special Economic Zones (SEZs). Development centers operating in SEZs will be entitled to certain income tax incentives for periods of up to 15 years. Certain of our development centers currently operate in SEZs and many of our future planned development centers are likely to operate in SEZs. A change in the Indian government's policies affecting SEZs in a manner that adversely impacts the incentives for establishing and operating facilities in SEZs could have a material adverse effect on our business, results of operations and financial condition.

The Company has relied on the provisions of the Income-tax Act, 1961, the Income-tax Rules, 1962 and judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislation, regulatory changes, administrative pronouncements, or judicial decisions. Any such change, which could be prospective, retrospective or retroactive, could affect the validity of the conclusions herein.

As of December 31, 2017 and 2016, the Company has disputed and potentially disputable tax liabilities of $96.06 million and $83.67 million, respectively, relating to various fiscal years. Against the above, the Company has recognized tax liabilities, representing the unrecognized tax benefits, of $77.94 million and $68.51 million and corresponding interest of $2.21 million and $1.45 million for the years ended December 31, 2017 and 2016, respectively. The Company periodically reviews the disputed and potentially disputable tax liabilities, which includes reviews by the external tax consultants and tax counsels. These reviews are performed to ensure the adequacy of the corresponding provision for tax liabilities and that appropriate provisions are being made.

The Company has paid income taxes of $44.03 million and $41.41 million against the liabilities for unrecognized tax benefits of $77.94 million and $68.51 million, as of December 31, 2017 and 2016, respectively. The Company has paid the taxes in order to reduce the possible interest and penalties related to these unrecognized tax benefits.

The IT and KPO services industries are intensely competitive, and the Company may not be able to compete successfully against current and future competitors.

The IT and KPO services industries are intensely competitive, highly fragmented and subject to rapid change and evolving industry standards. The Company competes with a variety of other companies, depending on the services offered. In IT services, the Company primarily competes with domestic firms such as Accenture, Cognizant, EDS and IBM Global Services and with India-based companies including Infosys Technologies, Tata Consultancy Services and Wipro Technologies. The Company is also seeing increased competition from non-Indian sources such as from Eastern Europe and the Philippines. In KPO services, the Company primarily competes with other offshore KPO vendors including HCL Technologies, Wipro Technologies and WNS. Many of the Company’s competitors have substantially greater financial, technical and marketing resources and greater name recognition than the Company does. As a result, they may be able to compete more aggressively on pricing, respond more quickly to new or emerging technologies and changes in client requirements, or devote greater resources to the development and promotion of IT services and KPO services than the Company does. India-based companies also present significant price competition due to their competitive cost structures and tax advantages. In addition, there are relatively few barriers to entry into the Company’s markets and the Company has faced, and expects to continue to face, additional competition from new IT service and KPO service providers. Further, there is a risk that the Company’s clients may elect to increase their internal resources to satisfy their services needs as opposed to relying on a third-party vendor. The IT services industry is also undergoing consolidation, which may result in increased competition in the Company’s target markets. Increased competition could result in price reductions, reduced operating margins and loss of market share. There can be no assurance that the Company will be able to compete successfully with existing or new competitors or that competitive pressures will not materially adversely affect the Company’s business, results of operations and financial condition.

The Company’s quarterly operating results are variable.

The Company has experienced and expects to continue to experience fluctuations in revenues and operating results from quarter to quarter due to a number of factors, including: the timing, number and scope of customer engagements commenced and completed during the quarter; progress on fixed-price engagements; timing and cost associated with expansion of the Company’s facilities; changes in professional wage rates; the accuracy of estimates of resources and time frames required to complete pending assignments; the number of working days in a quarter; employee hiring, attrition and utilization rates; the mix of services performed on-site, off-site and offshore; termination of engagements; start-up expenses for new engagements; length of sales cycles; customers' budget cycles; and investment time for training. Because a significant percentage of the Company's selling, general and administrative expenses are relatively fixed, variations in revenues may cause significant variations in operating results. It is possible that the Company's operating results could be below or above the expectations of market analysts and investors. In such an event, the price of the Company's common stock would likely see a material adverse impact. No assurance can be given that quarterly results will not fluctuate, causing an adverse effect on the Company's financial condition at the time.

The Company's international sales and operations are subject to many uncertainties.

Revenues from customers outside North America represented approximately 10.9% of the Company's revenues for the year ended December 31, 2017. The Company anticipates that revenues from customers outside North America will continue to account for a material portion of the Company's revenues in the foreseeable future and may increase as the Company expands its international presence, particularly in Europe. Risks associated with international operations include the burden in complying with a wide variety of foreign laws, potentially adverse tax consequences, tariffs, quotas and other barriers and potential difficulties in collecting accounts receivable. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations. We may also face difficulties integrating employees that we hire in different countries into our existing corporate culture. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries. There can be no assurance that these and other factors will not have a material adverse effect on the Company's business, results of operations and financial condition.

Terrorist activity, war or natural disasters could make travel and communication more difficult and adversely affect the Company's business.

Terrorist activity, war or natural disasters could adversely affect the Company's business, results of operations and financial condition. Terrorist activities, other acts of violence or war, or natural disasters occur in India, the United States and in other countries around the world and have the potential to have a direct impact on the Company's clients. Such events may disrupt the Company's ability to communicate between the Company's Global Development Centers and the Company's clients' sites, make travel more difficult, make it more difficult to obtain work visas for many of the Company's technology professionals and effectively curtail the Company's ability to deliver the Company's services to the Company's clients. Such obstacles to business may increase the Company's expenses and materially adversely affect the Company's business, results of operations and financial condition. In addition, many of the Company's clients visit several technology services firms prior to reaching a decision on vendor selection. Terrorist activity, war or natural disasters could make travel more difficult and delay, postpone or cancel decisions to use the Company's services.

The Company's fixed-price engagements may commit the Company to unfavorable terms.

The Company undertakes development and maintenance engagements, which are billed on a fixed-price basis, in addition to the engagements billed on a time-and-materials basis. Fixed-price revenues from development and maintenance activity represented approximately 44%, 43% and 42% of total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Any failure to estimate the resources and time required to complete a fixed-price engagement on time and to the required quality levels or any unexpected increase in the cost to the Company of IT professionals, office space or materials could expose the Company to risks associated with cost overruns and could have a material adverse effect on the Company's business, results of operations and financial condition.

Future legislation in countries where the Company does business could significantly impact the ability of the Company's clients to utilize the Company's services.

The issue of companies outsourcing services abroad has become a topic of political discussion in the United States and other countries. Measures aimed at limiting or restricting outsourcing have been enacted in some jurisdictions, and there is currently legislation restricting outsourcing pending or being discussed in several other jurisdictions where the Company does business. The measures that have been enacted to date have not significantly adversely affected the Company's business. There can be no assurance that pending or future legislation that would significantly adversely affect the Company's business will not be enacted. If enacted, such measures are likely to fall within two categories: (1) a broadening of restrictions on outsourcing by government agencies and on government contracts with firms that outsource services directly or indirectly, and/or (2) measures that impact private industry, such as tax disincentives, restrictions on the transfer or maintenance of certain information abroad and/or intellectual property transfer restrictions. In the event that any such measures are enacted, or if the prospect of such measures being enacted increases, the ability of the Company's clients to utilize its services could be restricted or become less economical and the Company's business, results of operations and financial condition could be adversely affected.

New and changing corporate governance and public disclosure requirements add uncertainty to our compliance policies and increase our costs of, and time dedicated to, compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, other SEC regulations, and the Nasdaq Global Select Market rules, are creating uncertainty for companies like ours. These laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting and our external auditors' audit of that assessment requires the commitment of significant financial and managerial resources. We consistently assess the adequacy of our internal control over financial reporting, remediate any control deficiencies that may be identified, and validate through testing that our control environment is functioning as documented. While we do not anticipate any material weaknesses, the inability of management and our independent registered public accountant to provide us with an unqualified report as to the adequacy and effectiveness, respectively, of our internal controls over financial reporting for future year-ends could result in adverse consequences to us, including, but not limited to, a loss of investor confidence in the reliability of our financial statements, which could cause the market price of our stock to decline.

Our management team and other personnel will need to devote a substantial amount of time to these compliance initiatives, which extend to all of our subsidiaries. In particular, these increased obligations will require substantial attention from our senior management and divert its attention away from the day-to-day management of our business, which could materially and adversely affect our business operations.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer, and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

Wage pressures in India and other countries where the Company does business may reduce the Company’s profit margins.

Wage pressures in India and other countries where the Company does business may prevent the Company from sustaining the Company’s competitive advantage and may reduce the Company’s profit margins. As of December 31, 2017, approximately 76% of the Company’s billable workforce was in India. Wage costs in India have historically been lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of the Company’s advantages. However, wage increases in India may prevent the Company from sustaining this advantage and may negatively affect the Company’s profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for technology professionals. Compensation increases may result in a material adverse effect on the Company’s business, results of operations and financial condition.

The Company’s future success depends on its ability to market new services to the Company’s existing and new clients.

The Company has been expanding the nature and scope of its engagements by extending the breadth of services the Company offers. The success of the Company’s service offerings depends, in part, upon continued demand for such services by the Company’s existing and new clients and the Company’s ability to meet this demand in a cost competitive and effective manner. The Company’s new service offerings may not effectively meet client needs, and the Company may be unable to attract existing and new clients to these service offerings. The increased breadth of the Company's service offerings may also result in larger and more complex client projects. This will require that the Company establish closer relationships with its clients, and potentially with other technology service providers and vendors, and develop a more thorough understanding of the Company's clients' operations. The Company's ability to establish these relationships will depend on a number of factors including the proficiency of the Company's technology professionals and its management personnel and the willingness of the Company's existing and potential clients to provide it with information about their businesses. If the Company is not able to successfully market and provide the Company's new and broader service offerings, the Company's business, results of operations and financial condition could be materially adversely affected.

The Company may be affected by political and regulatory conditions in countries where the Company does business.

Changes in the political or regulatory climate in countries where the Company does business, could have a material adverse effect on the Company's business, results of operations and financial condition. No assurance can be given that the Company will not be adversely affected by changes in inflation, exchange rate fluctuations, currency controls, interest rates, tax provisions, social stability or other political, economic or diplomatic developments. Some governments have provided tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in certain sectors of the economy, including the technology industry. Certain of these benefits directly benefited the Company including, among others, tax holidays, liberalized import and export duties and preferential rules on foreign investment. Further, dynamic regulatory environment especially in banking, insurance and health care industry could lead to complex compliance requirements and higher cost. There can be no assurance that these benefits will be continued or that other similar benefits will be provided in future periods.

The Company's margins may be adversely affected if demand for the Company's services slows.

If demand for the Company's services slows, the Company's utilization and billing rates for its technology professionals could be adversely affected, which may result in lower gross and operating profits.

The Company is subject to risks of fluctuation in the exchange rate between the U.S. dollar and the Indian rupee.

The Company holds a significant amount of its cash in U.S. dollars and in Indian rupees. Accordingly, changes in exchange rates between the Indian rupee and the U.S. dollar could have a material adverse effect on the Company's revenues, other income, cost of services, gross margin and net income, which may in turn have a negative impact on the Company's business, operating results and financial condition. The exchange rate between the Indian rupee and the U.S. dollar has changed substantially in past years and may fluctuate substantially in the future. The Company expects that a majority of the Company's revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of the Company's expenses, including personnel costs, as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, the results of the Company's operations may be adversely affected if the Indian rupee appreciates against the U.S. dollar and an effective foreign exchange hedging program is not in place.

The Company may not be able to successfully manage the rapid growth of the Company's business.

The Company has from time to time experienced periods of rapid growth in revenues that place significant demands on the Company's managerial, administrative and operational resources. Additionally, the longer-term transitions in the Company's delivery mix between onsite and offshore staffing has also placed additional operational and structural demands on the Company. The Company's future growth depends on recruiting, hiring and training professionals, increasing the Company's international operations, expanding its U.S. and offshore capabilities, adding effective sales and management staff and adding service offerings. Effective management of these and other growth initiatives will require that the Company continue to improve its infrastructure, execution standards and ability to expand services. Failure to manage growth effectively could have a material adverse effect on the quality of the Company's services and engagements, the Company's ability to attract and retain professionals, the Company's prospects and the Company's business, results of operations and financial condition.

The Company's business could be adversely affected if the Company does not anticipate and respond to technology advances in the Company's and the Company's clients' industries.

The Company's business will suffer if the Company fails to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industries on which the Company focuses. The technology services and KPO markets are characterized by rapid technological change, evolving industry standards, changing client preferences and frequent new product and service introductions. The Company's future success will depend on the Company's ability to anticipate these advances and develop new product and service offerings to meet the Company's existing and potential clients' needs. The Company may fail to anticipate or respond to these advances in a timely manner, or, if the Company does respond, the services or technologies the Company develops may not be successful in the marketplace. Further, products, services or technologies that are developed by the Company's competitors may render the Company's services non-competitive or obsolete. If the Company does not respond effectively to these changes, the Company's business, results of operations and financial condition could be materially adversely affected.

The Company may be required to include benchmarking provisions in future engagements, which could have an adverse effect on the Company's revenues and profitability.

As the size and duration of the Company's client engagements increase, the Company's current and future clients may require benchmarking provisions. Benchmarking provisions generally allow a client in certain circumstances to request that a benchmark study be prepared by an agreed-upon third-party comparing the Company's pricing, performance and efficiency gains for delivered contract services to that of an agreed-upon list of other service providers for comparable services. Based on the results of the benchmark study and depending on the reasons for an unfavorable variance, if any, the Company could then be required to reduce the pricing for future services to be performed under the balance of the contract or to change the services being provided under the contract, which could have an adverse impact on the Company’s revenues and profitability.

The Company may be liable to its clients for disclosure of confidential information or if the Company does not fulfill its obligations under its engagements.

The Company may be liable to the Company’s clients for damages caused by disclosure of confidential information or system failures. The Company is often required to collect and store sensitive or confidential client data. Many of the Company’s client agreements do not limit its potential liability for breaches of confidentiality. If any person, including any of the Company’s employees, penetrates the Company’s network security or misappropriates sensitive data, the Company could be subject to significant liability from its clients or from their customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client data, whether through breach of the Company’s computer systems, systems failure or otherwise, could also damage the Company’s reputation and cause it to lose existing and potential clients. Many of the Company’s engagements involve IT services that are critical to the operations of the Company’s clients’ businesses. Any failure or inability to meet a client’s expectations in the performance of services could result in a claim for substantial damages against the Company, regardless of the Company’s responsibility for such failure. There can be no assurance that any limitations of liability set forth in the Company’s service contracts will be enforceable in all instances or would otherwise protect the Company from liability for damages. In addition, the costs of defending against any such claims, even if successful, could be significant.

Although the Company maintains general liability insurance coverage, including coverage for errors and omissions, there can be no assurance that the Company’s insurance coverage will continue to be available on reasonable terms, will be available in sufficient amounts to cover one or more large claims or defense costs, or that the Company’s insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against the Company that are uninsured, exceed available insurance coverage or result in changes to the Company’s insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could adversely affect the Company’s business, results of operations and financial condition.

The Company relies on global telecommunications infrastructure to maintain communication between its various locations and the Company’s clients’ sites.

Disruptions in telecommunications, system failures, or virus attacks could harm the Company’s ability to execute the Company’s Global Delivery Model, which could result in client dissatisfaction and a reduction of the Company’s revenues. A significant element of the Company’s Global Delivery Model is to continue to leverage and expand the Company’s Global Development Centers. The Company’s Global Development Centers are linked with a redundant telecommunications network architecture that uses multiple service providers and various satellite and optical links with alternate routing. The Company may not be able to maintain active voice and data communications between its various Global Development Centers and between the Company’s Global Development Centers and the Company’s clients’ sites at all times due to disruptions in these networks, system failures or virus attacks. Failure of internal controls in upgrading the software and hardware once it is out of sale or out of support could lead to cyber security risk or probable business disruption. Any significant failure in the Company’s ability to communicate could result in a disruption in business, which could hinder the Company’s performance or its ability to complete projects on time. This, in turn, could lead to client dissatisfaction and a material adverse effect on the Company’s business, results of operations and financial condition.

There are risks associated with the Company’s investment in new facilities and physical infrastructure.

The Company’s business model includes developing and operating Global Development Centers in order to support the Company’s Global Delivery Service. The Company has Global Development Centers located in Pune, Mumbai, Gurugram and Chennai, India; Glasgow, Scotland; Krakow, Poland and in Manila, Philippines. The Company is in the process of expanding its Global Development Centers, often on land located in Special Economic Zones (SEZ) in India. With regard to construction on land located in a SEZ, there are certain construction and other requirements that must be met in order to maximize certain tax and other benefits. If those conditions are not met, Syntel may not be able to maximize all benefits associated with the SEZ designations. The full completion of the development of these facilities is contingent on many factors including the Company’s funding the continuation of the construction and obtaining appropriate construction and other permits from the Indian government. The Company cannot make any assurances that the construction of these facilities or any future facilities that the Company may develop will occur on a timely basis or that they will be completed. If the Company is unable to complete the construction of these facilities, the Company’s business, results of operation and financial condition will be adversely affected. In addition, the Company is developing these facilities in expectation of increased growth in the Company’s business. If the Company’s business does not grow as expected, the Company may not be able to benefit from its investment in these facilities.

The Company’s business could be materially adversely affected if the Company does not protect its intellectual capital or if the Company’s services are found to infringe on the intellectual property of others.

The Company’s success depends in part on certain methodologies, practices, tools and technical expertise the Company utilizes in designing, developing, implementing and maintaining applications and other proprietary intellectual capital. In order to protect the Company’s rights in this intellectual capital, the Company relies upon a combination of nondisclosure and other contractual arrangements as well as trade secret, copyright and trademark laws. The Company also generally enters into confidentiality agreements with its employees, consultants, clients and potential clients and limits access to and distribution of the Company’s proprietary information.

The Company holds several trademarks or service marks and intends to submit additional United States federal and foreign trademark applications for the names of additional service offerings in the future. There can be no assurance that the Company will be successful in maintaining existing or obtaining future trademarks. There can be no assurance that the laws, rules, regulations and treaties in effect now or in the future or the contractual and other protective measures the Company takes are adequate to protect it from misappropriation or unauthorized use of the Company’s intellectual capital or that such laws, rules, regulations and treaties will not change. There can be no assurance that the Company will be able to detect unauthorized use and take appropriate steps to enforce the Company's rights or that any such steps will be successful. Misappropriation by others of the Company's intellectual capital, including the costs of enforcing the Company's intellectual capital rights, could have a material adverse effect on the Company's business, results of operations and financial condition. However, the Company is not significantly dependent on the referenced trademarks in the conduct of its business.

Although the Company believes that its intellectual capital does not infringe on the intellectual property rights of others, there can be no assurance that such a claim will not be asserted against the Company in the future or that any such claim, if asserted, would not be successful. The costs of defending any such claims could be significant and any successful claim could require the Company to modify, discontinue or change the manner in which the Company provides its services. Any such changes could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's earnings are affected by issuance of stock-based awards to employees and directors.

The Company expenses stock-based awards in accordance with provisions prescribed by authoritative guidance. The Company measures and recognizes compensation expense for all stock-based payments at fair value. The Company has issued restricted stock units to its non-employee directors and employees. During the year ended December 31, 2017, the Company recorded $8.6 million of expense for equity-based compensation (including charges for restricted stock units and a dividend equivalent).

Any future business combinations, acquisitions or mergers would expose the Company to risks, including that the Company may not be able to successfully integrate any acquired businesses.

The Company may expand its operations through the acquisition of other businesses. Financing of any future acquisition could require the incurrence of indebtedness, the issuance of equity (common or preferred) or a combination thereof. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses without substantial expense, delays or other operational or financial risks and problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or legal liabilities and amortization of acquired intangible assets. In addition, any client satisfaction or performance problems within an acquired firm could have a material adverse impact on the Company's reputation as a whole. There can be no assurance that any acquired businesses would achieve anticipated revenues and earnings. Any failure to manage the Company's acquisition strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's ability to repatriate earnings from its foreign operations.

The Company's accumulated foreign earnings are deemed to be permanently reinvested outside the United States and the Company has not provided for dividend distribution tax on such earnings. Management regularly evaluates foreign earnings to determine whether future foreign earnings that accumulate will be permanently invested outside the U.S. In conducting this evaluation, management considers, among other factors, the operational and financial objectives of the Company, long-term and short-term capital needs, the Company's projections on growth and working capital needs, planned uses of U.S. and foreign earnings, the available sources of liquidity in the U.S., and growth plans outside of the U.S. If in the future, management were to conclude that any portion of foreign earnings will not be permanently reinvested outside the U.S., this may result in an additional provision for dividend distribution tax , which could affect our future effective tax rate. If the Company repatriates any of such earnings, the Company will incur a dividend distribution tax for distribution from India, currently 20.358% on dividend distribution under Indian tax law, and be required to pay United States State corporate income taxes on such earnings. If the Company decided to repatriate all undistributed repatriable earnings of foreign subsidiaries as of December 31, 2017, the Company would accrue taxes of approximately $30.0 million.

The Company's failure to comply with the covenants contained in the Senior Credit Facility, as amended, including as a result of events beyond its control, could result in an event of default, which could materially and adversely affect the Company's business, results of operations and financial condition.

The Company's Senior Credit Facility, as amended, requires it to maintain certain financial ratios and requires the Company to comply with various operational and other negative covenants including certain limitations on liens, making investments in India, permitted acquisitions, subsidiary indebtedness, mergers, dissolutions, liquidations, consolidations with or into another person or dispositions of all or substantially all of the Company's assets to or in favor of any person, as well as limitations on making dispositions, making restricted payments, changing the nature of its business, undertaking affiliate transactions, making burdensome agreements, purchasing or carrying margin stock, or entering into sale and leaseback transactions. If there were an event of default that was not cured or waived, the lenders of the Senior Credit Facility could cause all amounts outstanding with respect to the Senior Credit Facility to be due and payable immediately.

The Company's exposure to fluctuations in interest rates due to market conditions could materially and adversely affect Company's business, results of operations and financial condition.

The interest rates applicable to the Senior Credit Facility, as amended, other than in respect of swingline loans, will be LIBOR plus 1.50% or, at the option of the Company, the Base Rate (to be defined as the highest of (x) the Federal Funds Rate (as that term is defined in the Senior Credit Facility) plus 0.50%, (y) the Bank of America prime rate, or (z) LIBOR plus 1.00%) plus 0.50%. Each swingline loan will bear interest at the Base Rate plus 0.50%. In no event will LIBOR be less than 0% per annum. While the Company has entered into interest rate swaps (IRS) to partially hedge against fluctuations in interest rates, since interest rates vary with changes in LIBOR, which is dependent on market conditions, our debt exposes us to market risk from fluctuations in interest rates.

Environmental regulations to which the Company is subject could increase its costs and liabilities, reduce its profits or limit its ability to run its business.

The Company's operations and the properties it owns and develops (primarily located in India) are subject to environmental laws and regulations, including requirements addressing: health and safety; the use, management and disposal of hazardous substances and wastes; discharges of waste materials into the environment, such as refuse or sewage; and air emissions. Complying with these laws and regulations, or addressing violations arising under them, could result in environmental costs and liabilities, reduce the Company's profits or limit its ability to run its business. Existing environmental laws and regulations may be revised, or new laws and regulations related to global climate change, air quality, or other environmental and health concerns may be adopted or become applicable to the Company. The identification of areas of contamination, changes in cleanup requirements, or the adoption of new requirements governing the Company's operations could have a material adverse effect on the Company's results or operations, financial condition and business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's headquarters and principal administrative, sales and marketing, and system development operations are located in 6,430 square feet of leased space in Troy, Michigan. The Company occupies these premises under a lease expiring in September 2022.

The Company has a telecommunications hub located in 3,128 square feet of leased space in Cary, North Carolina under a lease which expires in April 2018.

The Company also leases office facilities in Phoenix, Arizona; Schaumburg, Illinois; Miami, Florida; Irving, Texas; New York, New York; Memphis, Tennessee; Cambridge, Massachusetts(Boston); London, UK; Glasgow, Scotland; Toronto, Canada; Stuttgart and Frankfurt, Germany; Taguig City, Philippines; and Port Louis, Mauritius. The Company also maintains registered offices in Singapore; Paris, France; Dublin, Ireland; and Hong Kong.

The Company has Global Development Centers in Pune, Mumbai, Gurugram and Chennai, India and a Support Center in Cary, North Carolina to support the Company's Global Delivery Service.

Syntel's Global Development Centers enable its strategy to provide cost effective services to its clients.

The Company acquired 78 acres of land in Pune, India for establishing a state-of-the-art development and training campus. Initial construction was completed in August 2006, which included an office building with 950 seats, a food court and residential guest house. In February 2007, the Company completed two additional office buildings with more than 2,000 seats. The remaining land adjacent to the campus has been designated as a Special Economic Zone ("SEZ") by the Government of India. The Company has completed construction of two office buildings in the SEZ area with more than 2,000 seats. The Company added three additional office buildings with more than 4,600 seats in the year 2013 and 1,900 seats in 2014.

The Company's India operations are registered in Mumbai. Syntel has multiple leased facilities in Mumbai with a total capacity of nearly 8,744 seats.

Syntel leases 676,757 square feet of office space in Mumbai, India, under twelve leases expiring between March 31, 2018 and January 26, 2025. These facilities house IT and KPO professionals, as well as its senior management, finance and accounting, administrative personnel, human resources, recruiting and sales and marketing functions.

Syntel has one leased facility in Chennai with a total capacity of nearly 134 seats. Syntel leases 10,800 square feet of office space in Chennai, India, under leases expiring on September 1, 2021.

The Company has approximately 29 acres of land in an Information Technology Park in Chennai, India. This area of land has been designated as a Special Economic Zone (SEZ) by the Government of India. In Phase 1, the Company constructed 0.7 million square feet of space. Phase 1 consists of three Software Development Blocks each having a capacity of 1,700 seats, a Food Court with a 1,000 seat capacity, a Training Block with a 900 seat capacity, a Welcome Block and a Utility Block.

The first software development block along with the training block, welcome block, utility block and cafeteria commenced operations in August 2010. The second software development block commenced operations in the fourth quarter of 2011. The third software development block was added in the third quarter of 2013.

Syntel leases 11,800 square feet of office space in Gurugram, India under two leases expiring on February 9, 2021.

Syntel acquired 100 acres of land that is classified as a SEZ in Gangikondan Village, Tirunelveli District, Tamil Nadu, India. The Company has started Phase 1 of the site's development, consisting of the construction of a 200,000 square foot facility in 2013 with a plan to start operations in 2018.

The Company believes that its infrastructure in Mumbai, Pune, Gurugram and Chennai is adequate for meeting its short-term requirements. Planned capacity additions in these cities will enable the Company to meet offshore growth requirements for the next several years. The Company is also considering expanding its footprint in metropolitan areas of varying sizes to meet its growth objectives.

ITEM 3. LEGAL PROCEEDINGS

While the Company is a party to ordinary routine litigation incidental to the business, the Company is not currently a party to any material legal proceeding or governmental investigation. In the opinion of our management, the outcome of such litigation, if decided adversely, is not expected to have a material adverse effect on our quarterly or annual operating results, cash flows or consolidated financial position.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) The Company's Common Stock is traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol "SYNT." The following table sets forth, for the periods indicated, the range of high and low sales prices per share of the Company's Common Stock as reported on NASDAQ for each full quarterly period in 2016 and 2017.

Period	High	Low
First Quarter, 2016	$50.870	$42.400
Second Quarter, 2016	50.920	41.170
Third Quarter, 2016	48.407	40.680
Fourth Quarter, 2016	43.190	18.000
First Quarter, 2017	23.540	16.220
Second Quarter, 2017	18.962	15.820
Third Quarter, 2017	20.370	15.880
Fourth Quarter, 2017	26.330	18.820

(b) There were 121 shareholders of record and approximately 27,000 beneficial holders on January 31, 2018.

(c) During the third quarter of 2016, the Board of Directors declared a special cash dividend of fifteen dollars ($15.00) per share on outstanding common stock which was payable on October 3, 2016, to shareholders of record at the close of business on September 22, 2016. The Board of Directors neither declared nor paid any dividends during fiscal year 2017.

(d)The Board of Directors authorized a stock repurchase plan under which the Company may repurchase shares of common stock with a total value not to exceed $60 Million. The stock repurchase plan is authorized to continue through December 31, 2018. Repurchases under the Company's new program may be made in open market, privately negotiated transactions or through a Rule 10b5-1 plan in compliance with Securities and Exchange Commission Rule 10b-18, subject to market conditions, applicable legal requirements, and other relevant factors. Any repurchased common stock will be available for use in connection with the Company's incentive plan and for other corporate purposes.

The following information describes the Company's stock repurchases during the fourth quarter of the fiscal year ended December 31, 2017.

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Period	Total number of shares (or units) purchased	Average price paid per share (or unit) including other charges	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1, 2017 – October 31, 2017	5,000	$ 18.98	5,000	$ 43,825,501
November 1, 2017 – November 30, 2017	—	—	—	$ 43,825,501
December 1, 2017 – December 31, 2017	—	—	—	$ 43,825,501
Total	**5,000**	$ 18.98	**5,000**	$ 43,825,501

(e) The information set forth under the captions "Equity Compensation Plan Information" in Item 12 of this report is incorporated herein by reference.

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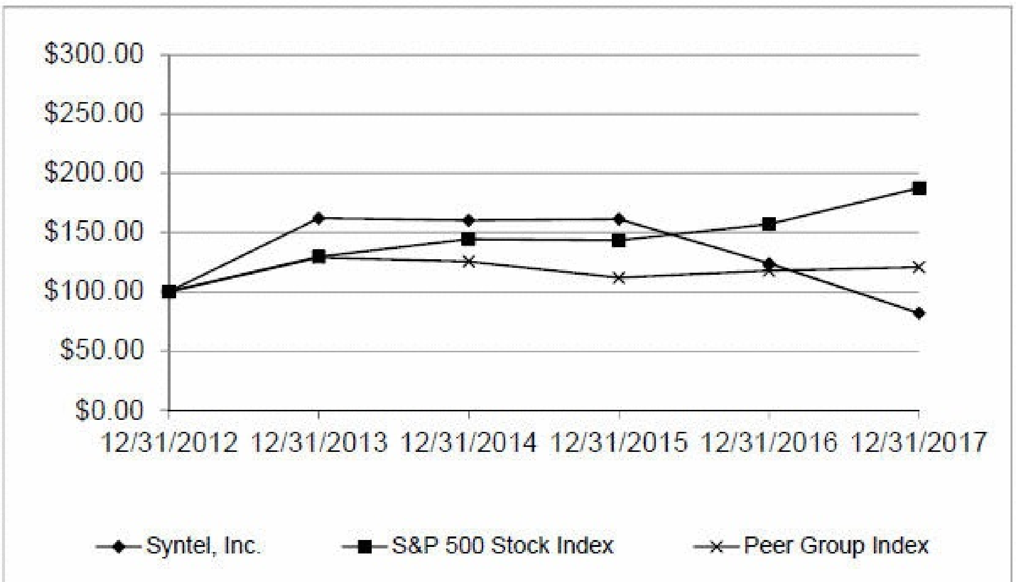
PERFORMANCE GRAPH

The following graph compares the cumulative total shareholder return on the Company's Common Stock to the cumulative total shareholder returns for the S&P 500 Stock Index and for an index of peer companies selected by the Company. The period for comparison is for five years from December 31, 2012 through December 31, 2017, the end of the Company's last fiscal year. The peer group index is composed of Cognizant Technology Solutions Corporation, International Business Machines Corporation, Tata Consultancy Services Limited, Wipro Limited, Infosys Technologies Limited, Oracle Financial Services Software Limited (formerly known as I-Flex Solutions Limited) and HCL Technologies Limited. These companies were selected based on similarities in their service offerings and their competitive position in the Company's industry.

Comparison of Five-Year Cumulative Total Return
Among Syntel, Inc., S&P 500 Stock Index
And an Index of Peer Companies *

[PERFORMANCE GRAPH]



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Syntel, Inc.	$ 100.00	$ 162.06	$ 160.30	$ 161.26	$ 123.98	$ 81.93
S&P 500 Stock Index	$ 100.00	$ 129.60	$ 144.36	$ 143.31	$ 156.98	$ 187.47
Peer Group Index	$ 100.00	$ 128.98	$ 125.48	$ 111.88	$ 117.76	$ 120.78

* Assumes that the value of a simple unweighted average investment in Syntel's Common Stock and each index was $100 on December 31, 2012 and that all dividends were reinvested.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

SYNTEL, INC. & SUBSIDIARIES
(In thousands, except share and headcount data)

The following tables set forth selected consolidated financial data and other data concerning Syntel, Inc. and its subsidiaries for each of the last five years. The selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and related Notes thereto.

Year Ended December 31,	2017	2016	2015	2014	2013
STATEMENT OF INCOME DATA					
Net revenues	$923,828	$966,550	$968,612	$911,429	$824,765
Cost of revenues	572,789	595,725	584,611	533,862	460,576
Gross profit	351,039	370,825	384,001	377,567	364,189
Selling, general and administrative expenses	115,323	108,528	100,256	109,217	96,587
Income from operations	235,716	262,297	283,745	268,350	267,602
Other (expense)/income, net	(10,231)	11,088	43,456	50,523	18,220
Income before income taxes	225,485	273,385	327,201	318,873	285,822
Income tax expense	59,217	330,775	74,675	69,133	66,164
Net income/(Loss)	$166,268	$ (57,390)	$252,526	$249,740	$219,658
Earnings/(Loss) per share, diluted	$ 1.99	$ (0.68)	$ 3.00	$ 2.97	$ 2.62
Weighted average shares outstanding, diluted	83,618	84,146	84,149	83,971	83,764
Cash dividends declared per common share	$ 0.00	$ 15.00	$ 0.00	$ 0.00	$ 0.00

	AS OF DECEMBER 31,				
	2017	2016	2015	2014	2013
	($ In thousands)				
BALANCE SHEET DATA					
Working capital (1)	$157,159	$ 146,949	$ 997,172	$ 926,530	$714,698
Long term debt	334,446	478,616	—	129,750	138,375
Total assets	483,716	454,543	1,423,270	1,224,015	997,176
Total shareholders' equity(deficit)	(12,922)	(183,087)	1,158,445	947,830	722,546
OTHER DATA					
Billable headcount in U.S.	3,568	3,737	3,917	3,433	3,239
Billable headcount in India	13,200	12,993	13,651	13,562	13,417
Billable headcount at other locations	539	462	525	327	220
Total billable headcount	17,307	17,192	18,093	17,322	16,876

(1) In November 2015, the FASB issued an update to the standard on income taxes pertaining to the balance sheet classification of deferred income taxes. The update requires that all deferred tax assets and liabilities, along with the related valuation allowances within each tax jurisdiction be classified as non-current on the balance sheet. As a result each jurisdiction will only have one net non-current deferred income tax asset or liability. We have adopted this guidance retrospectively in the fourth quarter of 2016 and conformed the prior year's presentation to the current year's presentation.

The tax rate for the year ended December 31, 2017 was impacted by one- time additional tax of $8.16 million due to changes to the Internal Revenue Code of 1986 made by the Tax Cuts and Jobs Act of 2017. Out of aforesaid $8.16 million, $0.9 million relates to deferred income tax due to change in Federal tax rate and $7.26 million on undistributed foreign income The tax rate for the year ended December 31, 2017 was also impacted by one-time favorable adjustments of $6.26 million relating to the true up of tax provisions including the impact of foreign exchange rates, in the computation of the tax related to the Company's 2016 dividend repatriation, upon the finalization of the Federal tax return and one-time reversal of valuation allowance of $2.92 million and additional charge of $0.9 million (net of federal tax benefits) of state income tax on repatriation. Without the above, the effective tax rate for the year ended December 31, 2017 would have been 26.3%.

The tax rate for the year ended December 31, 2016 was primarily impacted by a one-time repatriation, where the Company recognized a one-time tax expense of approximately $270.6 million (net of foreign tax credits) and reversal of unrecognized tax benefits of $3.08 million. Without the above, the effective tax rate for the year ended December 31, 2016 would have been 23.0%.

The tax rate for the year ended December 31, 2015 was impacted by favorable adjustments of $1.10 million relating to the true up of tax provisions upon the finalization of the India tax computation and $1.20 million relating to the finalization of state tax and local tax matters. The Company has provided tax charges of $0.84 million on account of valuation allowances against the minimum alternative tax. Without the above, the effective tax rate for the year ended December 31, 2015 would have been 23.3%.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies

We believe the following critical accounting policies, among others, involve our more significant judgments and estimates used in the preparation of our consolidated financial statements. The Company has discussed the critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Revenue Recognition. Revenue recognition is a significant accounting policy for the Company. The Company recognizes revenue from time-and-materials contracts as services are performed. During the years ended December 31, 2017, 2016 and 2015, revenues from time-and-materials contracts constituted 56%, 57% and 58%, respectively, of total revenues. Revenue from fixed-price application management maintenance and support engagements is recognized as earned, which generally results in straight-line revenue recognition as services are performed continuously over the term of the engagement. During the years ended December 31, 2017, 2016 and 2015, revenues from fixed-price application management maintenance and support engagements constituted 37%, 35% and 33%, respectively.

Revenue on fixed-price application development and integration projects is measured using the proportional performance method of accounting. Performance is generally measured based upon the efforts incurred to date in relation to the total estimated efforts to the completion of the contract. The Company monitors estimates of total contract revenues and cost on a routine basis throughout the delivery period. The cumulative impact of any change in estimates of the contract revenues or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss. The Company issues invoices related to fixed-price contracts based on either the achievement of milestones during a project or other contractual terms. Differences between the timing of billings and the recognition of revenue based upon the proportional performance method of accounting are recorded as revenue earned in excess of billings or deferred revenue in the accompanying financial statements. During the years ended December 31, 2017, 2016 and 2015, revenues from fixed-price application development and integration contracts constituted 7%, 8% and 9%, respectively.

Significant Accounting Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. The Company bases its estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Revenue Recognition. The use of the proportional performance method of accounting requires that the Company make estimates about its future efforts and costs relative to the fixed-price contracts. While the Company has procedures in place to monitor the estimates throughout the performance period, such estimates are subject to change as each contract progresses. The cumulative impact of any such change is reflected in the period in which the change becomes known.

Allowance for Doubtful Accounts. The Company records an allowance for doubtful accounts based on a specific review of aged receivables. The provision for the allowance for doubtful accounts is recorded in selling, general and administrative expenses. As at December 31, 2017 and 2016, the allowance for doubtful accounts was $0 million and $0.8 million, respectively. These estimates are based on our assessment of the probable collection from specific customer accounts, the aging of the accounts receivable, analysis of credit data, bad debt write-offs and other known factors.

Income Taxes—Estimates of Effective Tax Rates and Reserves for Tax Contingencies. The Company records provisions for income taxes based on enacted tax laws and rates in the various taxing jurisdictions in which it operates.

In determining the tax provisions, the Company also reserves for tax contingencies based on the Company's assessment of future regulatory reviews of filed tax returns. Such reserves, which are recorded in income taxes payable, are based on management's estimates and accordingly are subject to revision based on additional information. The reserve no longer required for any particular tax year is credited to the current year's income tax provision.

The U.S. Government and state tax authorities are expected to continue to issue guidance regarding the Tax Cuts and Jobs Act of 2017('Act') , which may result in adjustments to our provisional estimates. We are continuing to analyze certain aspects of the Act and may refine our estimates, which could potentially affect the measurement of our net deferred tax assets or give rise to new deferred tax amounts. The final determination of the remeasurement of our net deferred tax assets and the transition tax will be completed as additional information becomes available, but no later than one year from the enactment date.

Accruals for Legal Expenses and Exposures.

The Company is party to various legal actions arising in the ordinary course of business, including litigation and governmental and regulatory controls. The Company's estimates regarding legal contingencies are based on information known about the matters and its experience in contesting, litigating and settling similar matters. It is the opinion of management with respect to pending or threatened litigation matters that unfavorable outcomes are remote and that estimates of possible loss are not able to be made. Although actual amounts could differ from management's estimates, none of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations.

The Company estimates the costs associated with known legal exposures and their related legal expenses and accrues reserves for either the probable liability, if that amount can be reasonably estimated, or otherwise the lower end of an estimated range of potential liability. During the year ended December 31, 2017 there was no accrual related to litigation. During the year ended December 31, 2016, the Company recorded a $0.3 million liability for a litigation matter related contingency which was subsequently paid during the three months ended March 31, 2017.

OVERVIEW

Syntel is a worldwide provider of IT and KPO services to Global 2000 companies. The Company's IT services include programming, system integration, outsourcing and overall project management. The Company's KPO services consist of high-value, customized outsourcing solutions that enhance critical back-office services such as transaction processing, loan servicing, retirement processing, collections and payment processing.

The Company's revenues are generated from professional services fees provided through five segments, Banking and Financial Services, Healthcare and Life Sciences, Insurance, Manufacturing, and Retail, Logistics and Telecom. The Company has invested significantly in developing its ability to sell and deliver Applications Outsourcing and KPO services, which the Company believes have higher growth and gross margin potential.

The Company's reportable business segments are as follows:

- Banking and Financial Services
- Healthcare and Life Sciences
- Insurance
- Manufacturing
- Retail, Logistics and Telecom

The following table outlines the revenue mix for the years ended December 31, 2017, 2016 and 2015:

	Percent of Total Revenues		
	2017	2016	2015
Banking and Financial Services	45%	49%	49%
Healthcare and Life Sciences	18	16	16
Insurance	15	13	14
Manufacturing	4	5	4
Retail, Logistics and Telecom	18	17	17
	100%	**100%**	**100%**

Revenues are generated principally on either a time-and-materials or fixed-priced, fixed-time frame basis. We believe the ability to offer fixed-time frame processes is an important competitive differentiator that allows Syntel and its clients to better understand the client's needs, and to design, develop, integrate and implement solutions that address those needs. During the years ended December 31, 2017, 2016 and 2015, revenues from fixed-price development contracts constituted 7%, 8% and 9% respectively.

Revenues from Banking and Financial Services, Healthcare and Life Sciences, Insurance, Manufacturing, and Retail, Logistics and Telecom are recognized on either time-and-materials or fixed-price basis. For the years ended December 31, 2017, 2016 and 2015, fixed-price revenues from development and maintenance activity comprised approximately 23%, 23% and 24% of total Banking and Financial Services revenues, respectively. For the years ended December 31, 2017, 2016 and 2015, fixed-price revenues from development and maintenance activity comprised approximately 63%, 65% and 56% of total Healthcare and Life Sciences revenues, respectively. For the years ended December 31, 2017, 2016 and 2015, fixed-price revenues from development and maintenance activity comprised approximately 37%, 38% and 41% of total Insurance revenues, respectively. For the years ended December 31, 2017, 2016 and 2015, fixed-price revenues from development and maintenance activity comprised approximately 28%, 32% and 33% of total Manufacturing revenues, respectively. For the years ended December 31, 2017, 2016 and 2015, fixed-price revenues from development and maintenance activity comprised approximately 87%, 84% and 84% of total Retail Logistics and Telecom revenues, respectively.

The Company's most significant cost is personnel cost, which consists of compensation, benefits, recruiting, relocation and other related costs for its professionals. The Company strives to maintain its gross margin by controlling engagement costs and offsetting increases in salaries and benefits with increases in billing rates. The Company has established a human resource allocation team whose purpose is to staff professionals on engagements that efficiently utilize their technical skills and allow for optimal billing rates. The Company's Indian subsidiaries provide software development services from Mumbai, Pune and Chennai, India, where salaries of IT professionals are comparatively lower than in the U.S.

The Company has performed a significant portion of its employee recruiting in other countries. As of December 31, 2017, approximately 14.9% of Syntel's worldwide workforce provided services under work permits / visas.

The Company has made substantial investments in infrastructure in recent years, including: (1) expanding the facilities in Mumbai, India, including a KPO facility; (2) developing a Technology Campus in Pune, India; (3) expanding the Global Development Center in Chennai, India; (4) upgrading the Company's global telecommunication network; (5) increasing IT services sales and delivery capabilities through significant expansion of the sales force and the Company's Enterprise Solutions Group, which develops and formalizes proprietary methodologies, practices and tools for the entire Syntel organization; (6) hiring additional experienced senior management; (7) expanding global recruiting and training capabilities; and (8) enhancing human resource and financial information systems.

Through its strong relationships with customers, the Company has been able to generate recurring revenues from repeat business. These strong relationships also have resulted in the Company generating a significant percentage of revenues from key customers. The Company's top ten customers accounted for approximately 69%, 73% and 74% of total revenues for the years ended December 31, 2017, 2015 and 2014, respectively.

For the years ended December 31, 2017, 2016 and 2015, there were three customers contributing revenues in excess of 10% of the Company's total consolidated revenues. The Company's largest customer for the years 2017, 2016 and 2015 was American Express, contributing approximately 16%, 22% and 21%, respectively, of total consolidated revenues. For the years 2017, 2016 and 2015, the Company's second-largest customer, State Street Bank, contributed 15%, 14% and 15%, respectively, of the Company's total consolidated revenues. For the years 2017, 2016 and 2015, the Company's third-largest customer, Federal Express Corporation, contributed 14%, 12% and 12%, respectively, of the Company's total consolidated revenues. Although the Company does not currently foresee a credit risk associated with accounts receivable from these customers, credit risk is affected by conditions or occurrences within the economy and the specific industries in which these customers operate.

As a result of the continued uncertainty and weakness in the global economic and political environment, companies continue to seek to outsource their IT spending offshore. However, Syntel also sees clients' needs to reduce their costs and the increased competitive environment among IT companies. The Company expects these conditions to continue in the foreseeable future. In response to the continued pricing pressures and increased competition for outsourcing clients, the Company continues to focus on expanding its service offerings into areas with higher and sustainable price margins, managing its cost structure and anticipating and correcting for decreased demand and skill and pay level imbalances in its personnel, investing in building out our strong digital and automation assets. The Company's immediate measures include increased management of compensation expenses through headcount management and variable compensation plans, as well as increasing utilization rates or reducing non-deployed sub-contractors or non-billable IT professionals.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected income statement data as a percentage of the Company's net revenues.

	PERCENTAGE OF NET REVENUES YEAR ENDED DECEMBER 31,		
	2017	**2016**	**2015**
Net revenues	100%	100.0%	100.0%
Cost of revenues	62.0	61.6	60.4
Gross profit	38.0	38.4	39.6
Selling, general and administrative expenses	12.5	11.2	10.4
Income from operations	**25.5%**	**27.2%**	**29.2%**

Below is selected segment financial data for the years ended December 31, 2017, 2016 and 2015. The Company does not allocate assets to operating segments:

	2017	**2016**	**2015**
		(In thousands)	
Net Revenues:			
Banking and Financial Services	419,088	$472,999	$474,943
Healthcare and Life Sciences	162,424	155,970	157,970
Insurance	138,343	128,270	133,519

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Manufacturing	39,369	44,420	41,154
Retail, Logistics and Telecom	164,604	164,891	161,026
Gross Profit:	$923,828	$966,550	$968,612
Banking and Financial Services	162,772	183,530	188,152
Healthcare and Life Sciences	66,719	62,466	68,822
Insurance	45,867	46,192	49,497
Manufacturing	10,526	13,091	13,111
Retail, Logistics and Telecom	66,865	68,113	69,505
Total Segment Gross Profit	352,749	373,392	389,087
Corporate Direct Cost	(1,710)	(2,567)	(5,086)
Gross Profit	$351,039	$370,825	$384,001
Selling, general and administrative expenses	115,323	108,528	100,256
Income from operations	**$235,716**	**$262,297**	**$283,745**

COMPARISON OF YEARS ENDED DECEMBER 31, 2017 AND 2016.

Revenues. Net revenues decreased to $923.8 million in 2017 from $966.6 million in 2016, representing a 4.4% decrease. Syntel's revenues decreased primarily due to customers facing considerable volatility in their respective industries. Persistent macroeconomic uncertainty, industry-specific or policy related headwinds, lower budgets and extended decision cycles contributed to a reduction in revenue. The Company believes its focus on specific industry segments such as Banking and Financial Services; Healthcare and Life Sciences; Insurance; Manufacturing; and Retail, Logistics and Telecom has enhanced its understanding of the critical business challenges faced by customers in these industries. The Company's ability to offer solutions for customers has also benefited from a strong foundation of industry knowledge. This, coupled with ongoing investments in customer engagement, has helped improve the Company's positioning with key customers. Further, our investments in intelligent automation, automation-powered modernization and cloud enablement services help our clients streamline their critical application and infrastructure layers. We will continue to work closely with our customers to help them and cope with changing demands across the end market.

As of December 31, 2017, worldwide billable headcount, including personnel employed by Syntel's Indian subsidiaries, Syntel Singapore, Syntel Europe, Syntel Deutschland and Syntel Canada , increased 1% to 17,307 employees as compared to 17,192 employees as of December 31, 2016. As of December 31, 2017 the Company had approximately 76% of its billable workforce in India as compared to 76% as of December 31, 2016. The top five customers accounted for 54% of the Company's total revenue in 2017, down from 58% of total revenues in 2016. Moreover, the top 10 customers accounted for 69% of the Company's total revenues in 2017, down from 73% of total revenues in 2016. The Company's top 4-30 customers accounted for 45% and 42% of the Company's total revenues in the year 2017 and 2016, respectively.

Cost of Revenues. The Company's cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. The cost of revenues increased to 62.0% of total revenue in 2017, from 61.6% in 2016. The 0.4% increase in cost of revenues, as a percent of revenues in 2017 as compared to 2016, was attributable primarily to a decrease in revenue, rupee appreciation and an increase in benefit cost including an increase in health insurance cost, offset by a decrease in compensation cost due to reversal of leave accruals and a decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to a decrease in onsite travel claims. During the year ended December 31, 2017, the Indian rupee appreciated against the U.S. dollar, on average, 3.55% as compared to the year ended December 31, 2016. This rupee appreciation negatively impacted the Company's gross margin by 45 basis points, operating income by 83 basis points and negatively impacted net income by 87 basis points, each as a percentage of revenue.

Banking and Financial Services Revenues. Banking and Financial Services revenues decreased to $419.1 million for the year ended December 31, 2017 or 45.4% of total revenues, from $473.0 million, or 48.9% of total revenues for the year ended December 31, 2016. The $53.9 million decrease was attributable primarily to a $187.6 million net reduction in revenues as a result of project completion and a $6.1 million net reduction in revenue from existing projects, largely offset by a $139.8 million increase in revenues from new engagements.

Banking and Financial Services Cost of Revenues. Banking and Financial Services cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Banking and Financial Services cost of revenue remained steady at 61.2% of total Banking and Financial Services revenues in 2017, from 61.2% in 2016. The movement year on year was attributable primarily to a decrease in revenue, rupee appreciation and an increase in benefit cost including an increase in health insurance cost, offset by a decrease in compensation cost due to reversal of leave accruals and a decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to decrease in onsite travel claims.

Healthcare and Life Sciences Revenues. Healthcare and Life Sciences revenues increased to $162.4 million for the year ended December 31, 2017, or 17.6% of total revenues from $156.0 million for the year ended December 31, 2016, or 16.1% of total revenues. The $6.4 million increase was attributable primarily to revenues from new engagements contributing $21.7 million and an $11.8 million net increase in revenue from existing projects, largely offset by $27.1 million in lost revenues as a result of project completion.

Healthcare and Life Sciences Cost of Revenues. Healthcare and Life Sciences cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Healthcare and Life Sciences cost of revenues decreased to 58.9% of total Healthcare and Life Sciences revenues in 2017, from 59.9% in 2016. The 1% decrease in cost of revenue was attributable primarily to an increase in revenue, a decrease in compensation cost due to reversal of leave accruals and decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to decrease in onsite travel claims, offset by rupee appreciation and an increase in benefit cost including an increase in health insurance cost.

Insurance Revenues. Insurance revenues increased to $138.3 million for the year ended December 31, 2017, or 15.0% of total revenues from $128.3 million for the year ended December 31, 2016, or 13.3% of total revenues. The $10.0 million increase was attributable primarily to revenues from new engagements contributing $19.3 million and a $2.0 million net increase in revenue from existing projects, largely offset by an $11.3 million decrease in revenues as a result of project completion.

Insurance Cost of Revenues. Insurance cost of revenues consists of costs directly associated with billable consultants, including salaries, payroll taxes, benefits, finder's fees, trainee compensation and travel. Insurance cost of revenues increased to 66.8% of total insurance revenues in 2017, from 64.0% in 2016. The 2.8% increase in cost of revenues, as a percent of total Insurance revenues was attributable primarily to rupee appreciation and increase in benefit cost including increase in health insurance cost, offset by an increase in revenue, decrease in compensation cost due to reversal of leave accruals and decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to a decrease in onsite travel claims.

Manufacturing Revenues. Manufacturing revenues decreased to $39.4 million for the year ended December 31, 2017, or 4.3% of total revenues from $44.4 million for the year ended December 31, 2016, or 4.6% of total revenues. The $5.0 million decrease was attributable primarily to an $11.2 million net reduction in revenue from existing projects and an $8.1 million net reduction in revenues as a result of project completion, largely offset by a $14.3 million increase in revenues from new engagements.

Manufacturing Cost of Revenues. Manufacturing cost of revenues consists of costs directly associated with billable consultants in the U.S., including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Manufacturing cost of revenues increased to 73.3% of total Manufacturing revenues in 2017, from 70.5% in 2016. The 2.8% increase in cost of revenues as a percent of total Manufacturing revenues, was attributable primarily to a decrease in revenue, rupee appreciation and an increase in benefit cost including an increase in health insurance cost, offset by a decrease in compensation cost due to reversal of leave accruals and decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to decrease in onsite travel claims.

Retail, Logistics and Telecom Revenues. Retail, Logistics and Telecom revenues decreased to $164.6 million for the year ended December 31, 2017, or 17.8% of total revenues from $164.9 million for the year ended December 31, 2016, or 17.1% of total revenues. The $0.3 million decrease was attributable primarily to $36.3 net reduction in revenues as a result of project completion, largely offset by a $23.5 million net increase in revenue from existing projects and a $12.5 million increase in revenues from new engagements.

Retail, Logistics and Telecom Cost of Revenues. Retail, Logistics and Telecom, cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Retail, Logistics and Telecom cost of revenues increased to 59.4% of total Retail, Logistics and Telecom revenues in 2017, from 58.7% in 2016. The 0.7% increase in cost of revenues as a percent of total Retail, Logistics and Telecom revenues, was attributable primarily to a decrease in revenue, rupee appreciation and increase in benefit cost including increase in health insurance cost, offset by a decrease in compensation cost due to reversal of leave accruals and a decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to a decrease in onsite travel claims.

Corporate Direct Costs – Cost of Revenues. Certain expenses, for cost centers such as Centers of Excellence, Architecture Solutions Group (ASG), certain portion of Research and Development, Cloud Computing, and Application Management, are not specifically allocated to specific segments because management believes it is not practical to allocate such expenses to individual segments as they are not directly attributable to any specific segment. Accordingly, these expenses are separately disclosed as Corporate Direct Costs and adjusted only against the Total Gross Profit.

Corporate Direct Costs cost of revenues decreased to 0.2% of total revenue in 2017, from 0.3% in 2016. The 0.1% decrease in cost of revenues as a percent of total revenue, was attributable primarily to a decrease in compensation cost due to reversal of leave accruals and a decrease in headcount, decreased immigration expenses, decreased contract services cost and decreased travel expenses due to decrease in onsite travel claims, offset due to a decrease in revenue, rupee appreciation and an increase in benefit cost including increase in health insurance cost.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses consist primarily of salaries; payroll taxes and benefits for sales, finance, administrative, corporate staff, travel expenses; telecommunications cost, business promotions, marketing, Corporate Social Responsibility (CSR) expenses and various facility costs for the Company's global development centers and other offices.

Selling, general and administrative expenses for the year ended December 31, 2017 were $115.32 million or 12.5% of total revenues, compared to $108.53 million or 11.2% of total revenues for the year ended December 31, 2016.

Selling, general and administrative expenses for the year ended December 31, 2017 were impacted by a decrease in revenue of $42.72 million that resulted in an increase of 0.55% in selling, general and administrative expenses as a percentage of total revenue.

The overall increase of $6.8 million in selling, general and administrative expenses was primarily attributable to an increase in corporate expenses of $11.41 million primarily due to, bad debts written off of $1.5 million, corporate social responsibility related expenditure of $3.2 million, a decrease in foreign exchange gain of $6.6 million (gain of $1.66 million for the year ended December 31, 2017 as against gain of $8.25 million for the year ended December 31, 2016), an increase in office expenses of $1.37 million; offset by a decrease in compensation cost due to reversal of leave accruals and a decrease in headcount impact $2.1 million, a decrease in marketing expenses of $0.7 million, a decrease in depreciation expenses of $0.75 million, a decrease in office rent expenses of $0.66 million, a decrease in travel expense of $0.56 million, a decrease in recruitment expense of $0.41 million, a decrease in benefits of $0.40 and a decrease in voice data expenses of $0.37 million.

Other(Expense)Income, Net. Other income includes interest, gains and losses from the sale of securities, other investments, treasury operations, and interest expenses on loans and borrowing.

Other (expense) income, net for the year ended December 31, 2017 was $(10.23) million or 1.1% of total revenues, compared to $11.09 million or 1.1% of total revenues for the year ended December 31, 2016.

The decrease in other income of $21.32 million was attributable to a decrease in interest income of $9.14 million, decrease in gain from sale of mutual fund of $4.26 million, and an increase in interest expense of $7.92 million.

COMPARISON OF YEARS ENDED DECEMBER 31, 2016 AND 2015

Revenues. Net revenues decreased to $966.6 million in 2016 from $968.6 million in 2015, representing a 0.2% decrease. Syntel's revenues decreased primarily due to our customers facing considerable volatility in their respective industries. As a result of the increased industry volatility, demand has softened. Amid softer macroeconomic trends, industry-specific headwinds and regulatory-related uncertainty in key end markets, decision cycles lengthened related to discretionary spending by customers. This resulted in delayed project starts and extension of deals from second half of 2016, slower projects ramp ups, in some cases with a consequent reduction in revenue. The combination of these factors has resulted in a reduction in revenues. The Company's verticalization sales strategy focusing on Banking and Financial Services; Healthcare and Life Sciences; Insurance; Manufacturing; and Retail, Logistics and Telecom has enabled better focus and relationships with key customers. Further, our focus on execution and ongoing investments in new offerings such as digital modernization and automation has the potential to contribute growth in the business across service lines and geographic regions. The focus is to continue investments in more new offerings and geographical expansion. Worldwide billable headcount, including personnel employed by Syntel's Indian subsidiaries, Syntel Singapore, Syntel Europe, Syntel Deutschland and Syntel Canada as of December 31, 2016, decreased 5% to 17,192 employees as compared to 18,093 employees as of December 31, 2015. As of December 31, 2016 the Company had approximately 76% of its billable workforce in India as compared to 75% as of December 31, 2015. The top five customers accounted for 58% of the Company's total revenue in 2016, down from 59% of total revenues in 2015. Moreover, the top 10 customers accounted for 73% of the Company's total revenues in 2016, down from 74% of total revenues in 2015. The Company's top 4-30 customers accounted for 42% and 44% of the Company's total revenues in the year 2016 and 2015, respectively.

Cost of Revenues. The Company's cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. The cost of revenues increased to 61.6% of total revenue in 2016, from 60.4% in 2015. The 1.2% increase in cost of revenues, as a percent of revenues in 2016 as compared to 2015, was attributable primarily to an increase in compensation, salary increases for offshore and onsite employees, increased contract cost offset by rupee depreciation, a decrease in travel expenses, a decrease in other direct expenses, a decrease in recruiting expenses, decrease in training expenses and a decrease in immigration expenses. Salary increases are discretionary and determined by management. During the year ended December 31, 2016, the Indian rupee depreciated against the U.S. dollar, on average, 4.77% as compared to the year ended December 31, 2015. This rupee depreciation positively impacted the Company's gross margin by 71 basis points, operating income by 117 basis points and negatively impacted net loss by 126 basis points, each as a percentage of revenue.

Banking and Financial Services Revenues. Banking and Financial Services revenues decreased to $473.0 million for the year ended December 31, 2016 or 48.9% of total revenues, from $474.9 million, or 49.0% of total revenues for the year ended December 31, 2015. The $1.9 million decrease was attributable primarily to $139.5 million net reduction in revenues as a result of project completion and a $25.4 million net reduction in revenue from existing projects, largely offset by $163.0 million in revenues from new engagements.

Banking and Financial Services Cost of Revenues. Banking and Financial Services cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Banking and Financial Services cost of revenues increased to 61.2% of total Banking and Financial Services revenues in 2016, from 60.4% in 2015. The 0.8% increase in cost of revenues, as a percent of total Banking and Financial Services revenues was attributable primarily to an increase in compensation, salary increases for offshore and onsite employees, and an increase in contract cost offset by rupee depreciation, a decrease in travel expenses, decrease in other direct expenses, a decrease in recruiting expenses, a decrease in training expenses and a decrease in immigration expenses.

Healthcare and Life Sciences Revenues. Healthcare and Life Sciences revenues decreased to $ 156.0 million for the year ended December 31, 2016, or 16.1% of total revenues from $158.0 million for the year ended December 31, 2015, or 16.3% of total revenues. The $2.0 million decrease was attributable primarily to $28.0 million net reduction in revenue from existing projects and a $26.4 million net reduction in revenues as a result of project completion, largely offset by $52.4 million in revenues from new engagements.

Healthcare and Life Sciences Cost of Revenues. Healthcare and Life Sciences cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Healthcare and Life Sciences cost of revenues increased to 59.9% of total Healthcare and Life Sciences revenues in 2016, from 56.4% in 2015. The 3.5% increase in cost of revenues, as a percent of total Healthcare and Life Sciences revenues was attributable primarily to an increase in compensation, salary increases for offshore and onsite employees, and increased contract costs, offset by rupee depreciation, a decrease in travel expenses, a decrease in other direct expenses, a decrease in recruiting expenses, a decrease in training expenses and a decrease in immigration expenses.

Insurance Revenues. Insurance revenues decreased to $128.3 million for the year ended December 31, 2016 or 13.3% of total revenues, from $133.5 million, or 13.8% of total revenues for the year ended December 31, 2015. The $5.2 million decrease was attributable primarily to $34.6 million net reduction in revenues as a result of project completion and a $24.4 million net reduction in revenue from existing projects, largely offset by a $53.8 million increase in revenues from new engagements.

Insurance Cost of Revenues. Insurance cost of revenues consists of costs directly associated with billable consultants, including salaries, payroll taxes, benefits, finder's fees, trainee compensation and travel. Insurance cost of revenues increased to 64.0% of total insurance revenues in 2016, from 62.9% in 2015. The 1.1% increase in cost of revenues, as a percent of total Insurance revenues was attributable primarily to an increase in compensation, salary increases for offshore and onsite employees, and increased contract costs offset by rupee depreciation, a decrease in travel expenses, a decrease in other direct expenses, a decrease in recruiting expenses, a decrease in training expenses and a decrease in immigration expenses.

Manufacturing Revenues. Manufacturing revenues increased to $44.4 million for the year ended December 31, 2016, or 4.6% of total revenues from $41.2 million for the year ended December 31, 2015, or 4.2% of total revenues. The $3.2 million increase was attributable primarily to revenues from new engagements contributing $10.0 million and a $0.9 million increase in revenue from existing projects, largely offset by $7.7 million in lost revenues as a result of project completion.

Manufacturing Cost of Revenues. Manufacturing cost of revenues consists of costs directly associated with billable consultants in the U.S., including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Manufacturing cost of revenues increased to 70.5% of total Manufacturing revenues in 2016, from 68.1% in 2015. The 2.4% increase in cost of revenues as a percent of total Manufacturing revenues, was attributable primarily to an increase in compensation, salary increases for offshore and onsite employees, and increased contract costs offset by rupee depreciation, a decrease in travel expenses, a decrease in other direct expenses, a decrease in recruiting expenses, a decrease in training expenses and decreased immigration expenses.

Retail, Logistics and Telecom Revenues. Retail, Logistics and Telecom revenues increased to $164.9 million for the year ended December 31, 2016 or 17.1% of total revenues, from $161.0 million, or 16.6% of total revenues for the year ended December 31, 2015. The $3.9 million increase was attributable primarily to revenues from new engagements contributing $115.7 million, largely offset by a $92.7 million decrease in revenue from existing projects and a $19.1 million in lost revenues as a result of project completion.

Retail, Logistics and Telecom Cost of Revenues. Retail, Logistics and Telecom, cost of revenues consists of costs directly associated with billable consultants in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Retail, Logistics and Telecom cost of revenues increased to 58.7% of total Retail, Logistics and Telecom revenues in 2016, from 56.8% in 2015. The 1.9% increase in cost of revenues as a percent of total Retail, Logistics and Telecom revenues, was attributable primarily to an increase in compensation, salary increases for offshore and onsite employees, and increased contract costs offset by rupee depreciation, a decrease in travel expenses, a decrease in other direct expenses, a decrease in recruiting expenses, a decrease in training expenses and decrease in immigration expenses.

Corporate Direct Costs — Cost of Revenues. Certain expenses, for cost centers such as Centers of Excellence, Architecture Solutions Group (ASG), Research and Development, Cloud Computing, and Application Management, are not specifically allocated to specific segments because management believes it is not practical to allocate such expenses to individual segments as they are not directly attributable to any specific segment. Accordingly, these expenses are separately disclosed as Corporate Direct Costs and adjusted only against the Total Gross Profit.

Corporate Direct Costs cost of revenues decreased to 0.3% of total revenue in 2016, from 0.5% in 2015. The 0.2% decrease in cost of revenues as a percent of total revenue, was attributable primarily to rupee depreciation, a decrease in other direct expenses and a decrease in recruiting expenses offset by an increase in compensation.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses consist primarily of salaries; payroll taxes and benefits for sales, finance, administrative, corporate staff, travel expenses; telecommunications cost, business promotions and marketing and various facility costs for the Company's global development centers and other offices.

Selling, general and administrative expenses for the year ended December 31, 2016 were $108.53 million or 11.2% of total revenues, compared to $100.26 million or 10.4% of total revenues for the year ended December 31, 2015.

Selling, general and administrative expenses for the year ended December 31, 2016 were impacted by a decrease in revenue of $2.06 million that resulted in an increase of 0.02% in selling, general and administrative expenses as a percentage of total revenue.

The overall increase of $8.27 million in selling, general and administrative expenses was primarily attributable to an increase in corporate expenses of $10.78 million primarily on account of a decrease in foreign exchange gain of $9.84 million; a gain of $8.25 million for the year ended December 31, 2016 as against gain of $18.09 million for the year ended December 31, 2015; an increase in benefits of $0.44 million; and an increase in marketing expenses of $0.8 million offset by a decrease in office expenses $1.08 million, a decrease in depreciation expenses of $0.89 million, a decrease in office rent expenses of $0.64 million, a decrease in voice data expenses of $0.77 million, a decrease in compensation of $0.29 million, and a decrease in other expenses of $0.08 million.

Other Income, Net. Other income includes interest and dividend income, gains and losses on forward contracts, gains and losses from the sale of securities, other investments, treasury operations, and interest expenses on loans and borrowing.

Other income, net for the year ended December 31, 2016 was $11.09 million or 1.1% of total revenues, compared to $43.46 million or 4.5% of total revenues for the year ended December 31, 2015.

The decrease in other income of $32.37 million was attributable to a decrease in interest income of $17.05 million, a decrease in gain from sale of mutual fund of $13.0 million, and an increase in interest expense of $2.49 million partially offset by an increase in other miscellaneous income of $0.17 million.

QUARTERLY RESULTS OF OPERATIONS

Note 17, "Selected Quarterly Financial Data (Unaudited)," to the Consolidated Financial Statements sets forth certain unaudited quarterly income statement data for each of the eight quarters beginning January 1, 2016 and ended December 31, 2017. In the opinion of management, this information has been presented on the same basis as the Company's Consolidated Financial Statements appearing elsewhere in this document and all consolidated necessary adjustments (consisting only of normal recurring adjustments) have been included in order to present fairly the unaudited quarterly results. The results of operations for any quarter are not necessarily indicative of the results for any future period.

The Company's quarterly revenues and results of operations have not fluctuated significantly from quarter to quarter in the past but could fluctuate in the future. Factors that could cause such fluctuations include: the timing, number and scope of customer engagements commenced and completed during the quarter; fluctuation in the revenue mix by segments; progress on fixed-price engagements; acquisitions; timing and cost associated with expansion of the Company's facilities; changes in IT professional wage rates; the accuracy of estimates of resources and time frames required to complete pending assignments; the number of working days in a quarter; employee hiring and training, attrition and utilization rates; the mix of services performed on-site, off-site and offshore; termination of engagements; start-up expenses for new engagements; longer sales cycles for IT services outsourcing engagements; significant fluctuations in exchange rate; customers' budget cycles and investment time for training.

LIQUIDITY AND CAPITAL RESOURCES

The Board of Directors authorized a stock repurchase plan under which the Company may repurchase shares of common stock with a total value not to exceed $60 Million. The stock repurchase plan is authorized to continue through December 31, 2018.

The Company repurchased 880,435 shares of common stock with a total value of $16.2 million at an average price of $18.37 per share during the year ended December, 31, 2017.

During the third quarter of 2016, the Board of Directors declared a special cash dividend of fifteen dollars ($15.00) per share on outstanding common stock which was payable on October 3, 2016, to shareholders of record at the close of business on September 22, 2016. Accordingly, $1.261 billion in dividends was paid on October 3, 2016.

The special cash dividend was funded through a one-time repatriation of approximately $1.03 billion (net of dividend distribution tax $210 million paid outside of the U.S) of cash held by the Company's foreign subsidiaries and a portion of borrowings under the new Senior Credit Facility.

On November 14, 2016, the Board of Directors authorized a stock repurchase plan under which the Company may repurchase shares of common stock with a total value not to exceed approximately $10 million.

The Company repurchased 510,923 shares of common stock with a total value of $10 million at an average price of $19.57 per share during the fourth quarter of 2016.

The Company generally has financed its working capital needs through operations. The Mumbai, Chennai, Pune (India) and other expansion programs are financed from internally generated funds. The Company's cash and cash equivalents consist primarily of certificates of deposit and cash deposited in banks. These amounts are held by various banking institutions including U.S.-based and India-based banks. As at December 31, 2017, the total cash and cash equivalent and short-term investment balance was $122.5 million. Out of the above, an amount of $42.8 million was held by Indian subsidiaries which were comprised of an amount of $14.3 million held in U.S. dollars with the balance of the amount held in Indian rupees. The Company believes that the amount of cash and cash equivalent outside the U.S. will not have a material impact on liquidity.

Net cash (used) provided by operating activities was $181.52 million, $(11.65) million and $223.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. The number of days sales outstanding in accounts receivable was approximately 53 days, 54 days and 59 days as of December 31, 2017, 2016 and 2015, respectively.

Net cash used in investing activities was $10 million for the year ended December 31, 2017, consisting principally of the purchase of mutual funds of $246.7 million ,purchase of term deposits with banks of $1.6 million and $8.3 million of capital expenditures, primarily for the construction/acquisition of the Global Development Center at Pune, the Knowledge Process Outsourcing facility at Mumbai and additional facilities in Tirunelveli, Chennai, Glasgow and Krakow , and the acquisition of computers, software and communications equipment offset by $239.0 million from the sale of mutual funds and $7.6 million from maturities of term deposits with banks.

Net cash provided by investing activities was $495.3 million for the year ended December 31, 2016. consisting principally of $299.2 million from sales of mutual funds, $621.8 million from maturities of term deposits with banks; offset by $17.1 million of capital expenditures primarily for the construction/acquisition of the Global Development Center at Pune, the Knowledge Process Outsourcing facility at Mumbai and additional facilities in Tirunelveli, Chennai, Glasgow and, Krakow , the acquisition of computers, software and communications equipment, purchase of mutual funds of $184.7 million and the purchase of term deposits with banks of $223.9 million.

Net cash provided by investing activities was $106.0 million for the year ended December 31, 2015. During 2015, the Company invested $667.9 million to purchase short-term investments and $17.0 million for capital expenditures, which consists principally of computer hardware, software, communications equipment, infrastructure and facilities. This was offset by the proceeds from the sale or maturity of short-term investments of $790.7 million and the proceeds from the sale of assets of $0.2 million.

Net cash used in financing activities in 2017 was $156.8 million consisting principally of loan repayments of $140.6 million and stock repurchases of $16.2 million.

Net cash used in financing activities in 2016 was $902.2 million consisting principally of $1,261.5 million in dividends paid , loan repayments of $210 million, loan origination fees of $1.0 million and stock repurchases of $10 million, which were partially offset by $580.3 million in proceeds from loans and borrowing of.

Net cash used in financing activities in 2015 was $8.4 million and was principally applied to the repayment of loans and borrowing of $8.6 million, which were partially offset by $0.2 million in excess tax benefits on stock-based compensation plans.

On May 23, 2013, Syntel entered into a Credit Agreement with Bank of America, N.A. for $150 million in credit facilities consisting of a three-year term loan facility of $60 million and a three-year revolving credit facility of $90 million (the “Credit Agreement”). The maturity date of both the three-year term loan facility and the three-year revolving credit facility was May 23, 2016. The Credit Agreement was amended on May 9, 2016 (the “First Amendment Effective Date”) thereby extending the maturity date from May 23, 2016 to May 9, 2019. Further, by way of the amended Credit Agreement, an additional $40 million for the term loan facility and $10 million for the revolving credit facility was granted by Bank of America to Syntel (the “First Amendment” and together with the Credit Agreement, the “Amended Credit Agreement”). Thus, the total amount of the credit facility was $200 million, consisting of a three-year term loan facility of $100 million and a three-year revolving credit facility of $100 million. The Amended Credit Agreement was guaranteed by two of the Company’s domestic subsidiaries, SkillBay and Syntel Consulting (collectively, the “Guarantors”). In connection with the First Amendment, the Company and the Guarantors also entered into a related security and pledge agreement granting a security interest in the assets of the Company and the Guarantors, including, without limitation, a pledge of 65% of the equity interests in Syntel India.

The interest rates under the Amended Credit Agreement were, with respect to both the revolving credit facility and the term loan, (a) for the period beginning on the First Amendment Effective Date through and including the date prior to the first anniversary of the First Amendment Effective Date, (i) the Eurodollar Rate (as that term is defined in the Amended Credit Agreement) plus 1.50% with respect to Eurodollar Rate Loans (as that term is defined in the Amended Credit Agreement) and (ii) the Base Rate (as that term is defined in the Amended Credit Agreement) plus 0.50% with respect to Base Rate Loans (as that term is defined in the amendment to the Credit Agreement), (b) for the period beginning on the first anniversary of the First Amendment Effective Date through and including the date prior to the second anniversary of the First Amendment Effective Date, (i) the Eurodollar Rate plus 1.45% with respect to Eurodollar Rate Loans and (ii) the Base Rate plus 0.45% with respect to Base Rate Loans, and (c) for the period beginning on the second anniversary of the First Amendment Effective Date and continuing thereafter, (i) the Eurodollar Rate plus 1.40% with respect to Eurodollar Rate Loans and (ii) the Base Rate plus 0.40% with respect to Base Rate Loans.

During the year ended December 31, 2016, the Company fully repaid the revolving credit and term loan of $190.0 million, and terminated the Amended Credit Agreement.

On September 12, 2016, the Company entered into a new credit agreement ("Senior Credit Facility"), as amended as of October 26, 2016 and July 18, 2017 (the "Second Amendment"), with Bank of America, N.A, as administrative agent, L/C issuer and swingline lender, the other lenders party thereto, and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner for $500 million in credit facilities consisting of a five-year term loan facility of $300 million (the "Term Loan") and a five-year revolving credit facility of $200 million (the "Revolving Facility"). The maturity date of the Senior Credit Facility is September 11, 2021. The Revolving Facility allows for the issuance of letters of credit and swingline loans. The Senior Credit Facility was guaranteed by two of the Company's domestic subsidiaries, SkillBay and Syntel Consulting (collectively, the "Guarantors"). In connection with the Senior Credit Facility, the Company and the Guarantors also entered into a related security and pledge agreement granting a security interest in the assets of the Company and the Guarantors, including, without limitation, a pledge of 65% of the equity interests in Syntel India. The Second Amendment modified the Senior Credit Facility to allow the Company to make additional restricted payments in an aggregate amount not to exceed $50,000,000 so long as the Company had not defaulted and remained in compliance with the financial covenants set forth in the Senior Credit Facility on a pro forma basis. On September 1, 2017, SkillBay and Syntel Consulting were merged with and into Syntel, Inc. No approvals or amendments were required under the terms of the Senior Credit Facility for this merger among parties to the agreement.

The interest rates applicable to the Senior Credit Facility other than in respect of swingline loans are LIBOR plus 1.50% or, at the option of the Company, the Base Rate (to be defined as the highest of (x) the Federal Funds Rate [as that term is defined in the Senior Credit Facility] plus 0.50%, (y) the Bank of America prime rate, or (z) LIBOR plus 1.00%) plus 0.50%. Each swingline loan shall bear interest at the Base Rate plus 0.50%. In no event shall LIBOR be less than 0% per annum.

As of December 31, 2017, the interest rates were 2.85% for the Term Loan of $300 million, 2.85% and 2.81% for two portion of the Revolving Facility equaling $160 million and $40 million respectively.

The Company has also hedged interest rate risk on the entire Term Loan of $300 million by entering into a Pay Fixed and Receive Floating Interest rate swap on November 30, 2016. The Company has designated this interest rate swap ("IRS") in a hedging relationship with the term loan. The IRS is recorded at fair value and a gain of $2.8 million during the year ended December 31, 2017 is recorded in "Accumulated other comprehensive income" with the corresponding debit in other current assets and other long-term assets.

With the interest rates charged on the Senior Credit Facility being variable, the fair value of the Senior Credit Facility approximates the reported value as of December 31, 2017, as it reflects the current market value.

The Term Loan provides for the principal payments as under:

Period		
Beginning from	Until	Amount (in millions per quarter)
October 31, 2017	September 30, 2018	$ 5.625
October 31, 2018	September 30, 2021	$ 7.500

During the year ended December 31, 2017, $20.625 million principal payments were made toward the term loan and a $120.0 million principal payments were made toward the revolving credit facility.

The Senior Credit Facility requires compliance with certain financial ratios and covenants. As of December 31, 2017, the Company was in compliance with all financial covenants.

As of December 31, 2017 the outstanding balances of the Term Loan and Revolving Facility, including accrued interest, are $278.9 million and $79.8 million (net of $0.7 million unamortized debt issuance cost), respectively.

Future scheduled payments on the Senior Credit Facility, at December 31, 2017 are as follows:

	Term Loan	Revolving Facility
	(In thousands)	
	Principal Payments	Principal Payments
2018	$ 24,375	
2019	$ 30,000	
2020	$ 30,000	
2021	$195,000	$ 80,000

CONTRACTUAL OBLIGATIONS

The following table sets forth the Company’s known contractual obligations which includes operating leases and purchase obligations as of December 31, 2017:

					(In thousands)
	Payments due by period				
Contractual Obligation	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long term debt obligation	$359,375	$24,375	$60,000	$275,000	$ —
Operating leases	$ 14,806	$ 6,524	$ 6,030	$ 2,252	$ —
Purchase obligations	$ 27,747	$27,747	$ —	$ —	$ —
Total	**$401,928**	**$58,646**	**$66,030**	**$277,252**	**$ —**

Purchase obligations included above are primarily related to the expansion or construction of facilities. Certain agreements for lease and purchase obligations are cancelable with a specified notice period or penalty; however, all contracts are reflected in the table above as if they will be performed for the full term of the agreement.

INCOME TAX MATTERS

Syntel's software development centers/units in India are located in Mumbai, Chennai Pune and Gurugram. Software development centers/units enjoy favorable tax provisions due to their registration in Special Economic Zone (SEZ), as Export Oriented Unit (EOU) and as units located in Software Technologies Parks of India (STPI). Units registered with STPI, EOUs and certain units located in SEZ were exempt from payment of corporate income taxes for ten years of operations on the profits generated by these units or March 31, 2011, whichever was earlier. Certain units located in SEZ are eligible for 100% exemption from payment of corporate taxes for the first five years of operation and 50% exemption for the next two years and a further 50% exemption for another three years, subject to fulfillment of certain criteria laid down. New units in SEZ operational after April 1, 2005 are eligible for 100% exemption from payment of corporate taxes for the first five years of operation, 50% exemption for the next five years and a further 50% exemption for another five years, subject to fulfillment of criteria.

The Company's units located at SEEPZ Mumbai and the STPI/EOU units ceased to enjoy the tax exemption on March 31, 2011. Three SEZ units completed their first five years of 100% exemption as of March 31, 2016. One SEZ unit located at Chennai completed its first five years of 100% exemption as of March 31, 2015. The Company started operations in KPO SEZ units in Airoli, Navi Mumbai in the quarters ended June 30, 2015 and June 30, 2016, respectively. The Company started operations in SEZ units in Pune in the quarter ended June 30, 2017.

Syntel's SEZ in Pune set up under the SEZ Act 2005, commenced operations in 2008. The SEZ for Chennai commenced operations in 2010. Income from operation of the SEZ, as a developer, is exempt from payment of corporate income taxes for ten out of 15 years from the date of SEZ notification.

Provision for Indian Income Tax is made only in respect of business profits generated from these software development units, to the extent they are not covered by the above exemptions and on income from treasury operations and other income.

The benefit of the tax holiday under Indian Income Tax was $28.59 million, $38.97 million and $45.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

For the year ended December 31, 2017, the Company recorded one-time additional tax of $8.16 million due to changes to the Internal Revenue Code of 1986 made by the Tax Cuts and Jobs Act of 2017. Out of the aforementioned $8.16 million, $0.9 million relates to deferred income tax due to a change in the Federal tax rate and $7.26 million on undistributed foreign income.

During the three months ended September 30, 2016, and after a comprehensive review of anticipated sources and uses of capital both domestically and abroad, as well as other considerations, the Board of Directors determined that it was in the best interests of the Company and its shareholders to declare a special cash dividend of fifteen dollars ($15.00) per share. In conducting this evaluation, the Board of Directors considered, among other factors, the operational and financial objectives of the Company, long-term and short-term capital needs, the Company's projections on growth and working capital needs, planned uses of U.S. and foreign earnings, the available sources of liquidity in the U.S., and growth plans outside of the U.S. As part of this evaluation, the Company determined that certain amounts which had been previously designated for internal and external expansion and investment at its foreign subsidiaries were no longer required for these purposes. The special cash dividend was funded through a one-time repatriation of approximately $1.03 billion (net of foreign income tax of $210 million paid outside of the U.S) of cash held by the Company's foreign subsidiaries and a portion of borrowings under the new Senior Credit Facility. In connection with the one-time repatriation, the Company recognized a one-time tax expense of approximately $270.6 million (net of foreign tax credits) in the third quarter of 2016. The Company has recorded additional state tax of $0.9 million, attributable to the above repatriation, in the quarter ended March 31, 2017. The Company has reversed $6.26 million relating to the true up of tax provisions including the impact of foreign exchange rates, in the computation of the tax related to the dividend repatriation, upon the finalization of the Federal tax return attributable to the above repatriation, in the quarter ended September 30, 2017.

Management regularly evaluates foreign earnings to determine whether future foreign earnings that accumulate will be permanently invested outside the U.S. In conducting this evaluation, management considers, among other factors, the operational and financial objectives of the Company, long-term and short-term capital needs, the Company's projections on growth and working capital needs, planned uses of U.S. and foreign earnings, the available sources of liquidity in the U.S., and growth plans outside of the U.S. The Company provides dividend distribution taxes on any foreign earnings in excess of these requirements. The December 31, 2017 provision includes the impact of certain foreign earnings that are not permanently invested. If in the future, management were to conclude that any additional portion of foreign earnings will not be permanently reinvested outside the U.S., this would result in an additional provision for income taxes, which could affect the Company's future effective tax rate. If the Company determines to repatriate all undistributed repatriable earnings of foreign subsidiaries as of December 31, 2017, the Company would have accrued taxes of approximately $30.0 million.

During the years ended December 31, 2017, 2016 and 2015, the effective income tax rate was 26.3%, 121.0% and 22.8%, respectively.

The tax rate for the year ended December 31, 2017 was impacted by one- time additional tax of $8.16 million due to changes to the Internal Revenue Code of 1986 made by the Tax Cuts and Jobs Act of 2017. Out of aforesaid $8.16 million, $0.9 million relates to deferred income tax due to change in Federal tax rate and $7.26 million on deferred foreign income. The tax rate for the year ended December 31, 2017 was also impacted by one-time favorable adjustments of $6.26 million relating to the true up of tax provisions including the impact of foreign exchange rates, in the computation of the tax related to the dividend repatriation, upon the finalization of the Federal tax return and one-time reversal of valuation allowance of $2.92 million and additional charge of $0.9 million (net of federal tax benefits) of state income tax on repatriation. Without the above, the effective. Without the above, the effective tax rate for the year ended December 31, 2017 would have been 26.3%.

The U.S. Government and state tax authorities are expected to continue to issue guidance regarding the Tax Cuts and Jobs Act of 2017, which may result in adjustments to our provisional estimates of deferred tax charge of $0.9 million. The adjustments to net deferred tax liabilities are provisional amounts estimated based on information available as of December 31, 2017. These amounts are subject to change as we obtain information necessary to complete the calculations. We will recognize any changes to the provisional amounts as we refine our estimates of the cumulative temporary differences, including those related to immediate deduction for qualified property, and our interpretations of the application of the Tax Act. We are continuing to analyze certain aspects of the Act and may refine our estimates, which could potentially affect the measurement of our net deferred tax assets or give rise to new deferred tax amounts. The final determination of the remeasurement of our net deferred tax assets and the transition tax will be completed as additional information becomes available, but no later than one year from the enactment date.

The tax rate for the year ended December 31, 2016 was primarily impacted by a one-time repatriation. The Company recognized a one-time tax expense of approximately $270.6 million (net of foreign tax credits) and reversal of unrecognized tax benefits of $3.08 million. Without the above, the effective tax rate for the year ended December 31, 2016 would have been 23.0%.

The tax rate for the year ended December 31, 2015 was impacted by favorable adjustment of $1.10 million relating to the true up of tax provisions upon the finalization of the India tax computation and $1.20 million relating to the finalization of state tax and local tax matters. The Company has provided tax charges of $0.84 million on account of valuation allowances against the minimum alternative tax. Without the above, the effective tax rate for the year ended December 31, 2015 would have been 23.3%.

The Company records provisions for income taxes based on enacted tax laws and rates in the various taxing jurisdictions in which it operates. In determining the tax provisions, the Company provides for tax uncertainties in income taxes, when it is more likely than not, based on the technical merits, that a tax position would not be sustained upon examination. Such uncertainties, which are recorded in income taxes payable, are based on management’s estimates and accordingly, are subject to revision based on additional information. The provision no longer required for any particular tax year is credited to the current period’s income tax expense. Conversely, in the event of a future tax examination, any additional tax expense not previously provided for will be recognized in the period in which the actual liability is concluded or the management determines that the Company will not prevail on certain tax positions taken in filed returns, based on the “more likely than not” concept.

Syntel Inc. and its subsidiaries file income tax returns in various tax jurisdictions. The Company is no longer subject to U.S. federal tax examinations by tax authorities for years before 2014 and for state tax examinations for years before 2013.

Syntel India, the Company’s India subsidiary, has disputed tax matters for the financial years 1996-97 to 2014-15 pending at various levels of tax authorities. Financial year 2015-16 and onwards are open for regular tax examination by the Indian tax authorities. However, the tax authorities in India are authorized to reopen the already concluded tax assessments for financial years 2010-11 and onwards.

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

	(In millions) 2017	2016
Balance as at January 1	$ 68.51	$ 50.24
Additions based on tax positions related to the current year	0.02	22.48
Additions based on tax positions for prior years	6.79	0.0
Reductions for tax positions of prior years	(0.42)	(3.08)
Foreign currency translation effect	3.04	(1.13)
Balance as at December 31	$ 77.94	$ 68.51
Income taxes paid, see below	(44.03)	(41.41)
Amounts, net of income taxes paid	$ 33.91	$ 27.10

The table above shows the unrecognized tax benefits that, if recognized, would affect the effective tax rate.

The Company has paid income taxes of $44.03 million and $41.41 million against the liabilities for unrecognized tax benefits of $77.94 million and $68.51 million, as at December 31, 2017 and 2016, respectively. The Company has paid the taxes in order to reduce the possible interest and penalties related to these unrecognized tax benefits.
The Company recognized accrued interest and penalties related to unrecognized tax benefits as part of tax expense. During the years ended December 31, 2017 and December 31, 2016, the Company recognized a tax charge and tax reversal towards interest of approximately $0.76 million and $0.15 million, respectively.

The Company had accrued approximately $2.21 million and $1.45 million for interest and penalties as of December 31, 2017 and December 31, 2016, respectively.

The Company's amount of net unrecognized tax benefits for the tax disputes of $1.71 million could change in the next twelve months as litigation and global tax audits progress. At this time, due to the uncertain nature of this process, it is not reasonably possible to estimate an overall range of possible change.

Syntel has not provided for India Income Tax which are disputed and pending at various level (including potential tax dispute) of $15.91 million for the financial year 1996-97 to December 31, 2017, which is after providing $54.61 million as unrecognized tax benefits under ASC740. Indian tax exposures involve complex issues and may need an extended period to resolve the issues with the Indian income tax authorities. Syntel's management, after consultation with legal counsel, believes that the resolution of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

SERVICE TAX AUDIT

Syntel India regularly files quarterly service tax refund applications and claims refunds of service tax on input services, which remain unutilized against a no service tax on export of services. As of December 31, 2017, Syntel Indian entities have not provided against service tax refunds claims of $3.87 million disputed by the Service Tax Department, which are pending at various levels.

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The Company obtained a tax consultant's advice on the above mentioned disputes. The consultant believes that the tax disputes are contrary to the wording of the service tax notifications and provisions. The Company therefore believes that its claims of service tax refunds should be upheld at the appellate stage and the refunds should be accordingly granted. Based on the consultant's tax advice, the Company believes that it has a reasonable basis to defend the rejection of the refunds. Accordingly, no provision has been made in the Company's books.

Local Taxes

As of December 31, 2017 and 2016, the Company had a local tax liability provision of approximately $0.4 million, equal to $0.3 million net of federal tax benefit, relating to local taxes including employer withholding taxes, employer payroll expense taxes, business licenses, and corporate income taxes.

Minimum Alternate Tax (MAT)

Minimum Alternate Tax ("MAT") is payable on the Book Income, including the income for which deduction is claimed under section 10A and section 10AA of the Indian Income Tax Act. The excess MAT over the normal tax liability is "MAT Credit." MAT Credit can be carried forward for 15 years (as amended by the Finance Act, 2017, as compared to 10 years, as previously provided) and set-off against future tax liabilities, if normal tax provisions are in excess of taxes payable under MAT. Accordingly, for the three months ended March 31, 2017, the Company has reversed a valuation allowance of $2.92 million against deferred tax assets which was recognized on MAT Credit. The MAT credit as of December 31, 2017 of $44.63 million (net of valuation allowance of $2.62 million) must be utilized before March 31 of the following financial years and will expire as follows:

Year of Expiry of MAT Credit	(In millions)
2022 - 2023	0.15
2023 - 2024	0.65
2024 - 2025	2.08
2025 - 2026	2.96
2026 - 2027	0.74
2027 - 2028	6.22
2028 - 2029	7.37
2029 - 2030	8.09
2030 - 2031	10.40
2031 - 2032	4.93
2032 - 2033	3.66
Total	47.25
Less: Valuation allowance	2.62
Total (net of valuation allowance)	44.63

India Budget Proposal 2018

The Finance Bill 2018 was presented on February 1, 2018. These proposals include an increase in income tax cess to 4% against the existing 3%. The proposals would increase the effective tax rate to 34.944% from 34.608%. The Indian corporate tax rate would be reduced to 25%, as compared to the existing 30% for companies with annual turnover below INR 2500 million ($39.5 million). The proposal includes no other changes to corporate income tax rates.

If enacted, these proposals, would have a one-time marginal tax benefit to Syntel of $0.1 million. These tax benefits would be accounted in the quarter in which the aforesaid proposal is enacted.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently issued accounting standards set forth under Note 2, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements in the separate financial section of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of interest rate changes and foreign currency fluctuations.

Interest Rate Risk

The Company considers investments purchased with an original maturity of less than three months at date of purchase to be cash equivalents. The following table summarizes the Company's cash and cash equivalents and investments in marketable securities:

		(In thousands)
ASSETS	**December 31, 2017**	**December 31, 2016**
Cash and cash equivalents	$ 95,994	$ 78,332
Short-term investments	26,501	21,614
Total	**$ 122,495**	**$ 99,946**

As at December 31, 2017, the total cash and cash equivalent and short- term investment balance was $122.5 million. Out of the above, an amount of $42.8 million was held by Indian subsidiaries which were comprised of an amount of $14.3 million held in U.S. dollars with the balance of the amount held in Indian rupees. The Company believes that the amount of cash and cash equivalents outside the U.S. will not have a material impact on liquidity.

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's investment portfolio and its Senior Credit Facility. The Company does not use derivative financial instruments in its investment portfolio. The Company's investments are in high-quality Indian Mutual Funds and, by policy, limit the amount of credit exposure to any one issuer. At any time, changes in interest rates could have a material impact on interest earnings for the Company's investment portfolio. The Company strives to protect and preserve the Company's invested funds by limiting default, market and reinvestment risk. Investments in interest earning instruments carry a degree of interest rate risk. Floating rate securities may produce less income than expected if there is a decline in interest rates. Due in part to these factors, the Company's future investment income may fall short of expectations, or the Company may suffer a loss in principal if the Company is forced to sell securities, which have declined in market value due to changes in interest rates as stated above.

The currency composition of the investment portfolio also impacts the investment income generated by the Company. Investment income generated from Indian rupee denominated investment portfolio is higher than that generated by U.S. dollar denominated investment portfolio. As at December 31, 2017 and December 31, 2016, Company held 23% and 24% of total funds in Indian rupees, respectively.

The Company is also exposed to interest rate risk under the Senior Credit Facility. In connection with the Senior Credit Facility, the Company has entered into an Interest Rate Swap arrangement (the "IRS") on November 30, 2016 to hedge interest rate risk on the Term Loan. The IRS Swap is designed to reduce the variability of future interest payments with respect to Term Loan by effectively fixing the annual interest rate payable on the Term Loan's outstanding principal.

The "IRS" is recorded at fair value and gain arising of $2.8 million during the period is recoded in "Accumulated other comprehensive income" with the corresponding debit in other current assets and other long-term assets.

The Company does not use derivative instruments for speculative purpose.

A hypothetical decrease in benchmark interest rates of up to 1.0% would have resulted in a decrease of approximately $8.2 million in the fair value of the IRS as of December 31, 2017. Whereas a hypothetical increase in benchmark interest rates of up to 1.0% would have resulted in an increase in the fair value of the IRS of approximately $7.9 million as of December 31, 2017.

Foreign Currency Risk

The Company's sales are primarily sourced in the United States and its subsidiary in the United Kingdom and are mostly denominated in U.S. dollars or UK pounds, respectively. Its foreign subsidiaries, primarily Indian entities, incur most of their expenses in the local currency (i.e. Indian rupees). Accordingly, all foreign subsidiaries use the local currency as their functional currency. The Company's business is subject to risks typical of an international business, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions and foreign exchange rate volatility. Accordingly, the Company's future results could be materially adversely impacted by changes in these or other factors. The risk is partially mitigated as the Company has sufficient resources in the respective local currencies to meet immediate requirements. The Company is also exposed to foreign exchange rate fluctuations as the financial results of foreign subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, these results, when translated, may vary from expectations.

During the year ended December 31, 2017, the Indian rupee appreciated against the U.S. dollar, by average, 3.6% as compared to the average rate for the year ended December 31, 2016. This rupee appreciation negatively impacted the Company's gross margin by 45 basis points, operating income by 83 basis points and net income by 88 basis points, each as a percentage of revenue. The Indian rupee denominated cost of revenues and selling, general and administrative expense was 26.1% and 83.4% of the expenses, respectively.

As at December 31, 2017, the Indian rupee appreciated 5.8% against the U.S. dollar, as compared to the rate as at December 31, 2016. The foreign exchange rate fluctuation has resulted in a foreign currency translation adjustment of $9.8 million during the year ended December 31, 2017, which has been reported as Other Comprehensive Income which positively impacted the shareholders' equity.

During the year ended December 31, 2016, the Indian rupee depreciated against the U.S. dollar, by average, 4.8% as compared to the average rate for the year ended December 31, 2015. This rupee depreciation positively impacted the Company's gross margin by 71 basis points, operating income by 117 basis points and net income by 126 basis points, each as a percentage of revenue. The Indian rupee denominated cost of revenues and selling, general and administrative expense was 26.3% and 80.0% of the expenses, respectively.

As at December 31, 2016, the Indian rupee depreciated 2.2% against the U.S. dollar, as compared to the rate as at December 31, 2015. The foreign exchange rate fluctuation has resulted in foreign currency translation adjustment of $19.0 million during the year ended December 31, 2016 which has been reported as Other Comprehensive Loss which adversely impacted the shareholders' equity.

During the year ended December 31, 2015, the Indian rupee depreciated against the U.S. dollar, by average, 5.3% as compared to the average rate for the year ended December 31, 2014. This rupee depreciation positively impacted the Company's gross margin by 83 basis points, operating income by 134 basis points and net income by 127 basis points, each as a percentage of revenue. The Indian rupee denominated cost of revenues and selling, general and administrative expense was 29.3% and 82.9% of the expenses, respectively.

As at December 31, 2015, the Indian rupee depreciated 4.5% against the U.S. dollar, as compared to the rate as at December 31, 2014. The foreign exchange rate fluctuation has resulted in foreign currency translation adjustment of $45.4 million during the year ended December 31, 2015 which has been reported as Other Comprehensive Loss which adversely impacted the shareholders' equity.

Although the Company cannot predict future movement in interest rates or fluctuations in foreign currency rates, the Company currently anticipates that interest rate risk or foreign currency risk may have a significant impact on the financial statements. In order to limit the exposure to fluctuations in foreign currency rate, when the Company enters into foreign exchange forward contracts, where the counterparty is a bank, these contracts may also have a material impact on the financial statements.

During the year ended December 31, 2017, the Company did not enter into foreign exchange forward contracts where the counterparty is a bank.

No forward contracts were outstanding as on December 31, 2017.

The Company managed exposure to interest risk by investing in high-quality Indian Mutual Funds, by adhering to policies that limit the amount of credit exposure to any one issuer, by avoiding use of any derivative financial instruments, by entering into foreign exchange forward contracts and option contracts with only financially sound banks that have passed Syntel internal review to hedge no more than 100% of the Company's India- based entity revenue, and by generally, limiting foreign exchange forward contracts and option contracts to maturities of one to six months. The Company also specifically discloses any net gain or loss on contracts, which are not designated as hedges, under the heading of "Other (Expense)Income, net" in the Statement of Income.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements filed herewith are set forth on the Index to Financial Statements on page F-1 of the separate financial section which follows page 79 of this Report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management evaluated, with the participation of the Company's principal executive officers (the Co-Chairman of the Board, Chief Executive Officer and Chief Financial Officer),the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a- 15(e) under the Securities and Exchange Act of 1934) as of the end of the period covered by this report. Based on that evaluation, the principal executive officers have concluded that the Company's disclosure controls and procedures were effective, at a reasonable assurance level, as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). We maintain internal control over financial reporting designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, internal control over financial reporting determined to be effective provides only reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Crowe Horwath LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements and its subsidiaries as of December 31, 2017 and for the year then ended included in this Annual Report on Form 10-K and, as part of its audit, has issued its report, included herein, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the year covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information set forth in the sections entitled “Proposal 1. Election of Directors,” “Additional Information – Section 16 (a) Beneficial Ownership Reporting Compliance” and “Additional Information – Transactions with Related Persons” in the Registrant’s Proxy Statement for the Annual Shareholders’ Meeting to be held on or about June 6, 2018 (the “Proxy Statement”) is incorporated herein by reference. The information set forth in the section entitled “Executive Officers of the Registrant” in Item 1 of this report is incorporated herein by reference.

The Company has adopted a Code of Ethical Conduct applicable to all of the Company’s employees, executive officers and directors. The Code of Ethical Conduct, as currently in effect (together with any amendments that may be adopted from time to time), is posted in the “Investors – Corporate Governance” section of the Company’s website at www.syntelinc.com. Amendments to, and any waiver from, any provision of the Code of Ethical Conduct that requires disclosure under applicable SEC rules will be posted on the website at the address specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the sections entitled “Executive Compensation,” and “Proposal 1. Election of Directors – Compensation of Directors” in the Registrant’s Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in the section entitled “Additional Information” in the Registrant’s Proxy Statement is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth, with respect to the Company’s equity compensation plans, (i) the number of shares of common stock to be issued upon the exercise of outstanding options, (ii) the weighted-average exercise price of outstanding options and (iii) the number of shares remaining available for future issuance, as of December 31, 2017.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))**
Equity compensation plans approved by shareholders	—	—	15,298,853
Equity compensation plans not approved by shareholders	—	—	—
TOTAL	—	—	15,298,853

** Includes 15,298,853 shares available for future issuance under Syntel’s 2016 Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company's Corporate Governance Guidelines and the Company's Code of Ethical Conduct, which are published on the Company's website, prohibit related person transactions without prior approval by the Board of Directors. Related person transactions are those between the Company and its directors, executive officers, director nominees, large security holders or any immediate family member of any of the foregoing. Immediate family member means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any person (other than a tenant or employee) sharing the household of a director, executive officer, director nominee, or large security holder. As provided in the Corporate Governance Guidelines, the Audit Committee will review all related person transactions and as provided in the Code of Ethical Conduct, the Board of Directors must approve any waiver of the prohibition against related person transactions. All related person transactions exceeding $120,000 must be disclosed. There were no related person transactions in 2017.

The information set forth under the subsection entitled "Board Independence" in the Registrant's Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Crowe Horwath LLP served as the Company's independent auditors for the consolidated financial statements prepared for the years ended December 31, 2017, 2016 and 2015, and all the quarters of 2017, 2016 and 2015. The following table lists the aggregate fees for professional services rendered by Crowe Horwath LLP for all "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" which pertain to the last two years.

	Fiscal Year Ended	
	December 31, 2017	December 31, 2016
Audit Fees	$ 706,694	$ 608,818
Audit-Related Fees	14,440	14,014
Tax Fees	—	7,465
All Other Fees	128,126	142,533

Audit Fees represent fees for professional services rendered for the audit of the consolidated financial statements of the Company and assistance with review of documents filed with the SEC and the audit of management's assessment of the effectiveness of internal control over financial reporting. Audit-Related Fees represent professional fees in connection with the statutory audit services relative to the 401K plan for Syntel Inc. Tax Fees represent fees for services related to tax compliance, tax advice and tax planning. All Other Fees represent consultation on accounting issues relating to various miscellaneous matters such as special dividend and repatriation, new and renewed contracts and accounting pronouncements.

Audit Committee Authorization of Audit and Non-Audit Services

The Audit Committee has the sole authority to authorize all audit and non-audit services to be provided by the independent audit firm engaged to conduct the annual statutory audit of the Company's consolidated financial statements. In addition, the Audit Committee has adopted pre-approval policies and procedures that are detailed as to each particular service to be provided by the independent auditors, and such policies and procedures do not permit the Audit Committee to delegate its responsibilities under the Securities Exchange Act of 1934, as amended, to management. The Audit Committee pre-approved fees for all audit and non-audit services provided by the independent audit firm during the fiscal year ended December 31, 2017 and 2016 as required by the Sarbanes-Oxley Act of 2002.

The Audit Committee has considered whether the provision of the non-audit services is compatible with maintaining the independent auditor's independence, and has advised the Company that, in its opinion, the activities performed by Crowe Horwath LLP on the Company's behalf are compatible with maintaining the independence of such auditors.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) The financial statements and supplementary financial information filed herewith are set forth on the Index to Financial Statements on page F-1 of the separate financial section which follows page 79 of this Report, which is incorporated herein by reference.

(a) (2) The consolidated financial statement schedules of the Company and its subsidiaries have been omitted because they are not required, are not applicable, or are adequately explained in the financial statements included in Part II, Item 8 of this report.

(a) (3) See INDEX TO EXHIBITS.

ITEM 15(A)(3)
INDEX TO EXHIBITS

(a) (3) The following exhibits are filed as part of this Report. Those exhibits with an asterisk (*) designate the Registrant's management contracts or compensation plans or arrangements for its executive officers.

Exhibit No.	Description
3.1	Amended Articles of Incorporation of the Registrant filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, and incorporated herein by reference.
3.2	Bylaws of the Registrant filed as an Exhibit to the Registrant's Current Report on Form 8-K dated April 28, 2014, and incorporated herein by reference.
4.1	Registration Rights Agreement, dated December 8, 2006, filed as an Exhibit to the Registrant's Registration Statement on Form S-3/A dated January 3, 2007 and incorporated herein by reference.
10.1*	Amended and Restated Stock Option and Incentive Plan, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 1, 2006 and incorporated herein by reference.
10.2*	2016 Incentive Plan, filed as an Exhibit to the Company's Current Report on Form 8-K dated June 8, 2016 and incorporated herein by reference.
10.3*	Form of Restricted Stock Unit Grant Agreement for Employees, filed as an Exhibit to the Company's Current Report on Form 8-K dated June 8, 2016 and incorporated herein by reference.
10.4*	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors, filed as an Exhibit to the Company's Current Report on Form 8-K dated June 8, 2016 and incorporated herein by reference.

10.5*	Form of Special Program Restricted Stock Unit Grant Agreement for Employees, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, and incorporated herein by reference.
10.6*	Form of Annual Performance Award, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated July 7, 2006 and incorporated herein by reference.
10.7*	Employment Agreement, dated October 18, 2001, between the Company and Bharat Desai, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated July 7, 2006 and incorporated herein by reference.
10.8*	Employment Agreement, dated October 18, 2001, between the Company and Daniel M. Moore, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated July 7, 2006 and incorporated herein by reference.
10.9*	Employment Agreement, dated March 5, 2009, between the Company and Anil Jain, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
10.10*	Employment Agreement, dated May 20, 2005, between the Company and Rakesh Khanna, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
10.11*	Employment Agreement, dated September 5, 2003, between the Company and Murlidhar Reddy, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
10.12*	Employment Agreement, dated October 13, 2008, between the Company and V. S. Raj, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
10.13*	Employment Agreement, dated August 3, 2009, between the Company and Raja Ray, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009, and incorporated herein by reference.
10.14*	Employment Agreement, dated March 15, 2010, between the Company and Prashant Ranade, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009, and incorporated herein by reference.
10.15*	Employment Agreement, dated February 1, 2011, between the Company and Avinash Salelkar, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference.
10.16*	Employment Agreement, dated May 23, 2011, between the Company and Sanjay Garg, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference.

10.17*	Employment Agreement, dated February 11, 2016, between the Company and Anil Agrawal filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, and incorporated herein by reference.
10.18*	Employment Agreement, dated February 11, 2008, between the Company and Rahul Aggarwal, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, and incorporated herein by reference.
10.19*	Employment Agreement, dated June 9, 2009, between the Company and Ben Andradi, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, and incorporated herein by reference.
10.20*	Employment Agreement, dated June 21, 2005, between the Company and Sujay Puthran, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, and incorporated herein by reference.
10.21*	Employment Agreement, dated July 26, 2007, between the Company and Narendar Reddy, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, and incorporated herein by reference.
10.22*	Employment Agreement, dated April 18, 2006 between the Company and Ramakumar Singampalli.
10.23*	Employment Agreement, dated December 18, 2006 between the Company and Chetan Manjarekar.
10.24	Shareholders Agreement effective February 1, 2012 by and between State Street International Holdings, Syntel Delaware, LLC, Syntel, Inc., and State Street Syntel Services (Mauritius) Limited, filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference.
10.25	Credit Agreement, dated September 12, 2016, between the Company and Bank of America, N.A., as administrative agent, L/C issuer and swingline lender, the other lenders party thereto, and Merrill, Lynch, Pierce Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 12, 2016, and incorporated herein by reference.
10.26	Security and Pledge Agreement, dated September 12, 2016, between the Company and Bank of America, N.A., in its capacity as administrative agent, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 12, 2016, and incorporated herein by reference.

10.27	First Amendment, dated October 26, 2016, to the Credit Agreement dated September 12, 2106, between the Company and Bank of America, N.A., as administrative agent, L/C issuer and swingline lender and the other lenders party thereto, filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016, and incorporated herein by reference.
10.28	Second Amendment, dated July 18, 2017, to the Credit Agreement dated September 12, 2016, between the Company and Bank of America, N.A., as administrative agent, L/C issuer and swingline lender and the other lenders party thereto, filed as an Exhibit to the Registrant's Current Report on Form 8-K dated July 18, 2017, and incorporated herein by reference.
14	Code of Ethical Conduct filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Designates management contracts or compensation plans or arrangements for executive officers.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNTEL, INC.

By: /S/ Rakesh Khanna
Rakesh Khanna
Chief Executive Officer, President and Director
(principal executive officer)

Dated: February 26,2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ Bharat Desai Bharat Desai	Co-Chairman and Director (principal executive officer)	February 26, 2018
/S/ Rakesh Khanna Rakesh Khanna	Chief Executive Officer, President and Director (principal executive officer)	February 26, 2018
/S/ Anil Agrawal Anil Agrawal	Chief Financial Officer and Chief Information Security Officer (principal financial officer and principal accounting officer)	February 26, 2018
/S/ Prashant Ranade Prashant Ranade	Co-Chairman and Director	February 26, 2018

/S/ Neerja Sethi Neerja Sethi	Director	February 26, 2018
/S/ Paritosh K. Choksi Paritosh K. Choksi	Director	February 26, 2018
/S/ Thomas Doeke Thomas Doeke	Director	February 26, 2018
/S/ Rajesh Mashruwala Rajesh Mashruwala	Director	February 26, 2018
/S/ Vinod Sahney Vinod Sahney	Director	February 26, 2018
/S/ Rex E. Schlaybaugh, Jr. Rex E. Schlaybaugh, Jr.	Director	February 26, 2018

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Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Syntel, Inc. Troy, Michigan

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Syntel, Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income (loss), shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Form 10-K Item 9A as Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Crowe Horwath LLP

We have served as the Company's auditor since 2004.

Oak Brook, Illinois
Date: February 26, 2018

Syntel, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,994	$ 78,332
Short-term investments	26,501	21,614
Accounts receivable, net of allowance for doubtful accounts of $0 and $801 at December 31, 2017 and 2016, respectively	115,052	118,299
Revenue earned in excess of billings	24,995	25,039
Other current assets	29,484	36,306
Total current assets	292,026	279,590
Property and equipment	240,948	227,056
Less accumulated depreciation and amortization	134,650	120,580
Property and equipment, net	106,298	106,476
Goodwill	906	906
Non-current term deposits with banks	396	225
Deferred income taxes and other non-current assets	84,090	67,346
TOTAL ASSETS	**$ 483,716**	**$ 454,543**
LIABILITIES AND SHAREHOLDERS' (DEFICIT)/EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	$ 11,632	$ 10,760
Accrued payroll and related costs	51,497	56,650
Income taxes payable	21,100	15,195
Accrued liabilities	23,130	20,799
Deferred revenue	3,240	7,973
Loans and borrowing	24,268	21,264
Total current liabilities	134,867	132,641
Deferred income taxes and other non-current liabilities	27,325	26,373
Non-current loans and borrowing	334,446	478,616
TOTAL LIABILITIES	496,638	637,630
Commitments and contingencies (See Note 13)		
SHAREHOLDERS' (DEFICIT) EQUITY		
Preferred stock, 5,000,000 shares authorized; none issued	—	—
Common Stock, no par value per share, 200,000,000 shares authorized; 82,964,314 and 83,634,955 shares issued and outstanding at December 31, 2017 and 2016, respectively	1	1
Restricted stock,691,488 and 669,554 shares issued and outstanding at December 31, 2017 and 2016, respectively	51,839	45,033
Treasury stock at cost 880,435 and 510,923 shares of common stock at December 31, 2017 and 2016, respectively.	(26,163)	(9,990)
Additional paid-in capital	67,422	67,422
Accumulated other comprehensive loss	(241,641)	(254,905)
Retained earnings (accumulated deficit)	135,620	(30,648)
Total shareholders' deficit	(12,922)	(183,087)
Total liabilities and shareholders' deficit	**$ 483,716**	**$ 454,543**

The accompanying notes are an integral part of the consolidated financial statements.

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Syntel, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income / (Loss)
(In thousands, except per share data)

	Years Ended December 31, 2017	2016	2015
Net revenues	$923,828	$966,550	$968,612
Cost of revenues	572,789	595,725	584,611
Gross profit	351,039	370,825	384,001
Selling, general and administrative expenses	115,323	108,528	100,256
Income from operations	235,716	262,297	283,745
Other (expense) income, net			
Interest Expense	(12,627)	(4,707)	(2,220)
Other Income	2,396	15,795	45,676
Other (expense)income, net (See note 21)	(10,231)	11,088	43,456
Income before provision for income taxes	225,485	273,385	327,201
Income tax expense	59,217	330,775	74,675
Net income (loss)	$166,268	$ (57,390)	$252,526
Other comprehensive income (loss)			
Foreign currency translation adjustments	$ 9,814	$ (19,018)	$ (45,428)
Gains (losses) on derivatives:			
Gain arising during period on cash flow hedges	2,774	533	—
Unrealized gains on securities:			
Unrealized holding gains arising during period	387	242	116
Reclassification adjustment for gains included in net (loss) income	(115)	(248)	(6,580)
	272	(6)	(6,464)
Defined benefit pension plans:			
Net profit (loss) arising during period	1,684	(802)	802
Amortization of prior service cost included in net periodic pension cost	76	(35)	149
	1,760	(837)	951
Other comprehensive income (loss), before tax	14,620	(19,328)	(50,941)
Income tax (expenses) benefits related to other comprehensive loss	(1,356)	32	1,576
Other comprehensive income (loss), net of tax	13,264	(19,296)	(49,365)
Comprehensive income (loss)	$179,532	$ (76,686)	$203,161
Dividend per share	$ 0.00	$ 15.00	$ 0.00
EARNINGS (LOSS) PER SHARE:			
Basic	$ 1.99	$ (0.68)	$ 3.01
Diluted	$ 1.99	$ (0.68)	$ 3.00
Weighted average common shares outstanding:			
Basic	83,537	84,146	83,982
Diluted	83,618	84,146	84,149

The accompanying notes are an integral part of the consolidated financial statements.

Syntel, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity (Deficit)
(In thousands, except per share data)

	Common Stock Shares	Amount	Treasury Stock Amount	Restricted Stock Shares	Restricted Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated other Comprehensive (Loss)	Total Shareholders' Equity (Deficit)
Balance, December 31, 2014	**83,742**	**1**	**—**	**564**	**$30,935**	**$ 67,422**	**$1,035,716**	**$ (186,244)**	**$ 947,830**
Net income							252,526		252,526
Other comprehensive loss, net of tax								(49,365)	(49,365)
Excess tax benefits on stock-based compensation plans					257				257
Restricted stock activity	205			(99)	7,197				7,197
Dividends $0.00 per share							—		—
Balance, December 31, 2015	**83,947**	**1**	**—**	**465**	**$38,389**	**$ 67,422**	**$1,288,242**	**$ (235,609)**	**$ 1,158,445**
Net loss							(57,390)		(57,390)
Other comprehensive loss, net of tax								(19,296)	(19,296)
Excess tax benefits on stock-based compensation plans					(7)				(7)
Restricted stock activity	199			205	6,651				6,651

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	Common Stock Shares	Amount	Treasury Stock Amount	Restricted Stock Shares	Restricted Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated other Comprehensive (Loss)	Total Shareholders' Equity (Deficit)
$15 Dividend per share							(1,261,500)		(1,261,500)
Repurchases of common stock	(511)		(9,990)						(9,990)
Balance, December 31, 2016	**83,635**	**1**	**(9,990)**	**670**	**$45,033**	**$ 67,422**	**$ (30,648)**	**$ (254,905)**	**$ (183,087)**
Net Income							166,268		166,268
Other comprehensive income, net of tax								13,264	13,264
Restricted stock activity	210			22	6,806				6,806
Repurchases of common stock	(881)		(16,173)						(16,173)
Balance, December 31, 2017	**82,964**	**1**	**(26,163)**	**692**	**$51,839**	**$ 67,422**	**$ 135,620**	**$ (241,641)**	**$ (12,922)**

The accompanying notes are an integral part of the consolidated financial statements.

Syntel, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	2017	2016	2015
Cash flows from operating activities:			
Net income/(loss)	**$ 166,268**	**$ (57,390)**	**$ 252,526**
Adjustments to reconcile net income (loss) to net cash used in/provided by operating activities:			
Depreciation and amortization	14,127	14,917	15,567
Provision for doubtful debts / advances (recoveries)	33	316	494
Realized gains on sales of short-term investments	(1,494)	(5,790)	(18,796)
Bad Debts written off	1,620	—	—
Deferred income taxes	(9,730)	5,510	(4,083)
Compensation expense related to restricted stock	8,591	8,148	7,197
Unrealized foreign exchange loss(gain)	(607)	713	(207)
Gain on sale of property and equipment	(106)	(231)	(25)
Changes in assets and liabilities:			
Accounts receivable and revenue earned in excess of billings	3,240	18,963	(39,470)
Other current assets	3,509	4,153	(2,422)
Accounts payable, accrued payroll and other liabilities	798	(1,162)	8,198
Deferred revenues	(4,734)	203	4,542
Net cash provided / (used) by operating activities	181,515	(11,650)	223,521
Cash flows from investing activities:			
Property and equipment expenditures	(8,610)	(17,513)	(17,013)
Proceeds from sale of property and equipment	273	345	191
Purchases of mutual funds	(246,660)	(184,692)	(221,097)
Purchases of term deposits with banks	(1,616)	(223,904)	(446,768)
Proceeds from sales of mutual funds	239,019	299,208	304,083
Maturities of term deposits with banks	7,644	621,824	486,651
Net cash (used) / provided by investing activities	(9,950)	495,268	106,047
Cash flows from financing activities:			
Excess tax (deficiency)benefits on stock-based compensation plans	—	(7)	257
Repayment of loans and borrowing	(140,625)	(210,000)	(8,625)
Proceeds from loans and borrowing	—	580,250	—
Fees paid relating to loans and borrowing	—	(1,026)	—
Repurchases of common stock	(16,173)	(9,990)	—
Dividend paid	—	(1,261,500)	—
Net cash used in financing activities	(156,798)	(902,273)	(8,368)
Effect of foreign currency exchange rate changes on cash	2,895	(3,512)	(18,409)
Change in cash and cash equivalents	17,662	(422,167)	302,791
Cash and cash equivalents, beginning of year	78,332	500,499	197,708
Cash and cash equivalents, end of year	**$ 95,994**	**$ 78,332**	**$ 500,499**
Non cash investing and financing activities			
Supplemental disclosures of cash flow information			
Cash paid for income taxes	$ 57,581	$ 329,830	$ 77,794
Cash paid for interest	13,373	3,328	2,215
Cash received from interest	793	9,564	25,956

The accompanying notes are an integral part of the consolidated financial statements.

Syntel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Business

Syntel, incorporated under Michigan law on April 15, 1980, is a global provider of digital transformation, information technology (IT) and knowledge process outsourcing (KPO) services to Global 2000 companies.

The Company’s reportable business segments are as follows:

- Banking and Financial Services
- Healthcare and Life Sciences
- Insurance
- Manufacturing
- Retail, Logistics and Telecom

In each of our business segments, Syntel helps customers adapt to market change by providing a broad array of technology-based, industry-specific solutions. These solutions leverage Syntel’s strong understanding of the underlying trends and market forces in our chosen industry segments. These solutions are complemented by strong capabilities in Digital Modernization, Social, Mobile, Analytics and Cloud (SMAC) technologies, Business Intelligence (BI), Knowledge Process Outsourcing (KPO), application services, testing, Enterprise Resource Planning (ERP), IT Infrastructure Management Services (IMS), and business and technology consulting.

Banking and Financial Services

Our Banking and Financial Services segment serves financial institutions throughout the world. Our clients include companies providing banking, capital markets, cards and payments, investments and transaction processing services to third parties. Our clients engage us to help make their operations as effective, productive and cost-efficient as possible, and to support new capabilities. We assist these clients in such areas as: payment solutions, retail banking, wholesale banking, consumer lending, risk management, investment banking, reconciliation, fraud analysis, mobile banking, and compliance and securities services. The demand for our services in the banking and financial services sector is being driven by changing global regulatory requirements, customer interest in newer technology areas and related services such as digital modernization, and an ongoing focus on cost reduction and operational efficiencies.

Healthcare and Life Sciences

Our Healthcare and Life Sciences segment serves healthcare payers, providers and pharmaceutical and medical device providers, among others. The healthcare industry is constantly seeking to improve the quality of care while managing the cost of care in order to make healthcare affordable to a larger population. Our healthcare practice focuses on providing a broad range of services and solutions to the industry across the consumer lifecycle, which includes regulatory requirements, integrated care, stakeholder engagement and wider use of electronic health records, among others. We also partner with clients to modernize their systems and processes to enable them to deal with the increasing consumer orientation of healthcare, such as adoption of mobile and analytics solutions to improve access to health information and decision making by end consumers.

In the life sciences category, we partner with leading pharmaceutical, biotech, and medical device companies, as well as providers of generics, animal health and consumer health products. Our life sciences solutions help transform many of the business processes in the life sciences value chain (research, clinical development, manufacturing and supply chain, and sales and marketing) as well as regulatory and administrative functions.

Insurance

Syntel serves the needs of global property and casualty insurers, insurance brokers, personal, commercial, life and retirement insurance service providers. These customers turn to us for assistance in improving the efficiency and effectiveness of their operations and in achieving business transformation. We focus on aspects of our clients' systems and operations, such as policy administration, claims processing and compliance reporting. We also serve the growing trend among insurers to improve their sales and marketing processes by deepening direct customer relationships and strengthening interactions with networks of independent and captive insurance agents. This is often accomplished through the use of digital front-end technologies like web enablement, social media and mobility, and supported by modernization of applications, product implementations and infrastructure elements, along with cloud enablement. Additionally, many insurers seek to improve business effectiveness by reducing expense ratios. Syntel helps our customers achieve this by managed services and IT and process automation with our industry leading SyntBots® automation platform.

Manufacturing

We provide technology services and business consulting in a range of sub-sectors including industrial products, aerospace and automotive manufacturing, as well as to processors of raw materials and natural resources. Demand for our services in this segment is being driven by trends that, among others, include the increasing globalization of sourcing and the desire of clients to further penetrate emerging markets, leading to longer and more complex supply chains. Some of our solutions for industrial and manufacturing clients include warranty management, dealer system integration, Product Lifecycle Management (PLM), Supply Chain Management (SCM), sales and operations planning, and mobility. Digitization, including connectivity leveraging the Internet of Things, Analytics based decision support and Mobility are some of the emerging trends on which we are working with our clients.

Retail, Logistics and Telecom

Syntel's Retail, Logistics and Telecom (RLT) Business unit is the fastest growing and second-largest business unit and leverages its comprehensive understanding of the business and technology needs of these industries. Aligned to Syntel's Corporate Offering strategy, the RLT business unit offers legacy elimination and digital modernization solutions to its clientele. Our industry solutions for our clients include SCM, merchandising, sales and operations planning, point of sale (POS) solutions, omnichannel enablement and integration, web content management solutions, sales force and cloud foundry enablement, among others. Syntel's RLT offerings are designed to provide effective operations and enhanced customer experiences.

2. PRINCIPLES OF CONSOLIDATION AND ORGANIZATION

The condensed consolidated financial statements include the accounts of Syntel, its wholly owned subsidiaries, and a joint venture and its subsidiary. All significant inter-company balances and transactions have been eliminated.

The wholly owned subsidiaries of Syntel, Inc. are:

- Syntel (Australia) Pty. Ltd., an Australian limited liability company;
- Syntel Canada Inc., an Ontario limited liability company;
- Syntel Delaware, LLC, a Delaware limited liability company (“Syntel Delaware”);
- Syntel Deutschland GmbH, a German limited liability company;
- Syntel Europe Limited, a United Kingdom limited liability company;
- Syntel Holding (Mauritius) Limited, a Mauritius limited liability company;
- Syntel (Hong Kong) Limited, a Hong Kong limited liability company;
- Syntel (Mauritius) Limited, a Mauritius limited liability company;
- Syntel Private Limited, an Indian limited liability company (“Syntel India”);
- Syntel Solutions Mexico, S. de R.L. de C.V., a Mexican limited liability company;
- Syntel SPC, Inc., a Michigan corporation; and
- Syntel Worldwide (Mauritius) Limited, a Mauritius limited liability company.

The wholly owned subsidiaries of Syntel Europe Limited are:

- Intellisourcing, SARL, a French limited liability company;
- Syntel Poland, sp. z o.o., a Polish limited liability company (“Syntel Poland”);
- Syntel Solutions BV, a Netherlands limited liability company; and
- Syntel Switzerland GmbH, a Switzerland limited liability company.

The partially owned joint venture of Syntel Delaware is:

- State Street Syntel Services (Mauritius) Limited, a Mauritius limited liability company (“SSSSML”).

The wholly owned subsidiary of SSSSML is:

- State Street Syntel Services Private Limited, an Indian limited liability company

The wholly owned subsidiaries of Syntel (Mauritius) Limited are:

- Syntel Global Private Limited, an Indian limited liability company;
- Syntel International Private Limited, an Indian limited liability company; and
- Syntel Technologies (Mauritius) Limited, a Mauritius limited liability company.

The wholly owned subsidiaries of Syntel Holding (Mauritius) Limited are:

- Syntel Services Private Limited, an Indian limited liability company;
- Syntel Software (Mauritius) Limited, a Mauritius limited liability company; and
- Syntel Solutions (Mauritius) Limited, a Mauritius limited liability company.

The wholly owned subsidiary of Syntel Solutions (Mauritius) Limited is:

- Syntel Solutions (India) Private Limited, an Indian limited liability company.

The wholly owned subsidiary of Syntel Worldwide (Mauritius) Limited is:

- Syntel (Singapore) PTE Limited, a Singapore limited liability company.

The wholly owned subsidiary of Syntel (Singapore) PTE Limited is:

- Syntel Infotech, Inc., a Philippines corporation.

The wholly owned subsidiary of Syntel Technologies (Mauritius) Limited is:

- Syntel Technologies LLP, an Indian limited liability partnership.

The wholly owned subsidiary of Syntel Software (Mauritius) Limited is:

- Syntel Software LLP, an Indian limited liability partnership.

Through August 31, 2017, SkillBay LLC, a Michigan limited liability company (“SkillBay”), and Syntel Consulting Inc., a Michigan corporation (“Syntel Consulting”), were wholly-owned subsidiaries of Syntel. On September 1, 2017 (the “Effective Date”), SkillBay and Syntel Consulting were merged with and into Syntel and ceased to exist. Also on the Effective Date, all assets, liabilities, interests, and reserves of SkillBay and Syntel Consulting were transferred to and assumed by Syntel and all common stock issued by Syntel Consulting to Syntel as the sole shareholder and Syntel’s membership interest in SkillBay as the sole member were cancelled.

Revenue recognition

The Company recognizes revenues from time-and-materials contracts as the services are performed.

Revenue from fixed-price applications management, maintenance and support engagements is recognized as earned which generally results in straight-line revenue recognition as services are performed continuously over the term of the engagement.

Revenue on fixed-price applications development and integration projects are measured using the proportional performance method of accounting. Performance is generally measured based upon the efforts incurred to date in relation to the total estimated efforts to the completion of the contract. The Company monitors estimates of total contract revenues and costs on a routine basis throughout the delivery period. The cumulative impact of any change in estimates of the contract revenues or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, a provision is made for the estimated loss. The Company issues invoices related to fixed price contracts based on either the achievement of milestones during a project or other contractual terms. Differences between the timing of billings and the recognition of revenue based upon the proportional performance method of accounting are recorded as revenue earned in excess of billings or deferred revenue in the accompanying consolidated balance sheets.

Revenues are reported net of sales incentives to customers.

Reimbursements of out-of-pocket expenses are included in revenue.

Stock-based employee compensation plans

The Company recognizes stock-based compensation expense in the consolidated financial statements for awards of equity instruments to employees and non-employee directors based on the grant-date fair value of those awards on a straight-line basis over the requisite service period of the award, which is generally the vesting term. If a plan is modified, the incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award. The benefits/deficiencies of tax deductions in excess/short of recognized compensation expense are reported as an operating cash flow.

Stock repurchase plans

The Company recognizes the cost of repurchasing common stock acquired for purposes other than retirement (formal or constructive),as a reduction from the total of capital stock, additional paid-in capital, and retained earnings. The Company has recorded the cost of repurchasing common stock, as a reduction from capital stock.

Derivative instruments

The Company is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Company's financial performance and are referred to as "market risks." When deemed appropriate, the Company uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative instruments are foreign currency exchange rate risk and interest rate risk.

Hedging transactions and derivative financial instruments

The Company uses derivative instruments such as interest rate swaps. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. We do not enter into derivative financial instruments for trading purposes.

All derivatives are carried at fair value in our consolidated balance sheets in the following line items, as applicable: other current assets; deferred income taxes and other non-current assets; accounts payable; and deferred income taxes and other non-current liabilities. The carrying values of the derivatives reflect the impact of legally enforceable master netting agreements as applicable. These master netting agreements allow the Company to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationships. Derivatives such as interest rate swaps can be designated as cash flow hedges. The changes in the fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in "Accumulated Other Comprehensive Income (Loss)" (AOCI) and are reclassified into the line item in our consolidated statement of income in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in the fair values of derivatives that are not designated and/or do not qualify as hedging instruments are immediately recognized into earnings.

For derivatives that will be accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

The Company determines the fair values of its derivatives based on quoted market prices or pricing models using current market rates. Fair values of interest rate swaps are measured using standard valuation models using inputs that are readily available in public markets, or can be derived from observable market transactions, including LIBOR spot and forward rates.

Credit risk associated with derivatives

The Company considers the risks of non-performance by the counterparty as not material. The Company utilizes standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction and interest rate swap obligations. The Company also mitigates the credit risk of these derivatives by transacting with major banks as counterparties that are highly rated globally. The Company evaluates the credit and non-performance risks associated with its derivative counterparties, and believes that the impact of the credit risk associated with the outstanding derivatives is insignificant.

Cash flow hedging strategy

The Company uses cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in interest rates. The changes in the fair values of derivatives designated as cash flow hedges are recorded in AOCI and are reclassified into the line item in our consolidated statement of income in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. The maximum length of time for which the Company hedges its exposure to the variability in future cash flows is typically over the terms of hedged items.

Interest rate swaps

In connection with the Company's Senior Credit facility with Bank of America N.A., the Company entered into an interest rate swap arrangement on November 30, 2016 to hedge interest rate risk on the entire term loan of $300 million by entering into a Pay Fixed and Receive Floating interest rate swap (the "Swap") for the entire duration of the term loan. The Swap is designed to reduce the variability of future interest payments with respect to the term loan by effectively fixing the annual interest rate payable on the loan's outstanding principal. The pay fixed component of interest rate swap is fixed at 3.16%.

A designated hedge with exposure to variability in the future interest payments of a floating rate loan is a cash flow hedge. The criteria for designating a derivative as a cash flow hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction including its terms, and the assessment of the probability that the underlying transaction will occur. For derivatives with cash flow hedge accounting designation, the Company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income and reclassifies it into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the consolidated statements of income as the impact of the hedged transaction.

Measurement of effectiveness and ineffectiveness:

Effectiveness for interest rate swaps is generally measured by comparing the critical terms of the hedged item and the hedging instrument, whereas ineffectiveness is measured by comparing the cumulative change in fair value of the swap with the cumulative change in the fair value of the hedged item.

An interest rate swap with an aggregate amount of $300 million economically converts a portion of the Company's variable rate debt to fixed rate debt. The effective portions of cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" until the hedged item is recognized in earnings. Deferred gains and losses associated with cash flow hedges of interest expense are recognized in "Other income (expense), net" in the same period as the related expense is recognized. The ineffective portions and amounts excluded from the effectiveness testing of cash flow hedges are recognized in "Other income (expense), net."

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable that the forecasted hedged transaction will not occur in the initially identified time period. Deferred gains and losses in "Accumulated other comprehensive income (loss)" associated with such derivative instruments are reclassified immediately into "Other income (expense), net." Any subsequent changes in fair value of such derivative instruments are reflected in "Other income (expense), net" unless they are re-designated as hedges of other transactions.

The following table provides information of location and fair value of derivative financial instrument included in our consolidated statement of financial positions as of December 31, 2017.

Particulars	Nominal Amount	Fair Value of derivative and location on statement of financial position as on 31st December 2017		Gain/(loss) on fair value	
				Effective	Ineffective
		(In thousands)			
Cash flow Hedge		Deferred Income Taxes and Other non-current assets	Other current assets		
Pay fixed Interest rate swap	$279.4 Million	$ 3,019	$ 288	$ 2,774	—

The following table present the net gains (losses) recorded in accumulated other comprehensive (loss) income relating to the interest rate swap contract designated as cash flow hedges for the period ending December 31, 2017, 2016 and 2015.

Gains (losses) on derivatives	**2017**	**2016**	**2015**
	(In thousands)		
Gains/ (losses) recognized in other comprehensive income	$2,774	$533	$—

The Company will reclassify an amount equivalent to the accrued interest on the swap contract on every reporting period, as there is a similar impact of accrued interest on the loan in the income statement.

Derivative (Non-Designated) Hedging Strategy

In addition to derivative instruments that are designated and qualify for hedge accounting, the Company also uses certain derivatives for its foreign currency exposure. These derivatives were not designated and/or did not qualify for hedge accounting. The changes in fair value of derivatives are immediately recognized into earnings. The Company does not enter into derivative financial instruments for trading purposes.

The Company periodically enters into foreign exchange forward contracts to mitigate the risk of changes in foreign currency exchange rates, specifically changes between the Indian rupee currency and U.S. dollar currency. The contracts are adjusted to fair value at each reporting period. Gains and losses on forward contracts are generally recorded in ”Other (expense) income, net” unless they are designated as an effective hedge. Although the Company cannot predict fluctuations in foreign currency rates, the Company currently anticipates that foreign currency risk may have a significant impact on the financial statements. In order to limit the exposure to fluctuations in foreign currency rates, when the Company enters into foreign exchange forward contracts, where the counter-party is a bank, these contracts may also have a material impact on the financial statements.

The Company's Indian subsidiaries, whose functional currency is the Indian rupee, periodically enter into foreign exchange forward contracts to buy Indian rupees and sell U.S. dollars to mitigate the risk of changes in foreign exchange rates on U.S. dollar denominated assets, primarily comprised of receivables from the parent Company (Syntel, Inc.) and other direct customers, and liabilities recorded on the books of the Indian subsidiaries. These forward contracts are denominated in U.S. dollars.

These forward contracts do not qualify for hedge accounting under ASC 815, "Derivative and Hedging." Accordingly, these contracts are carried at a fair value with the resulting gains or losses included in the statement of comprehensive income under "Other income (expense), net." The related cash flow impacts of all of our derivative activities are recorded in the consolidated statements of cash flows under cash flows from operating activities.

During the year ended December 31, 2017, the Company did not enter into new foreign exchange forward contracts. At December 31, 2017 and December 31, 2016, no foreign exchange forward contracts were outstanding.

Change in accumulated other comprehensive income by component (Net of tax expense or benefit)

The change in balances of accumulated comprehensive loss for the year ended December 31, 2017 is as follows:

				(In thousands)	
	Foreign Currency Translation Adjustments	Unrealized Gains (losses) on Securities	Defined Benefit Pension Plans	Unrealized gain on derivatives designated as cash flow hedge	Accumulated Other Comprehensive Income
Beginning balance	$ (254,210)	$ 328	$(1,345)	$ 322	$ (254,905)
Other comprehensive income before reclassifications	9,814	274	1,100	2,108	13,296
Amounts reclassified from accumulated other comprehensive (loss) income	—	(87)	55	—	(32)
Net current-period other comprehensive income	$ 9,814	$ 187	$ 1,155	$ 2,108	$ 13,264
Ending balance	**$ (244,396)**	**$ 515**	**$ (190)**	**$ 2,430**	**$ (241,641)**

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Reclassifications out of accumulated other comprehensive income for the year ended December 31, 2017 is as follows:

Details about Accumulated Other Comprehensive Income (Loss) Components	Affected Line Item in the Statement Where Net Income Is Presented	Before Tax Amount	Tax (Expense) Benefit	Net of Tax
			(In thousands)	
Unrealized gains on available for sale securities realized in current year	Other income, net	$ (115)	$ 28	$ (87)
Amortization of prior service cost included in net periodic pension cost	Cost of revenues	$ 76	$ (21)	$ 55

Change in accumulated other comprehensive income (loss) by component (Net of tax expense or benefit)

The change in balances of accumulated comprehensive loss for the year ended December 31, 2016 is as follows:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plans	Unrealized gain on derivatives designated as cash flow hedge	Accumulated Other Comprehensive Loss
				(In thousands)	
Beginning balance	$ (235,146)	$ 332	$ (795)	—	$ (235,609)
Other comprehensive income (loss) before reclassifications	(19,064)	161	(525)	322	(19,106)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(165)	(25)	—	(190)
Net current-period other comprehensive income (loss)	$ (19,064)	$ (4)	$ (550)	$ 322	$ (19,296)
Ending balance	**$ (254,210)**	**$ 328**	**$(1,345)**	**$ 322**	**$ (254,905)**

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Reclassifications out of accumulated other comprehensive income (loss) for the year ended December 31, 2016 is as follows:

		(In thousands)		
Details about Accumulated Other Comprehensive Income (Loss) Components	**Affected Line Item in the Statement Where Net Income Is Presented**	**Before Tax Amount**	**Tax (Expense) Benefit**	**Net of Tax**
Unrealized gains on available for sale securities realized in current year	Other income, net	$ (248)	$ 83	$ (165)
Amortization of prior service cost included in net periodic pension cost	Cost of revenues	$ (35)	$ 10	$ (25)

The change in balances of accumulated comprehensive loss for the year ended December 31, 2015 is as follows:

	(In thousands)			
	Foreign Currency Translation Adjustments	**Unrealized Gains (losses) on Securities**	**Defined Benefit Pension Plans**	**Accumulated Other Comprehensive Loss**
Beginning balance	$ (189,410)	$ 4,600	$(1,434)	$ (186,244)
Other comprehensive income (loss) before reclassifications	(45,736)	50	524	(45,162)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(4,318)	115	(4,203)
Net current-period other comprehensive income (loss)	$ (45,736)	$ (4,268)	$ 639	$ (49,365)
Ending balance	**$ (235,146)**	**$ 332**	**$ (795)**	**$ (235,609)**

Reclassifications out of accumulated other comprehensive income (loss) for the year ended December 31, 2015 is as follows:

		(In thousands)		
Details about Accumulated Other Comprehensive Income (Loss) Components	Affected Line Item in the Statement Where Net Income Is Presented	Before Tax Amount	Tax (Expense) Benefit	Net of Tax
Unrealized gains on available for sale securities realized in the current year	Other income, net	$(6,580)	$ 2,262	$ (4,318)
Amortization of prior service cost included in net periodic pension cost	Cost of revenues	$ 149	$ (34)	$ 115

Other income, net

Other income includes interest and dividend income, gains and losses on forward contracts**,** gains and losses from the sale of securities, other investments, treasury operations and interest expenses on loans and borrowing.

Other comprehensive income (loss)

The other comprehensive income (loss) consists of foreign currency translation adjustments, gains (losses) on net investment hedge derivatives, gain (losses) on cash flow hedge reserve, unrealized gains (losses) on securities and a component of a defined benefit plan. During the years ended December 31, 2017, 2016 and 2015, the other comprehensive income (loss) amounts to $13.3 million, $(19.3) million and $(49.4) million, respectively, primarily attributable to the foreign currency translation income (loss) adjustments of $9.8 million, $(19.0) million and $(45.4) million, respectively.

Tax on other comprehensive loss

Total tax (expense) benefit on other comprehensive income (loss) for the years ended December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
		(In thousands)	
Tax expense on Foreign currency translation adjustments	$ —	$ (46)	$ (308)
Tax expense on unrealized gains on securities	(85)	2	2,196
Tax (expense) benefit on defined benefit pension plans	(605)	287	(312)
Tax expense on cash flow hedge	(666)	(211)	—
Total (taxes) benefit on other comprehensive (loss) income	$(1,356)	$ 32	$1,576

Cash and cash equivalents

For reporting cash and cash equivalents, the Company considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The cash and cash equivalents as at December 31, 2017 and December 31, 2016, were $96.00 million and $78.3 million, respectively, which were held in bank and fixed deposits with various banking and financial institutions.

Fair value of financial instruments

The fair values of the Company's current assets and current liabilities approximate their carrying values because of their short maturities. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.

Concentration of credit risks

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash, investments and accounts receivable and certain derivative instruments (IRS) designated as hedge instruments. Cash on deposit is held with financial institutions with high credit standings. The Company has cash deposited with financial institutions that, at times, may exceed the federally insured limits.

The Company establishes an allowance for doubtful accounts for known and inherent collection risks related to its accounts receivable. The estimation of the allowance is primarily based on the Company's assessment of the probable collection from specific customer accounts, the aging of the accounts receivable, analysis of credit data, bad debt write-offs and other known factors.

The Company considers the risks of non-performance by the counterparties to its derivative instruments as not material. The Company utilizes standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations. The Company also mitigates the credit risk of these derivatives by transacting with highly rated counterparties globally, which are major banks. The Company evaluates the credit and non-performance risks associated with its derivative counterparties, and believes that the impact of the credit risk associated with the outstanding derivatives was insignificant.

Investments

Short-term investments

The Company's short-term investments consist of short-term mutual funds, which have been classified as available-for-sale and are carried at estimated fair value. Fair value is determined based on quoted market prices. Unrealized gains and losses, net of taxes, on available-for-sale securities are reported as a separate component of accumulated other comprehensive income (loss) in shareholders' equity. Net realized gains or losses resulting from the sale of these investments, and losses resulting from decline in fair values of these investments that are other than temporary declines, are included in other income. The cost of securities sold is determined using the weighted-average method.

Short-term investments also include term deposits with an original maturity exceeding three months and whose maturity date is within one year from the date of the balance sheet. Term deposits were $0.8 million and $6.6 million at December 31, 2017 and 2016, respectively.

Non-current term deposits with banks

Non-current term deposits with banks include deposits with maturity exceeding one year from the date of the balance sheet. As at December 31, 2017 and 2016, non-current term deposits with banks were at $0.4 million and $0.2 million, respectively. Term deposits with banks include restricted deposits of $0.54 million and $0.44 million as at December 31, 2017 and December 31, 2016, respectively, placed as security towards performance guarantees issued by the Company's bankers on the Company's behalf.

Property and equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expense when incurred. Depreciation is computed primarily using the straight-line method over the estimated useful lives as follows:

	Years
Office building	30
Residential property	20
Computer equipment and software	3
Furniture, fixtures and other equipment	5-7
Vehicles	3-5
Leasehold improvements	Shorter of economic life or life of lease
Leasehold land	Shorter of economic life or life of lease

Depreciation and amortization expense for the years ended December 31, 2017, 2016 and 2015 was $13.9 million, $14.7 million and $15.6 million, respectively.

Long-lived assets (other than goodwill)

In accordance with guidance on "Accounting for the Impairment or Disposal of Long-Lived Assets" in the FASB Codification, the Company reviews its long-lived assets (other than goodwill) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When factors indicate that such costs should be evaluated for possible impairment, the Company assesses the recoverability of the long-lived assets (other than goodwill) by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of an impairment charge, if any, is calculated based on the excess of the carrying amount over the fair value of those assets. Management believes assets were not impaired at December 31, 2017 and 2016.

Goodwill

During the first quarter of 2014, as a result of the completion of organizational changes, the Company changed its basis of segmentation to vertical segments. The Company reassigned goodwill to the new reportable segment Healthcare and Life Sciences. In accordance with guidance on goodwill impairment in the FASB Codification, goodwill is evaluated for impairment at least annually. Management believes goodwill was not impaired at December 31, 2017 or 2016. The Company evaluated goodwill for impairment in the third quarter of each of 2017 and 2016.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include, but are not limited to allowance for doubtful accounts, impairment of long-lived assets and goodwill, contingencies and litigation, the recognition of revenues and profits based on the proportional performance method, potential tax liabilities and bonus accrual. Actual results could differ from those estimates and assumptions used in the preparation of the accompanying financial statements.

Foreign currency translation

The financial statements of the Company's foreign subsidiaries use the currency of the primary economic environment in which they operate as its functional currency. Revenues and expenses of the foreign subsidiaries are translated to U.S. dollars at average period exchange rates. Assets and liabilities are translated to U.S. dollars at period-end exchange rates with the effects of these cumulative translation adjustments being reported as a separate component of accumulated other comprehensive loss in shareholders' deficit/equity. Transaction gains and losses are reflected within selling, general and administrative expenses in the consolidated statements of comprehensive income. During the years ended December 31, 2017, 2016 and 2015, foreign exchange gain of $1.7 million, $8.3 million and $18.1 million were included in selling, general and administrative expenses, respectively.

Earnings per share

Basic earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of shares outstanding during the applicable period. If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted earnings per share are adjusted retroactively for all periods presented to reflect that change in capital structure. If such changes occur after the close of the reporting period but before issuance of the financial statements, the per-share computations for that period and any prior-period financial statements presented are based on the new number of shares.

The Company has issued stock options and restricted stock, which are considered to be potentially dilutive to its basic earnings per share. Diluted earnings per share is calculated using the treasury stock method for the dilutive effect of options and restricted stock granted pursuant to the stock option and incentive plan, by dividing the net income (loss) by the weighted average number of shares outstanding during the period adjusted for these potentially dilutive options, except when the results would be anti-dilutive.

Vacation pay

The accrual for unutilized leave balance is determined based on the entire leave balance available to the employees at year-end. The leave balance eligible for carry-forward is valued at gross compensation rates and eligible for compulsory encashment is valued at a lower basic compensation rates.

The gross (reversal)/charge for unutilized earned leave was $(2.2)million, $3.4 million and $5.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The gross charge (reversal) for unutilized earned leave of $(2.2)million during the year ended December 31, 2017 was primarily on account of reversal of leave cost for the differential between eligible leave encashment accrued at gross compensation rates during the year 2017 and which as a result of the change in policy during 2017 are payable at basic rate as at December 31, 2017 as per the scheme of leave encashment.

The amounts accrued for unutilized earned leave were $16.2 million and $23.1 million as of December 31, 2017 and 2016, respectively, and are included within accrued payroll and related costs.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities, along with any related valuation allowances are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in income in the period that includes the enactment date. The Company has not provided for dividend distribution taxes on the portion of undistributed earnings of subsidiaries whose earnings are considered to be permanently reinvested outside the U.S. The Company intends to continue to reinvest these earnings in international operations. If the Company decided at a later date to repatriate these earnings to the U.S., the Company would be required to provide for the net tax effects on these amounts.

Recently adopted accounting standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The effective date of ASU 2016-09 is for fiscal years beginning after December 15, 2016. The Company adopted the amendments in ASU 2016-09 during the first quarter of 2017. This standard simplifies or clarifies several aspects of the accounting for equity-based payment awards, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the Consolidated Statements of Cash Flows. Certain changes under the ASU are required to be applied retrospectively, while other changes are required to be applied prospectively. There were no material impacts to the Company's results of operations or liquidity as a result of adopting ASU 2016-09. The adoption of this ASU resulted in the following:

During the three months ended March 31, 2017, the Company has accounted on a prospective basis in the income statement for the income tax expense or benefit for the tax effects of differences recognized on or after the effective date of the equity-based payment awards between the deduction for an award for tax purposes and the cumulative compensation costs of that award recognized for financial reporting purposes. The Company has also presented on a prospective basis the excess tax benefits (deficiencies) as operating cash flows in its cash flow statement. Prior period cash flow statements have not been adjusted retrospectively to take into account the transition method.

The Company recognizes share-based payment forfeitures as they occur. Prior to adoption of this ASU, forfeitures were estimated in order to arrive at current period expense. There are no cumulative effect adjustments to accumulated deficit on the Consolidated Balance Sheet as of January 1, 2017 as a result of the adoption of these amendments.

Recently issued accounting standards

ASU 2014-09, Revenue from Contracts with Customers – Issued May 2014, was scheduled to be effective for Syntel beginning January 1, 2017, however on July 9, 2015, the FASB approved the proposal to defer the effective date of the ASU for public companies to January 1, 2018 with an option to elect to adopt the ASU as of the original effective date. The new standard is intended to substantially enhance the quality and consistency of how revenue is reported while also improving the comparability of the financial statements of companies using U.S. generally accepted accounting principles (GAAP) and those using International Financial Reporting Standards (IFRS). The core principle of ASU 2014-09 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also addresses the accounting for some costs to obtain or fulfill a customer contract and provides a set of disclosure requirements intended to give financial statement users comprehensive information about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts.

On March 17, 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, and ASU 2016-12 Narrow Scope Improvements and Practical Expedients, which amended ASU 2014-09, Revenue from Contract from Customers (Topic 606). These amendments of this ASU provide additional clarification on criteria within Topic 606 as well as additional guidance for transition to the new revenue recognition criteria.

We established a cross-functional coordinated implementation team to implement the new ASU related to the recognition of revenue from contracts with customers. In addition to establishing a cross-functional coordinated implementation team, we engaged a third party expert to assist in the assessment of the impacts of the new standard. The Company performed an assessment of the impact of the ASU and developed a transition plan. Based on the outcome of that assessment, the Company expects revenue recognition across its portfolio of services to remain largely unchanged. The Company does not currently anticipate that the ASU will have a material impact on its financial statements based on the analysis completed to date but will result in significant additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and assumptions used in applying the standard.

Additionally, we have identified changes to our processes to meet the standard's updated reporting and disclosure requirements, as well as evaluated the internal control changes, during the implementation and continued application of the new standard. The Company has elected to adopt the new ASU on January 1, 2018 using the modified retrospective transition method.

In January 2016, the FASB issued an update (ASU 2016-01) to the standard on financial instruments. The update significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements. The update is effective for fiscal years, and interim periods within those fiscal years, beginning on or after January 1, 2018. Upon adoption, entities will be required to make a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. However, the specific guidance on equity securities without readily determinable fair value will apply prospectively to all equity investments that exist as of the date of adoption. Early adoption of certain sections of this update is permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued an update (ASU 2016-02) to the standard on Leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for public business entities issuing financial statements for the annual periods beginning after December 15, 2018, and interim periods within those annual periods. The requirements of this ASU and its impact on the Company are currently being evaluated.

In June 2016, the FASB issued an update on Financial Instruments—Credit Losses (ASU 2016-13)Measurement of Credit Losses on Financial Instruments which (i) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model; and (ii) provides for recording credit losses on available-for-sale (AFS) debt securities through an allowance account. The update also requires certain incremental disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The requirements of this ASU and its impact on the Company are currently being evaluated.

In August 2016, the FASB issued an update on Statement of Cash Flows (Topic 230)- Clarification of certain cash receipts and cash payments (ASU 2016-15) which requires the Company to present and classify certain cash receipts and cash payments in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This update requires the income tax consequences of intra-entity transfers of assets other than inventory to be recognized when the intra-entity transfer occurs rather than deferring recognition of income tax consequences until the transfer was made with an outside party. ASU 2016-16 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted as of the beginning of the interim or annual reporting period. A modified retrospective approach should be applied. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's Consolidated Financial Statements.

In November 2016, the FASB issued an update on Statement of Cash Flows (Topic 230) - Restricted Cash (ASU 2016-18). The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, 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 do not provide a definition of restricted cash or restricted cash equivalents. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued an update (ASU 2017-04) to the standard on Intangibles—Goodwill and Other (Topic 350). To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. The amendments in this Update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Because these amendments eliminate Step 2 from the goodwill impairment test, they should reduce the cost and complexity of evaluating goodwill for impairment. A public business entity that is a U.S. Securities and Exchange Commission filer should adopt the amendments in this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The requirements of this ASU are not expected to have material impact on the Company's Consolidated Financial Statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"). The update requires employers to present the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. The other components of net benefit cost, including interest cost, expected return on plan assets, amortization of prior service cost/credit and actuarial gain/loss, and settlement and curtailment effects, are to be presented outside of any subtotal of operating income. Employers will have to disclose the line(s) used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. ASU 2017-07 is effective for fiscal years and interim periods beginning after December 15, 2017, and early adoption is permitted. We expect the adoption of the amended standard to result in the reclassification from non-service components above the subtotal of income from operations to Other (expense) income, net.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting guidance which provide clarity and reduce both (i) diversity in practice; and (ii) cost and complexity when accounting for a change in the terms or conditions of a share-based payment award. The amendments in this guidance should be applied prospectively in annual periods beginning after December 15, 2017, including interim periods within those periods, with early adoption permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements and related disclosures.

In February 2018, as a result of the enactment of the Tax Cuts and Jobs Act (the Tax Act), the FASB issued new accounting guidance on the reclassification of certain tax effects from AOCI to retained earnings. The optional guidance is effective January 1, 2019, with early adoption permitted. The Company is evaluating whether it will adopt the new guidance along with any impacts on the Company's financial position, results of operations and cash flows, none of which are expected to be material.

3. Short-Term Investments

Short-term investments included the following at December 31, 2017 and 2016:

	2017	2016
	(In thousands)	
Investments in mutual funds at fair value	$25,719	$15,016
Term deposits with banks	782	6,598
Total	**$26,501**	**$21,614**

Information related to investments in mutual funds (primarily Indian Mutual Funds) is as follows at and for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
		(In thousands)	
Cost	$ 25,314	$ 14,882	$126,243
Unrealized gain, net	405	134	236
Fair value	$ 25,719	$ 15,016	$126,479
Gross realized gains	$ 1,494	$ 5,790	$ 18,796
Proceeds on sales of mutual funds	239,019	299,208	304,083
Purchases of mutual funds	246,660	184,692	221,097

Information related to investments in term deposits with banks included the following for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
		(In thousands)	
Cost	$ 782	$ 6,598	$413,566
Maturities of term deposits	$7,644	$621,824	$486,651
Purchases of term deposits	1,616	223,904	446,768

4. Revenue Earned in Excess of Billings and Deferred Revenue

Revenue earned in excess of billings at December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	(In thousands)	
Unbilled revenue for time-and-materials projects	$23,999	$20,828
Unbilled revenue for fixed-price projects, net of discounts	996	4,211
	$24,995	**$25,039**

Deferred revenue at December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	(In thousands)	
Deferred revenue on uncompleted fixed-price development contracts	$2,346	$5,216
Other deferred revenue	894	2,757
	$3,240	**$7,973**

5. Allowances for Doubtful Accounts

The movement in the allowance for doubtful accounts for the years ended December 31, 2017, 2016 and 2015 is summarized as follows:

	2017	2016	2015
		(In thousands)	
Balance, beginning of year	$ 801	$622	$703
Provision	1,345	190	—
Write-offs, net of recoveries	(2,146)	(11)	(81)
Balance, end of year	**$ —**	**$801**	**$622**

6. Property and Equipment

Property and equipment at December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	(In thousands)	
Office building	$ 57,452	$ 54,125
Computer equipment and software	58,012	55,614
Furniture, fixtures and other equipment	77,966	72,264
Vehicles	2,110	2,058
Leasehold improvements	6,725	7,536
Leasehold land	4,929	4,680
Residential property	1,700	1,602
Capital advances / work in progress	32,054	29,177
	240,948	227,056
Less accumulated depreciation and amortization	134,650	120,580
	$106,298	**$106,476**

7. Line of Credit and Term Loan

On May 23, 2013, Syntel entered into a Credit Agreement with Bank of America, N.A. for $150 million in credit facilities consisting of a three-year term loan facility of $60 million and a three-year revolving credit facility of $90 million (the "Credit Agreement"). The maturity date of both the three-year term loan facility and the three-year revolving credit facility was May 23, 2016. The Credit Agreement was amended on May 9, 2016 (the "First Amendment Effective Date") thereby extending the maturity date from May 23, 2016 to May 9, 2019. Further, by way of the amended Credit Agreement, an additional $40 million for the term loan facility and $10 million for the revolving credit facility was granted by Bank of America to Syntel (the "First Amendment" and together with the Credit Agreement, the "Amended Credit Agreement"). Thus, the total amount of the credit facility was $200 million, consisting of a three-year term loan facility of $100 million and a three-year revolving credit facility of $100 million. The Amended Credit Agreement was guaranteed by two of the Company's domestic subsidiaries, SkillBay and Syntel Consulting (collectively, the "Guarantors"). In connection with the First Amendment, the Company and the Guarantors also entered into a related security and pledge agreement granting a security interest in the assets of the Company and the Guarantors, including, without limitation, a pledge of 65% of the equity interests in Syntel India.

The interest rates under the Amended Credit Agreement were, with respect to both the revolving credit facility and the term loan, (a) for the period beginning on the First Amendment Effective Date through and including the date prior to the first anniversary of the First Amendment Effective Date, (i) the Eurodollar Rate (as that term is defined in the Amended Credit Agreement) plus 1.50% with respect to Eurodollar Rate Loans (as that term is defined in the Amended Credit Agreement) and (ii) the Base Rate (as that term is defined in the Amended Credit Agreement) plus 0.50% with respect to Base Rate Loans (as that term is defined in the amendment to the Credit Agreement), (b) for the period beginning on the first anniversary of the First Amendment Effective Date through and including the date prior to the second anniversary of the First Amendment Effective Date, (i) the Eurodollar Rate plus 1.45% with respect to Eurodollar Rate Loans and (ii) the Base Rate plus 0.45% with respect to Base Rate Loans, and (c) for the period beginning on the second anniversary of the First Amendment Effective Date and continuing thereafter, (i) the Eurodollar Rate plus 1.40% with respect to Eurodollar Rate Loans and (ii) the Base Rate plus 0.40% with respect to Base Rate Loans.

During the year ended December 31, 2016, the Company fully repaid the revolving credit and term loan of $190.0 million, and terminated the Amended Credit Agreement.

On September 12, 2016, the Company entered into a new credit agreement ("Senior Credit Facility"), as amended as of October 26, 2016 and July 18, 2017 (the "Second Amendment") , with Bank of America, N.A, as administrative agent, L/C issuer and swing line lender, the other lenders party thereto, and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner for $500 million in credit facilities consisting of a five-year term loan facility of $300 million (the "Term Loan") and a five-year revolving credit facility of $200 million (the "Revolving Facility"). The maturity date of the Senior Credit Facility is September 11, 2021. The Revolving Facility allows for the issuance of letters of credit and swingline loans. The Senior Credit Facility was guaranteed by two of the Company's domestic subsidiaries, SkillBay and Syntel Consulting (collectively, the "Guarantors"). In connection with the Senior Credit Facility, the Company and the Guarantors also entered into a related security and pledge agreement granting a security interest in the assets of the Company and the Guarantors, including, without limitation, a pledge of 65% of the equity interests in Syntel India. The Second Amendment modified the Senior Credit Facility to allow the Company to make additional restricted payments in an aggregate amount not to exceed $50,000,000 so long as the Company had not defaulted and remained in compliance with the financial covenants set forth in the Senior Credit Facility on a pro forma basis. On September 1, 2017, SkillBay and Syntel Consulting were merged with and into Syntel, Inc. No approvals or amendments were required under the terms of the Senior Credit Facility for this merger among parties to the agreement.

The interest rates applicable to the Senior Credit Facility other than in respect of swing line loans are LIBOR plus 1.50% or, at the option of the Company, the Base Rate (to be defined as the highest of (x) the Federal Funds Rate [as that term is defined in the Senior Credit Facility plus 0.50%, (y) the Bank of America prime rate, or (z) LIBOR plus 1.00%) plus 0.50%. Each swingline loan shall bear interest at the Base Rate plus 0.50%. In no event shall LIBOR be less than 0% per annum. As of December 31, 2017, the interest rates were 2.85% for the Term Loan of $300 million and 2.85% and 2.81% for the two portions of the Revolving Facility equaling $160 million and $40 million, respectively.

The Company has also hedged interest rate risk on the entire Term Loan of $300 million by entering into the Swap. The Pay Fixed component of the Swap is fixed at 3.16%. The Company has designated the Swap in a hedging relationship with the Term Loan. The Swap is recorded at fair value and a gain of $2.8 million and $0.5 million during the year ended December 31, 2017 and 2016 is recorded in "Accumulated other comprehensive income" with the corresponding adjustment in other current assets and other non-current assets.

With the interest rates charged on the Senior Credit Facility being variable, the fair value of the Senior Credit Facility approximates the reported value as of December 31, 2017, as it reflects the current market value.

The Term Loan provides for the principal payments as under:

Period		Payment amount per quarter
Beginning from	Until	(In millions)
October 31, 2017	September 30, 2018	$5.625
October 31, 2018	September 30, 2021	$7.500

During the year ended December 31, 2017, $20.625 million principal payments were made toward the term loan and $120.0 million principal payments were made toward the revolving credit facility.

The Senior Credit Facility requires compliance with certain financial ratios and covenants. As of December 31, 2017, the Company was in compliance with all financial covenants.

As of December 31, 2017 the outstanding balances of the Term Loan and Revolving Facility, including accrued interest, were $278.9 million and $79.8 million (net of $0.7 million unamortized debt issuance cost), respectively. As of December 31, 2016 the outstanding balances of the Term Loan and Revolving Facility, including accrued interest, were $299.9 million and $199.9 million (net of $0.9 million unamortized debt issuance cost), respectively.

Future scheduled payments on the Senior Credit Facility, at December 31, 2017 are as follows:

	Term Loan	**Revolving Facility**
	(In thousands)	
	Principal Payments	**Principal Payments**
2018	$ 24,375	
2019	$ 30,000	
2020	$ 30,000	
2021	$ 195,000	$ 80,000

8. Leases

Operating Lease

The Company leases certain facilities and equipment under operating leases. Current operating lease obligations are expected to be renewed or replaced upon expiration. Future minimum lease payments under all non-cancelable leases expiring beyond one year as of December 31, 2017 are as follows:

	(In thousands)
2018	$ 6,524
2019	$ 3,653
2020	$ 2,377
2021	$ 1,873
2022	$ 379
Thereafter	—
	$ 14,806

Total rent expense amounted to approximately $10.0 million, $10.7 million and $11.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

9. Income Taxes

Income before income taxes for the Company's U.S. and foreign operations for the years ended December 31, 2017, 2016 and 2015 was as follows:

	2017	2016	2015
		(In thousands)	
U.S.	$ 64,947	$ 52,742	$ 42,342
Foreign	160,538	220,643	284,859
	$225,485	**$273,385**	**$327,201**

Income taxes for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

	2017	2016	2015
		(In thousands)	
Current:			
Federal	$20,777	$ 65,636	$14,521
State	4,066	3,192	2,639
City	678	533	439
Foreign	40,011	256,117	61,393
Total current provision	65,532	325,478	78,992
Deferred:			
Federal	(915)	(150)	(537)
State	(170)	(28)	(99)
City	(28)	(5)	(16)
Foreign	(5,202)	5,480	(3,665)
Total deferred expense(benefit)	(6,315)	5,297	(4,317)
Total provision for income taxes	**$59,217**	**$330,775**	**$74,675**

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The components of net deferred tax assets as of December 31, 2017 and 2016 are as follows:

	2017	2016
	(In thousands)	
Deferred tax assets		
Carry-forward losses of subsidiaries	—	$ 7
Minimum alternate tax credit of subsidiaries	46,938	35,979
Property, plant and equipment	686	198
Accrued expenses and allowances	13,420	15,055
Valuation allowance	(6,122)	(9,167)
Total deferred tax assets	54,922	42,072
Deferred tax liabilities		
Provision for branch tax on dividend equivalent in India	(9,972)	(9,782)
Provision for tax on unrealized gains in India	(59)	(33)
Others	(1,114)	(258)
Total deferred tax liabilities	(11,145)	(10,073)
Net deferred tax assets	**$ 43,777**	**$ 31,999**

The balance sheet classification of the net deferred tax asset is summarized as follows:

	2017	2016
	(In thousands)	
Deferred tax asset, non-current	54,922	42,072
Deferred tax liabilities, non-current	(11,145)	(10,073)
	$ 43,777	$ 31,999

Syntel's software development centers/units in India are located in Mumbai, Chennai Pune and Gurugram. Software development centers/units enjoy favorable tax provisions due to their registration in Special Economic Zone (SEZ), as Export Oriented Unit (EOU) and as units located in Software Technologies Parks of India (STPI). Units registered with STPI, EOUs and certain units located in SEZ were exempt from payment of corporate income taxes for ten years of operations on the profits generated by these units or March 31, 2011, whichever was earlier. Certain units located in SEZ are eligible for 100% exemption from payment of corporate taxes for the first five years of operation and 50% exemption for the next two years and a further 50% exemption for another three years, subject to fulfillment of certain criteria laid down. New units in SEZ operational after April 1, 2005 are eligible for 100% exemption from payment of corporate taxes for the first five years of operation, 50% exemption for the next five years and a further 50% exemption for another five years, subject to fulfillment of criteria.

The Company's units located at SEEPZ Mumbai and the STPI/EOU units ceased to enjoy the tax exemption on March 31, 2011. Three SEZ units completed their first five years of 100% exemption as of March 31, 2016. One SEZ unit located at Chennai completed its first five years of 100% exemption as of March 31, 2015. The Company started operations in KPO SEZ units in Airoli, Navi Mumbai in the quarters ended June 30, 2015 and June 30, 2016, respectively. The Company started operations in a SEZ unit in Pune in the quarter ended June 30, 2017.

Syntel's SEZ in Pune set up under the SEZ Act 2005, commenced operations in 2008. The SEZ for Chennai commenced operations in 2010. Income from operation of the SEZ, as a developer, is exempt from payment of corporate income taxes for ten out of 15 years from the date of SEZ notification.

Provision for Indian Income Tax is made only in respect of business profits generated from these software development units, to the extent they are not covered by the above exemptions and on income from treasury operations and other income.

The benefit of the tax holiday under Indian Income Tax was $28.59 million, $38.97 million and $45.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

For the year ended December 31, 2017, the Company has recorded one-time additional tax of $8.16 million due to changes to the Internal Revenue Code of 1986 made by the Tax Cuts and Jobs Act,2017.Out of aforesaid $8.16 million $0.9 million for deferred income tax due to change in Federal tax rate and $7.26 million on undistributed foreign income.

During the three months ended September 30, 2016, and after a comprehensive review of anticipated sources and uses of capital both domestically and abroad, as well as other considerations, the Board of Directors determined that it was in the best interests of the Company and its shareholders to declare a special cash dividend of fifteen dollars ($15.00) per share. In conducting this evaluation, the Board of Directors considered, among other factors, the operational and financial objectives of the Company, long-term and short-term capital needs, the Company's projections on growth and working capital needs, planned uses of U.S. and foreign earnings, the available sources of liquidity in the U.S., and growth plans outside of the U.S. As part of this evaluation, the Company determined that certain amounts which had been previously designated for internal and external expansion and investment at its foreign subsidiaries were no longer required for these purposes. The special cash dividend was funded through a one-time repatriation of approximately $1.03 billion (net of foreign income tax $210 million paid outside of the U.S) of cash held by the Company's foreign subsidiaries and a portion of borrowings under the new Senior Credit Facility. In connection with the one-time repatriation, the Company recognized a one-time tax expense of approximately $270.6 million (net of foreign tax credits) in the third quarter of 2016. The Company has recorded additional state tax of $0.9 million, attributable to the above repatriation, in the quarter ended March 31, 2017. The Company has reversed $6.26 million relating to the true up of tax provisions including the impact of foreign exchange rates, in the computation of the tax related to the dividend repatriation, upon the finalization of the federal tax return attributable to the above repatriation, in the quarter ended September 30, 2017.

Management regularly evaluates foreign earnings to determine whether future foreign earnings that accumulate will be permanently invested outside the U.S. In conducting this evaluation, management considers, among other factors, the operational and financial objectives of the Company, long-term and short-term capital needs, the Company's projections on growth and working capital needs, planned uses of U.S. and foreign earnings, the available sources of liquidity in the U.S., and growth plans outside of the U.S. The Company provides dividend distribution taxes on any foreign earnings in excess of these requirements. The December 31, 2017 provision includes the impact of certain foreign earnings that are not permanently invested. If in the future, management were to conclude that any additional portion of foreign earnings will not be permanently reinvested outside the U.S., this would result in an additional provision for income taxes, which could affect the Company's future effective tax rate. If the Company determines to repatriate all undistributed repatriable earnings of foreign subsidiaries as of December 31, 2017, the Company would have accrued taxes of approximately $30.0 million.

During the years ended December 31, 2017, 2016 and 2015, the effective income tax rate was 26.3%, 121.0% and 22.8%, respectively.

The tax rate for the year ended December 31, 2017 was impacted by one-time additional tax of $0.9 million deferred income tax due to change in federal tax rate and $7.26 million on deferred foreign income due to changes to the Internal Revenue Code of 1986 made by the Tax Cuts and Jobs Act, 2017. The tax rate for the year ended December 31, 2017 was also impacted by one-time favorable adjustments of $6.26 million relating to the true up of tax provisions including the impact of foreign exchange rates, in the computation of the tax related to the dividend repatriation, upon the finalization of the federal tax return and one-time reversal of valuation allowance of $2.92 million and additional charge of $0.9 million (net of federal tax benefits) of state income tax on repatriation. Without the above, the effective tax rate for the year ended December 31, 2017 would have been 26.3%.

The U.S. Government and state tax authorities are expected to continue to issue guidance regarding the Tax Cuts and Jobs Act of 2017, which may result in adjustments to our provisional estimates of deferred tax charge of $0.9 million. The adjustments to net deferred tax liabilities are provisional amounts estimated based on information available as of December 31, 2017. These amounts are subject to change as we obtain information necessary to complete the calculations. We will recognize any changes to the provisional amounts as we refine our estimates of the cumulative temporary differences, including those related to immediate deduction for qualified property, and our interpretations of the application of the Tax Act. We are continuing to analyze certain aspects of the Act and may refine our estimates, which could potentially affect the measurement of our net deferred tax assets or give rise to new deferred tax amounts. The final determination of the remeasurement of our net deferred tax assets and the transition tax will be completed as additional information becomes available, but no later than one year from the enactment date.

The tax rate for the year ended December 31, 2016 was primarily impacted by a one-time repatriation. The Company recognized a one-time tax expense of approximately $270.6 million (net of foreign tax credits) and reversal of unrecognized tax benefits of $3.08 million. Without the above, the effective tax rate for the year ended December 31, 2016 would have been 23.0%.

The tax rate for the year ended December 31, 2015 was impacted by a favorable adjustment of $1.10 million relating to the true up of tax provisions upon the finalization of the India tax computation and $1.20 million relating to the finalization of state tax and local tax matters. The Company has provided tax charges of $0.84 million on account of valuation allowances against the minimum alternative tax. Without the above, the effective tax rate for the year ended December 31, 2015 would have been 23.3%.

The Company records provisions for income taxes based on enacted tax laws and rates in the various taxing jurisdictions in which it operates. In determining the tax provisions, the Company provides for tax uncertainties in income taxes, when it is more likely than not, based on the technical merits, that a tax position would not be sustained upon examination. Such uncertainties, which are recorded in income taxes payable, are based on management's estimates and accordingly, are subject to revision based on additional information. The provision no longer required for any particular tax year is credited to the current period's income tax expense. Conversely, in the event of a future tax examination, any additional tax expense not previously provided for will be recognized in the period in which the actual liability is concluded or the management determines that the Company will not prevail on certain tax positions taken in filed returns, based on the "more likely than not" concept.

Syntel Inc. and its subsidiaries file income tax returns in various tax jurisdictions. The Company is no longer subject to U.S. federal tax examinations by tax authorities for years before 2014 and for state tax examinations for years before 2013.

Syntel India, the Company's India subsidiary, has disputed tax matters for the financial years 1996-97 to 2014-15 pending at various levels of tax authorities. Financial year 2015-16 and onwards are open for regular tax examination by the Indian tax authorities. However, the tax authorities in India are authorized to reopen the already concluded tax assessments for financial years 2010-11 and onwards.

The following table accounts for the differences between the actual effective tax rate and the statutory U.S. Federal income tax rate of 35% for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal Benefit	1.6%	1.0%	0.6%
City taxes	0.2%	0.0%	0.0%
Foreign effective tax rates different from U.S. Statutory Rate[1]	(10.5%)	(13.0%)	(12.6%)
Tax reserves	(2.4%)	(1.0%)	(0.0%)
Prior Year state tax payment	—	—	(0.4%)
One-time tax due to the 2017 Tax Cuts and Jobs Acts Law	3.7%	—	—
Valuation Allowance	(1.3%)	—	0.2%
Tax related to repatriation	—	99.0%	—
Effective income tax rate	**26.3%**	**121.0%**	**22.8%**

1 The foreign jurisdiction that materially affects the effective income tax rate is India.

During the years ended December 31, 2017, 2016 and 2015, the effective income tax rates were 26.3%, 121.0% and 22.8%, respectively.

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

	(in millions)	
	2017	2016
Balance as at January 1	$ 68.51	$ 50.24
Additions based on tax positions related to the current year	0.02	22.48
Additions based on tax positions for prior years	6.79	0.0
Reductions for tax positions of prior years	(0.42)	(3.08)
Foreign currency translation effect	3.04	(1.13)
Balance as at December 31	$ 77.94	$ 68.51
Income taxes paid, see below	(44.03)	(41.41)
Amounts, net of income taxes paid	**$ 33.91**	**$ 27.10**

The above table shows the unrecognized tax benefits that, if recognized, would affect the effective tax rate.

The Company has paid income taxes of $44.03 million and $41.41 million against the liabilities for unrecognized tax benefits of $77.94 million and $68.51 million, as at December 31, 2017 and 2016, respectively. The Company has paid the taxes in order to reduce the possible interest and penalties related to these unrecognized tax benefits.

The Company recognized accrued interest and penalties related to unrecognized tax benefits as part of tax expense. During the years ended December 31, 2017 and December 31, 2016, the Company recognized a tax charge and tax reversal towards interest of approximately $0.76 million and $0.15 million, respectively.

The Company had accrued approximately $2.21 million and $1.45 million for interest and penalties as of December 31, 2017 and December 31, 2016, respectively.

The Company's amount of net unrecognized tax benefits for the tax disputes of $1.71 million could change in the next twelve months as litigation and global tax audits progress. At this time, due to the uncertain nature of this process, it is not reasonably possible to estimate an overall range of possible change.

Syntel has not provided for India Income Tax which are disputed and pending at various level (including potential tax dispute) of $15.91 million for the financial year 1996-97 to December 31, 2017, which is after providing $54.61 million as unrecognized tax benefits under ASC740. Indian tax exposures involve complex issues and may need an extended period to resolve the issues with the Indian income tax authorities. Syntel's management, after consultation with legal counsel, believes that the resolution of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Service Tax Audit

Syntel India regularly files quarterly Service Tax refund applications and claims refunds of Service Tax on input services, which remain unutilized against a no service tax on export of services. As of December 31, 2017, Syntel Indian entities has not provided against Service tax refunds claims of $3.87 million disputed by Service tax Department which are pending at various level.

The Company obtained a tax consultant's advice on the aforesaid disputes. The consultant is of the view that the tax disputes are contrary to the wording of the service tax notifications and provisions. The Company therefore believes that its claims of service tax refunds should be upheld at the appellate stage and the refunds should be accordingly granted. Based on the consultant's tax advice, the Company believes that it has a reasonable basis to defend the rejection of the refunds. Accordingly, no provision has been made in the Company's books.

Local Taxes

As of December 31, 2017 and 2016, the Company had a local tax liability provision of approximately $0.4 million, equal to $0.3 million net of federal tax benefit, relating to local taxes including employer withholding taxes, employer payroll expense taxes, business licenses, and corporate income taxes.

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Minimum Alternate Tax (MAT)

Minimum Alternate Tax ("MAT") is payable on the Book Income, including the income for which deduction is claimed under section 10A and section 10AA of the Indian Income Tax Act. The excess MAT over the normal tax liability is "MAT Credit." MAT Credit can be carried forward for 15 years (as amended by the Finance Act, 2017, as compared to 10 years, as previously provided) and set-off against future tax liabilities, if normal tax provisions are in excess of taxes payable under MAT. Accordingly, for the three months ended March 31, 2017, the Company has reversed a valuation allowance of $2.92 million against deferred tax assets which was recognized on MAT Credit. The MAT credit as of December 31, 2017 of $44.63 million (net of valuation allowance of $2.62 million) must be utilized before March 31 of the following financial years and will expire as follows

Year of Expiry of MAT Credit	(In millions)
2022 - 2023	0.15
2023 - 2024	0.65
2024 - 2025	2.08
2025 - 2026	2.96
2026 - 2027	0.74
2027 - 2028	6.22
2028 - 2029	7.37
2029 - 2030	8.09
2030 - 2031	10.40
2031 - 2032	4.93
2032 - 2033	3.66
Total	**47.25**
Less: Valuation allowance	**2.62**
Total (net of valuation allowance)	44.63

India Budget Proposal 2018

The Finance Bill 2018 was presented on February 1, 2018. These proposals include an increase in income tax cess to 4%, against the existing 3%. The proposals would increase the effective tax rate to 34.944% from 34.608%.The Indian corporate tax rate would be reduced to 25%, as compared to the existing 30% for companies with annual turnover below INR 2500 million ($39.5 million). The proposal includes no other changes to corporate income tax rates.

If enacted, these proposals, would have a one-time marginal tax benefit to Syntel of $0.1 million. These tax benefits would be accounted in the quarter in which the aforesaid proposal is enacted.

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10. Earnings Per Share

The reconciliation of basic and diluted earnings per share for the years ended December 31, 2017, 2016 and 2015 is as follows:

	2017		2016		2015	
	Weighted-Average Shares Out-standing	Per Share	Weighted-Average Shares Out-standing	Per Share	Weighted-Average Shares Out-standing	Per Share
	(In thousands, except per share data)					
Basic earnings per share	83,537	$1.99	84,146	$(0.68)	83,982	$ 3.01
Potential dilutive effect of restricted stock[1]	81	—	—	—	167	(0.01)
Diluted earnings per share	83,618	$1.99	84,146	$(0.68)	84,149	$ 3.00

1. For calculating dilutive earning (loss) per share during the year ended December 31, 2016, the potential dilutive effect of restricted stock of 103 units is not considered as the units are antidilutive in view of loss during the year 2016.

11. Dividends

During the third quarter of 2016, the Board of Directors declared a special cash dividend of fifteen dollars ($15.00) per share on outstanding common stock which was payable on October 3, 2016, to shareholders of record at the close of business on September 22, 2016. Accordingly, $1.261 billion in dividends was paid on October 3, 2016. Further, it was resolved by the Board of Directors that restricted stock units granted to employee and directors prior to the dividend record date will receive an amount equivalent to the dividend when the applicable restriction on the restricted stock units lapses.
The special cash dividend was funded through a one-time repatriation of approximately $1.03 billion (net of dividend distribution tax $210 million paid outside the U.S) of cash held by the Company's foreign subsidiaries and a portion of borrowings under the new Senior Credit Facility. In connection with the one-time repatriation, the Company recognized a one-time tax expense of approximately $270.6 million (net of foreign tax credits) in the third quarter of 2016.
The Company has not declared or paid any dividends in 2017.

12. Stock Compensation Plans

Share-Based Compensation

The Company originally established a Stock Option and Incentive Plan in 1997 (the "1997 Plan"). On June 1, 2006, the Company adopted the Amended and Restated Stock Option and Incentive Plan (the "Amended Plan"), which amended and extended the 1997 Plan. Under the Amended Plan, a total of sixteen million shares of common stock were reserved for issuance. The dates on which options or restricted stock units granted under the Amended Plan become first exercisable or have their restriction lapse are determined by the Compensation Committee of the Board of Directors, but generally occur over a four-year period from the date of grant. The term of any option may not exceed ten years from the date of grant. As of June 1, 2016, the Amended Plan terminated and no further awards may be made under the Amended Plan.

On February 28, 2016, the Company's Board of Directors approved the adoption of the 2016 Incentive Plan (the "2016 Plan") subject to shareholder approval. On June 8, 2016 the Company's shareholders approved the 2016 Plan. The principal features of the 2016 Plan are substantially the same as those of the Amended Plan. Under the 2016 Plan, a total of sixteen million shares of common stock were reserved for issuance. The dates on which options or restricted stock units granted under the Amended Plan become first exercisable or have their restriction lapse are determined by the Compensation Committee of the Board of Directors, but for employees generally occur over a four-year period from the date of grant and for non-employee directors generally occur at the Company's next annual meeting of shareholders.

On November 30, 2016, Company's Board of Directors and the Compensation Committee established a program for a one-time grant of Restricted Stock Units ("RSUs") to certain senior management employees. The parameters of the program and the restrictions on the RSUs granted are consistent with the 2016 Incentive Plan approved by shareholders on June 8, 2016, except as follows:

1. The employee may purchase up to a specified number of shares of Syntel, Inc. common stock ("Common Stock") whose purchase price is equal to up to 25% of the employee's base salary ("Purchased Shares").
2. Upon proof of purchase of the Common Stock, the employee will receive a grant of RSUs equal to 25% of the number of the Purchased Shares (the "Grant").
3. The restriction period on 25% of the Grant will lapse on each of the first four anniversaries of the grant date.
4. The RSUs will be forfeited if the employee ceases to be an employee of the Company or if the employee does not retain Purchased Shares equal to four times the remaining RSUs from the Grant through the applicable restriction period.

No stock options were issued for the years ended December 31, 2017 and 2016 under either the Amended Plan or the 2016 Plan.

The Company accounts for share-based compensation based on the fair value of share-based payment awards on the date of grant. Fair value of share-based payment awards are calculated based on the Company's share prices which are quoted in market. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Statement of Comprehensive Income. Share-based compensation expense recognized as above for the years ended December 31, 2017, 2016 and 2015 was $8.6 million (including charges for restricted stock units and a dividend equivalent), $8.1 million and $7.2 million, respectively, including a charge for restricted stock.

The shares issued upon the exercise of the options are new share issues.

Restricted Stock

On different dates during the years ended December 31, 2017, 2016 and 2015, the Company issued restricted stock awards of 315,022, 415,519 and 135,440 (adjusted to account for the 2014 stock split), respectively, to its non-employee directors and some employees, as well as to some employees of its subsidiaries. The restricted stock awards were granted to employees for their future services as a retention tool at a zero exercise price, vest in shares with regards to 25% of the awards issued on or after the first, second, third and fourth anniversary of the grant dates.

During the third quarter of 2016, the Board of Directors declared a special cash dividend of fifteen dollars ($15.00) per share on outstanding common stock which was payable on October 3, 2016, to shareholders of record at the close of business on September 22, 2016. Further, it was resolved by the Board of Directors that restricted stock units granted to employees and directors prior to the dividend record date will receive an amount equivalent to the dividend when the applicable restriction on the restricted stock units lapses. The special dividend resulted in a modification of the existing stock compensation plan. Accordingly, incremental compensation cost was measured as the excess, if any, of the fair value of the modified award over the fair value of the original award accounted on a graded basis with the incremental expense being recognized over the remaining vesting period. As a result of the above, the Company has recorded an additional compensation cost of $1.8 million and $1.5 million, respectively during the year ended December 31, 2017 and 2016.

The impact on the Company's results of operations of recording stock-based compensation (including impact of restricted stock) for the years ended December 31, 2017, 2016 and 2015 was as follows (in thousands):

Year Ended December 31,	2017	2016	2015
Cost of revenues	$2,690	$2,597	$2,478
Selling, general and administrative expenses	4,114	4,054	4,719
	$6,804	**$6,651**	**$7,197**

No cash was received from option exercises under all share-based payment arrangements for the years ended December 31, 2017, 2016 and 2015, respectively.

A summary of the activity for restricted stock awards granted under our stock-based compensation plans as of December 31, 2017, 2016 and 2015, and changes during the years then ended are presented below, appropriately adjusted to reflect the 2014 stock split:

	2017		2016		2015	
	Number Of Awards	Weighted Average Grant Date Fair Value	Number Of Awards	Weighted Average Grant Date Fair Value	Number Of Awards	Weighted Average Grant Date Fair Value
Unvested at January 1	669,556	$ 29.16	465,290	$ 41.47	564,314	$ 37.37
Granted	315,022	$ 18.13	415,519	$ 20.57	135,440	$ 46.73
Vested	(209,816)	$ 32.09	(198,725)	$ 39.10	(205,233)	$ 34.40
Forfeited	(83,294)	$ 35.54	(12,528)	$ 43.77	(29,231)	$ 36.38
Unvested at December 31	**691,468**	**$ 22.48**	**669,556**	**$ 29.16**	**465,290**	**$ 41.47**

As of December 31, 2017, $13.16 million of total remaining unrecognized stock-based compensation cost related to restricted stock awards is expected to be recognized over the weighted-average remaining requisite service period of 2.97 years.

13. Commitments and Contingencies

As of December 31, 2017 and December 31, 2016, Syntel's subsidiaries have commitments for capital expenditures (net of advances) of $28.0 million and $33.0 million, respectively, primarily related to the technology campuses being constructed at Pune and Chennai in India.

Syntel's Indian subsidiaries' operations are carried out from their development centers/units in Mumbai forming part of a Special Economic Zone (”SEZ”) and in Chennai and Pune, which are registered under the Software Technology Parks (“STP”) scheme. Under these schemes, the registered units have export obligations, which are based on the formula provided by the notifications/circulars issued by the STP and SEZ authorities from time to time. The consequence of not meeting the above commitments would be a retroactive levy of import duty on items previously imported duty free for these units. Additionally, the respective authorities have rights to levy penalties for any defaults on a case-by-case basis. The Company is confident of meeting these obligations. During the year ended December 31, 2016, $0.75 million was held as a security deposit in favor of the lessor concerning a performance guarantee for certain leasehold improvements in Syntel Poland. During the three months ended March 31, 2017, the Company received $0.75 million of funds previously held as a security deposit on a lease with Syntel Poland.

The Company is party to various legal actions arising in the ordinary course of business, including litigation and governmental and regulatory controls. The Company's estimates regarding legal contingencies are based on information known about the matters and its experience in contesting, litigating and settling similar matters. It is the opinion of management with respect to pending or threatened litigation matters that unfavorable outcomes are neither probable nor remote and that estimates of possible loss are not able to be made. Although actual amounts could differ from management's estimate, none of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations.

The Company estimates the costs associated with known legal exposures and their related legal expenses and accrues reserves for either the probable liability, if that amount can be reasonably estimated, or otherwise the lower end of an estimated range of potential liability. During the year ended December 31, 2017 there was no accrual related to litigation. During the year ended December 31, 2016, the Company recorded a $0.3 million liability for a litigation matter related contingency which was subsequently paid during the three months ended March 31, 2017.

14. Employee Benefit Plans

The Company maintains a 401(k) retirement plan that covers all regular employees on Syntel's U.S. payroll. Eligible employees may contribute the lesser of 60% of their compensation or $18,000, subject to certain limitations, to the retirement plan. The Company may make contributions to the plan at the discretion of the Board of Directors; however, through December 31, 2017, no Company contributions have been made.

Eligible employees on Syntel's Indian payroll receive benefits under the Provident Fund (“PF”), which is a defined contribution plan. Both the employee and the Company make monthly contributions equal to a specified percentage of the covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The contributions made to the fund are administered and managed by the Government of India. The Company's monthly contributions are expensed in the period they are incurred. Provident Fund Contribution expense recognized by Indian entities was $5.70 million, $5.90 million and $6.50 million for the years ended December 31, 2017, 2016 and 2015, respectively.

In accordance with the Payment of Gratuity Act, 1972 of India, the Indian subsidiary provides for gratuity, a defined retirement benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation and are expensed in the period determined. The Gratuity Plan is a non-funded plan. The amounts accrued under this plan are $15.3 million and $13.6 million as of December 31, 2017 and 2016, respectively, and are included within current and other non-current liabilities, as applicable. Expense recognized by Indian entities under the Gratuity Plan was $3.8 million, $3.5 million and $3.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table sets forth the funded status of the Gratuity Plan of the Company and the amounts recognized in the Company's consolidated balance sheets and statements of comprehensive income.

	(In thousands)	
	2017	**2016**
Accumulated benefit obligation	**$10,161**	**$ 9,081**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of the year	$14,527	$12,349
Service cost	2,564	2,279
Interest cost	1,239	1,167
Actuarial loss/(gain)	(1,672)	900
Adjustments due to transfer of employees within the group	(2)	—
Benefits paid	(2,125)	(1,928)
Effect of exchange rate changes	888	(240)
Projected benefit obligation at end of the year	**$15,419**	**$14,527**
Amounts recognized in the balance sheet consists of:		
Provision for gratuity (included in total current liabilities)	$ 3,102	$ 2,983
Provision for gratuity (included in non-current liabilities)	12,317	11,544
	$15,419	$14,527

As of December 31, 2017 and December 31, 2016 amounts in accumulated other comprehensive loss:

Net actuarial loss	$ (328)	$ 1,353
Net prior service cost	84	106
Total accumulated other comprehensive loss	**$ (244)**	**$ 1,459**

Expected amortization out of comprehensive income in 2018 is $0.03 million.

Reconciliation of net amount recognized		
Net amount recognized as at beginning of the period	$(14,527)	$(12,349)
Benefits Paid	2,125	1,928
Net periodic benefit cost for the period	(3,899)	(3,509)
Amount recognized in accumulated other comprehensive loss	1,768	(863)
Adjustments on account of employees transferred	2	26
Foreign currency translation adjustment	(888)	240
Net amount recognized as at end of the period	(15,419)	(14,527)
Funded status of the plans	—	—
Accrued benefit cost	**$(15,419)**	**$(14,527)**

The components of net gratuity costs are reflected below:

Service cost	$2,442	$2,279
Interest cost	1,232	1,167
Amortization of transition obligation	72	61
Amortization of net actuarial (gain)/loss	26	2
	$3,772	**$3,509**

Weighted-average assumptions used to determine benefit obligations:

	2017	2016
Discount rate	7.65% per annum.	7.75% per annum
Long-term rate of compensation increase	9% per annum for first 5 year and 7% thereafter	11% per annum for first year, 10% for next five years and 7% thereafter

Weighted-average assumptions used to determine net periodic benefit cost:

	2017	2016
Discount rate	7.75% per annum	7.75% per annum
Long-term rate of compensation increase	11% per annum for first year, 10% for next five years and 7% thereafter	11% per annum for first year, 10% for next five years and 7% thereafter

Cash Flows

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

For the year ended December 31,	Expected contribution
	(In thousands)
2018	$ 3,103
2019	3,039
2020	3,163
2021	3,177
2022	3,345
2023–2027	13,337

15. Segment Reporting

The Company's reportable business segments are as follows:

- Banking and Financial Services
- Healthcare and Life Sciences
- Insurance
- Manufacturing
- Retail, Logistics and Telecom

For detailed discussion on each of these segments, please refer Note 1 on "Business" forming part of Notes to the Consolidated Financial Statements.

Syntel's leadership evaluates the Company's performance and allocates resources based on segment revenues and segment cost of revenues. Segment gross profit is defined as gross profit before Corporate Direct Costs.

The Company's cost of revenues consists of costs directly associated with billable professionals in the U.S. and offshore, including salaries, payroll taxes, benefits, relocation costs, immigration costs, finder's fees, trainee compensation and travel. Generally, the cost of revenues for each operating segment has similar characteristics and is subject to the same factors, pressures and challenges. However, the economic environment and its effects on industries served by our operating groups may affect revenue and cost of revenues to differing degrees.

Corporate Direct Costs

Certain expenses, for cost centers such as Centers of Excellence, Architecture Solutions Group, certain portion of Research and Development, Cloud Computing, and Application Management, are not allocated to specific industry segments because management believes it is not practical to allocate such expenses to individual segments as they are not directly attributable to any specific segment. Accordingly, these expenses are separately disclosed as Corporate Direct Costs and adjusted only against Total Gross Profit.

In accordance with ASC 280 "Disclosures about Segments of an Enterprise and Related Information," segment disclosures are presented below. Revenues from external customers and gross profit for the Banking and Financial Services; Healthcare and Life Sciences; Insurance; Manufacturing; and Retail, Logistics and Telecom segments for three years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016 (In thousands)	2015
Net Revenues:			
Banking and Financial Services	$419,088	$472,999	$474,943
Healthcare and Life Sciences	162,424	155,970	157,970
Insurance	138,343	128,270	133,519
Manufacturing	39,369	44,420	41,154
Retail, Logistics and Telecom	164,604	164,891	161,026
Gross Profit:	$923,828	$966,550	$968,612
Banking and Financial Services	162,772	183,530	188,152
Healthcare and Life Sciences	66,719	62,466	68,822
Insurance	45,867	46,192	49,497
Manufacturing	10,526	13,091	13,111
Retail, Logistics and Telecom	66,865	68,113	69,505
Total Segment Gross Profit	**352,749**	**373,392**	**389,087**
Corporate Direct Costs	(1,710)	(2,567)	(5,086)
Gross Profit	$351,039	$370,825	$384,001
Selling, general and administrative expenses	115,323	108,528	100,256
Income from operations	**$235,716**	**$262,297**	**$283,745**

The Company's largest customer in 2017, 2016 and 2015 was American Express, which accounted for revenues in excess of 10% of total consolidated revenues. Revenue from this customer was approximately $143.3 million, $210.1 million and $204.0 million, contributing approximately 16%, 22% and 21% of total consolidated revenues during 2017, 2016 and 2015, respectively. At December 31, 2017, 2016 and 2015, accounts receivable from this customer were $11.4 million, $24.3 million and $31.8 million, respectively. The revenue from American Express Corp. was generated in Banking and Financial Services segment.

The Company's second largest customer, State Street Bank, had revenues in excess of 10% of total consolidated revenues for the years 2017, 2016 and 2015. Revenue from this customer was approximately $142.8 million, $134.3 million and $140.6 million, contributing approximately 15%, 14% and 15% of total consolidated revenues during 2017, 2016 and 2015, respectively. At December 31, 2017, 2016 and 2015, accounts receivable from this customer was $10.9 million, $10.9 million and $16.6 million, respectively. The revenue from State Street Bank was generated in Banking and Financial Services segment.

The Company's third largest customer, Federal Express Corporation, had revenues in excess of 10% of total consolidated revenues for the year ended 2017, 2016 and 2015. Revenue from this customer was approximately $128.8 million, $119.9 million and $120.1 million, contributing approximately 14%, 12% and 12% of total consolidated revenues during 2017, 2016 and 2015, respectively. At December 31, 2017, 2016 and 2015, accounts receivable from this customer was $17.2 million, $17.8 million and $12.2 million, respectively. The revenue from Federal Express Corporation was generated in the Retail Logistics and Telecom segment.

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16. Geographic Information

The Company's net revenues and long-lived assets, by geographic area, for the years ended December 31, 2017, 2016 and 2015 are as follows:

		(In thousands)	
	2017	2016	2015
Net revenues (1):			
North America (2)	$823,142	$865,679	$872,788
India	4,071	5,475	3,740
Europe (3)	94,000	92,899	89,088
Rest of the World	2,615	2,497	2,996
Total	**$923,828**	**$966,550**	**$968,612**
Long-lived assets (4):			
North America (2)	$ 3,600	$ 3,307	$ 3,517
India	100,950	102,638	101,686
Europe (3)	1,992	632	374
Rest of the World	662	805	1,105
Total	**$107,204**	**$107,382**	**$106,682**

Notes for the Geographic Information Disclosure:

1. Net revenues are attributed to regions based upon customer location.
2. Primarily relates to operations in the United States.
3. Primarily relates to operations in the United Kingdom and Poland.
4. Long-lived assets include property and equipment, net of accumulated depreciation and amortization and goodwill.

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17. Selected Quarterly Financial Data (Unaudited)

Selected financial data by calendar quarter were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
	(In thousands, except per share data)				
2017					
Net revenues	$225,869	$226,811	$ 231,340	$239,808	$923,828
Cost of revenues	143,447	145,351	143,219	140,772	572,789
Gross profit	82,422	81,460	88,121	99,036	351,039
Selling, general and administrative expenses	30,291	28,699	27,160	29,173	115,323
Income from operations	52,131	52,761	60,961	69,863	235,716
Other income (expense), net	(2,880)	(2,754)	(2,521)	(2,076)	(10,231)
Income before income taxes	49,251	50,007	58,440	67,787	225,485
Income tax expense	10,871	13,355	9,607	25,384	59,217
Net income/(Loss)	$ 38,380	$ 36,652	$ 48,833	$ 42,403	$166,268
Earnings/(Loss) per share, diluted (a)	$ 0.46	$ 0.44	$ 0.58	$ 0.51	$ 1.99
Weighted average shares outstanding, diluted	83,834	83,853	83,537	83,248	83,618
2016					
Net revenues	$241,390	$246,018	$ 241,255	$237,887	$966,550
Cost of revenues	151,666	155,033	146,672	142,354	595,725
Gross profit	89,724	90,985	94,583	95,533	370,825
Selling, general and administrative expenses	29,677	18,265	29,526	31,060	108,528
Income from operations	60,047	72,720	65,057	64,473	262,297
Other income (expense), net	4,096	4,875	4,227	(2,110)	11,088
Income before income taxes	64,143	77,595	69,284	62,363	273,385
Income tax expense	11,086	18,804	286,513	14,372	330,775
Net income	$ 53,057	$ 58,791	$(217,229)	$ 47,991	$ (57,390)
Earnings per share, diluted (a)	$ 0.63	$ 0.70	$ (2.58)	$ 0.57	$ (0.68)
Weighted average shares outstanding, diluted	84,266	84,278	84,214	84,163	84,146

(a) Earnings per share for the quarter are computed independently and may not equal the earnings per share computed for the total year.

18. CONSOLIDATION OF A VARIABLE INTEREST ENTITY

Syntel Delaware is a 100% subsidiary of Syntel, Inc. and a 49% shareholder of the joint venture (“JV”) entity SSSSML, the other shareholder being an affiliate of State Street Bank. Syntel Delaware has a variable interest in SSSSML as it is entitled to all the profits and solely responsible for all losses incurred by SSSSML even though it holds only 49% in the JV entity. Accordingly, Syntel Delaware consolidates the JV entity SSSSML.

The Company’s KPO services to State Street Bank and one other client are provided through the above joint venture between the Company and an affiliate of State Street Bank. Sales of KPO services only to these two clients represented approximately 10%, 11% and 12% of the Company’s total revenues for the years ended December 31, 2017, 2016 and 2015, respectively.

19. FAIR VALUE MEASUREMENTS

The Company follows the guidance for fair value measurements and fair value option for financial assets and liabilities, which primarily relate to the Company's investments and forward contracts, interest rate swap and other financial assets and liabilities.

This standard includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

Fair values of interest rate swaps are measured using standard valuation models using inputs that are readily available in public markets, or can be derived from observable market transactions, including LIBOR spot and forward rates.

The fair value hierarchy consists of the following three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table summarizes our financial assets measured at fair value on a recurring basis as of December 31, 2017:

	(In millions)			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments				
Available for sale securities	$ 25.7	$ —	$ —	$25.7
Term deposits	—	1.2	—	1.2
Interest rate swaps	—	3.3	—	3.3
Total assets measured at fair value	**$ 25.7**	**$ 4.5**	**$ —**	**$30.2**

The following table summarizes our financial assets measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments				
Available for sale securities	$ 15.0	$ —	$ —	$15.0
Term deposits	—	6.8	—	6.8
Interest rate swaps	—	0.5	—	0.5
Total assets measured at fair value	**$ 15.0**	**$ 7.3**	**$ —**	**$22.3**

20. Term Deposits

The following table summarizes the term deposits with various banks outstanding as at December 31, 2017 and December 31, 2016.

Balance Sheet Item	(In millions) As at December 31, 2017	As at December 31, 2016
Cash and cash equivalents	$ —	$ —
Short term investments	0.8	6.6
Non-current assets	0.4	0.2
Total	**$ 1.2**	**$ 6.8**

21. Other (Expense)Income, Net

The following table represents the components of other (expense) income, net.

	(In thousands) Years Ended December 31, 2017	2016	2015
Interest income on term deposits	$ 551	$ 9,695	$26,751
Gain (loss) on sale of mutual funds,net	1,494	5,790	18,796
Interest expense	(12,627)	(4,707)	(2,220)
Miscellaneous income	351	310	129
Total	**$(10,231)**	**$11,088**	**$43,456**

22. RELATED PARTY TRANSACTIONS

There were no related party transactions in 2017, 2016 and 2015.

23. STOCK REPURCHASE PLAN

On July 25, 2017,the Board authorized a stock repurchase plan under which the Company may repurchase shares of common stock with a total value not to exceed $60 Million. The stock repurchase plan is authorized to continue through December 31, 2018. Repurchases under the Company's new program may be made in open market , privately negotiated transactions or through a Rule 10b5-1 plan in compliance with Securities and Exchange Commission Rule 10b-18, subject to market conditions, applicable legal requirements, and other relevant factors. Any repurchased common stock will be available for use in connection with the Company's incentive plan and for other corporate purposes.

The Company repurchased 880,435 shares of common stock with a total value of $16.2 million at an average price of $18.37 per share during year ended December 31, 2017.

Exhibit 10.22

Terms and Conditions:

1.0 WORK RELATED

1.1 You will devote full time to the work of SYNTEL Ltd. (herein referred as **SL**), and shall not undertake any direct / indirect business / work / assignment etc. even on part-time basis whether for any consideration or not, save with the prior written permission from the Company.

1.2 You will use your best efforts in the performance of employment duties assigned to you from time to time and to, at all times, act in good faith and in the best interests of SL, you will comply with all rules, regulations and procedures established by SL.

1.3 You will retire from the SL's services on reaching the age of **60 yrs** or earlier if found medically unfit. The age or date of birth already given by you in your application form would be treated as binding and final. The actual date of retirement shall be the last date of the calendar month in which you were born.

2.0 SOFTWARE RELATED

You are strictly prohibited from bringing any unauthorized / infringed copies of software in the office premises, from any external sources or copying software from one computer system to another which may include any violation of the provisions of the Copyrights Act. Non-compliance of this rule will be regarded as a serious offense and you will be subjected to appropriate disciplinary action.

3.0 INTELLECTUAL PROPERTY RIGHTS

3.1 You will agree to inform **SL** of full details of all your inventions, discoveries, concepts and ideas (collectively called "Developments"), whether patentable or not, including but not limited to, hardware and apparatus, products, processes and methods, formulae, computer programs and techniques, as well as any improvements and related knowledge, which you conceive, improve, complete, or put in to practice (whether alone or jointly with others) while you continue in the employment of SL; and which relate to the present or prospective business, work or investigations of SL; or which result from any work you do using any equipment, facilities, materials or personnel of SL; or which has or have been developed by you or under your supervision, or which result from or are suggested by any work, which you do or may do for SL.

3.2 The ownership of all "developmental" work and documentation created by you shall from the moment of its creation, vest in SL. Thus, you agree to assign and do hereby assign to SL, SL's nominee, your entire right, title and interest in -

- all Developments;
- all trademarks, copyrights and mask work rights in the developments; and
- all patent applications filed, patents granted on any development, including those in foreign countries, which you conceive or make (whether alone or with others) while employed by SL or within two (2) years of the end of your employment (if conceived as a result of your Employment)

3.3 You acknowledge existence of SL's present and future products, know how, processes, software products, programs, codes, documentation and flowcharts in any form and agree to abide by the procedures of the Copyright Law in force in India and foreign countries, which prohibits the reproduction of such protected works, in whole or in part, or in any form or by any other means without the prior written permission of SL.

3.4 You will assign to SL your entire right, title and interest in any invention or improvement that you might make solely or jointly with others, during the course of your employment with SL relating to any and all products / services / software / software tools marketed or manufactured or developed and that you will perform any acts and execute such documents without expenses to you which, in the judgments of SL or its attorneys may be needful or desirable to secure to the Company patent protection and any / all rights relating to such invention or improvement.

4.0 NONSOLICITATION / NONCOMPLETE / NONDIVERSION

4.1 During the term of this Employment Agreement and for a period of two (2) years subsequent to the termination of this Agreement, you will not, without the prior written consent of SL, directly, indirectly, or through any other party solicit business from or perform services for any direct or indirect SL customer or any prospective SL customer whom you had any contact with or exposure to, at any time during the term of this Employment Agreement.

4.2 During the term of this Employment Agreement and for a period of two (2) years subsequent to the termination of this Agreement, you will not, without the prior written consent of **SL**, seek engagement or employment, either full-time or contractually with any organization that is likely to deploy you on project / assignment in Offshore or Onsite client engagement where SL is already working for the same client and where you have been engaged in a project with the client organization for a period exceeding one month. This clause does not apply if a period of one year has already exceeded from the last date of working with the specific client.

4.3 During the term of this Employment Agreement and for a period of two (2) years subsequent to the termination of this Agreement, you will not, without the prior written consent of **SL** directly, indirectly, or through any other party solicit, offer to, or accept the employment of, persons who are then, or were during the previous six (6) months, employees of **SL** or any **SL** subsidiary / associate / affiliate.

5.0 SPECIALIZED TRAINING and KNOWLEDGE ACQUISITION

5.1 If you have to undergo any specialized training in **SL** or arranged by **SL**, you will have to undertake a training agreement to serve SL for a minimum period of one year from the date of undergoing the specialized training. Liquidated damages in case of breach of agreement in this regard would be Rs. 100,000/- (Rupees One Lac only). During this training period if your performance if found to be unsatisfactory, the Company reserves the right to terminate you from this employment.

5.2 On deputation to a client site for knowledge Acquisition and subsequent Knowledge Transfer on a client's application, either for development, enhancement, maintenance or support, you will be understood to have gathered intellectual property on behalf of SL while on such deputation. As a consequence, you shall commit to serving SL for a minimum period of six months from the date of return to India from the Onsite engagement. This clause does not apply in the event that you are transferred, within SL, to another client engagement where the value of the initial knowledge acquisition has diminished and therefore does not constitute knowledge attrition.

6.0 CONFIDENTIALITY

6.1 In connection with your providing certain products and/or services to SL and/or on behalf of SL, you will have access to information concerning SL and SL's clients. As a condition to your being given access to such information, you agree to treat any information concerning SL and/or SL's clients (whether prepared by SL, its advisors or otherwise) which is furnished to you by or on behalf of SL and/or SL's clients (herein collectively referred to as the "Confidential Information") in accordance with the provisions of this letter and to take or abstain from taking certain other actions herein set forth. The term "Confidential Information" does not include information which (i) is already in your possession, or (ii) becomes generally available to the public other than as a result of a disclosure by you or (iii) becomes available to you on a non-confidential basis from a source other than SL and/or SL's clients. The confidential Information shall be solely used for the purpose of and on behalf of SL and you further agree that disclosure of the same shall be with prior permission of SL.

6.2 You agree to promptly redeliver to SL, upon request, all Confidential Information including all Intellectual property rights, whether registered or unregistered on any tangible media and that you will not retain any copies, extracts or other reproductions in whole or in part of such material. You further agree that breach of this confidentiality letter agreement could cause irreparable harm to SL and that SL shall be entitled to any and all injunctive relief, as well as monetary damages, including reasonable attorney fees, for such breach.

7.0 ARBITRATION

All disputes or difference what so ever arising between the parties out of or related to this contract or the construction or meaning and operation or effect of this contract or the breach thereof shall be settled by arbitration in accordance with rules of arbitration of the Indian Merchant Chambers and award made in pursuant thereof shall be binding on the parties.

You or SL may demand arbitration by giving a written notice to the other party stating the nature of the controversy.

8.0 GOVERNING LAW

The validity, constructing, interpretation and performance of this Contract will be governed by Indian Laws and adjudicated upon by a competent Court in Mumbai.

9.0 REMEDIES

9.1 Notwithstanding paragraph 7.0 (Arbitration clause), you agree that your failure or neglect to perform, keep, or observe any term, provision, condition, covenant, warranty, or representation contained in this Contract, the confidentiality Contract or any other agreement between you and SL will cause SL immediate and irreparable harm and that SL is, in addition to all other remedies available to it, entitled to immediate injunctive and equitable relief from a court having jurisdiction to prevent any breach and to secure the enforcement of its rights hereunder.

9.2 Remedies for damages procuring prior to SL's knowledge of breach or until action in breach ends and related in any way to the effects of the breach shall include but not be limited to monetary damage, liquidated damage, attorney's fees and other cause related to the action.

10.0 OTHERS

10.1 You will also be covered by the Company's Mediclaim and Accident Insurance Policy.

10.2 This appointment is being made in good faith on the basis of your CV and other information provided by you during the course of SL and your mutual discussions. Any data, which is not in consonance with the information provided by you, shall result in termination of employment forthwith and you shall indemnify SL in full, for any losses suffered by SL. SL reserves the right to make suitable formal / informal checks with your educational institutions and previous employers as may be applicable. You are requested to produce all the documents as mentioned in the checklist attached on your date of joining.

10.3 You shall not accept any presents, commissions, or any kind of gratification in cash or kind from any person, party, firm or company having dealings with SL group of companies and if you are offered you will report the same immediately to SL.

10.4 On matters not specifically covered in this Employment Contract, you shall be governed by SL's service rules, practices, etc. which are liable for modifications, additions, total or partial withdrawal, suspension / revocation, etc. from time to time. SL's decision on all such matters shall be final and binding on you.

11.0 SEVERABILITY

If any clause in this agreement is held invalid, illegal or unenforceable for any reason, that provision shall be severed and the remainder of the provisions of this agreement will continue in full force and effect as if this agreement had been executed without such invalid provision.

For, SYNTEL Ltd.

Signature /s/ V Srininam
Name V Srininam
DATE: 18/Apr/2006

Confirmed and Agreed to

Signature /s/ Ram Singampalli
Your Name Ram Singampalli
DATE: 18/Apr/2006

Exhibit 10.23

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You are strictly prohibited from bringing any unauthorized / infringed copies of software in the office premises, from any external sources or copying software from one computer system to another which may include any violation of the provisions of the Copyrights Act. Non-compliance of this rule will be regarded as a serious offense and you will be subjected to appropriate disciplinary action.

3.0 INTELLECTUAL PROPERTY RIGHTS

3.1 You will agree to inform **SL** of full details of all your inventions, discoveries, concepts and ideas (collectively called "Developments"), whether patentable or not, including but not limited to, hardware and apparatus, products, processes and methods, formulae, computer programs and techniques, as well as any improvements and related knowledge, which you conceive, improve, complete, or put in to practice (whether alone or jointly with others) while you continue in the employment of SL; and which relate to the present or prospective business, work or investigations of SL; or which result from any work you do using any equipment, facilities, materials or personnel of SL; or which has or have been developed by you or under your supervision, or which result from or are suggested by any work, which you do or may do for SL.

3.2 The ownership of all "developmental" work and documentation created by you shall from the moment of its creation, vest in SL. Thus, you agree to assign and do hereby assign to SL, SL's nominee, your entire right, title and interest in -

- all Developments;
- all trademarks, copyrights and mask work rights in the developments; and
- all patent applications filed, patents granted on any development, including those in foreign countries, which you conceive or make (whether alone or with others) while employed by SL or within two (2) years of the end of your employment (if conceived as a result of your Employment)

3.3 You acknowledge existence of SL's present and future products, know how, processes, software products, programs, codes, documentation and flowcharts in any form and agree to abide by the procedures of the Copyright Law in force in India and foreign countries, which prohibits the reproduction of such protected works, in whole or in part, or in any form or by any other means without the prior written permission of SL.

3.4 You will assign to SL your entire right, title and interest in any invention or improvement that you might make solely or jointly with others, during the course of your employment with SL relating to any and all products / services / software / software tools marketed or manufactured or developed and that you will perform any acts and execute such documents without expenses to you which, in the judgments of SL or its attorneys may be needful or desirable to secure to the Company patent protection and any / all rights relating to such invention or improvement.

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6.2 You agree to promptly redeliver to SL, upon request, all Confidential Information including all Intellectual property rights, whether registered or unregistered on any tangible media and that you will not retain any copies, extracts or other reproductions in whole or in part of such material. You further agree that breach of this confidentiality letter agreement could cause irreparable harm to SL and that SL shall be entitled to any and all injunctive relief, as well as monetary damages, including reasonable attorney fees, for such breach.

7.0 ARBITRATION

All disputes or difference what so ever arising between the parties out of or related to this contract or the construction or meaning and operation or effect of this contract or the breach thereof shall be settled by arbitration in accordance with rules of arbitration of the Indian Merchant Chambers and award made in pursuant thereof shall be binding on the parties.

You or SL may demand arbitration by giving a written notice to the other party stating the nature of the controversy.

8.0 GOVERNING LAW

The validity, constructing, interpretation and performance of this Contract will be governed by Indian Laws and adjudicated upon by a competent Court in Mumbai.

9.0 REMEDIES

9.1 Notwithstanding paragraph 7.0 (Arbitration clause), you agree that your failure or neglect to perform, keep, or observe any term, provision, condition, covenant, warranty, or representation contained in this Contract, the confidentiality Contract or any other agreement between you and SL will cause SL immediate and irreparable harm and that SL is, in addition to all other remedies available to it, entitled to immediate injunctive and equitable relief from a court having jurisdiction to prevent any breach and to secure the enforcement of its rights hereunder.

9.2 Remedies for damages procuring prior to SL's knowledge of breach or until action in breach ends and related in any way to the effects of the breach shall include but not be limited to monetary damage, liquidated damage, attorney's fees and other cause related to the action.

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10.1 You will also be covered by the Company's Mediclaim and Accident Insurance Policy.

10.2 This appointment is being made in good faith on the basis of your CV and other information provided by you during the course of SL and your mutual discussions. Any data, which is not in consonance with the information provided by you, shall result in termination of employment forthwith and you shall indemnify SL in full, for any losses suffered by SL. SL reserves the right to make suitable formal / informal checks with your educational institutions and previous employers as may be applicable. You are requested to produce all the documents as mentioned in the checklist attached on your date of joining.

10.3 You shall not accept any presents, commissions, or any kind of gratification in cash or kind from any person, party, firm or company having dealings with SL group of companies and if you are offered you will report the same immediately to SL.

10.4 On matters not specifically covered in this Employment Contract, you shall be governed by SL's service rules, practices, etc. which are liable for modifications, additions, total or partial withdrawal, suspension / revocation, etc. from time to time. SL's decision on all such matters shall be final and binding on you.

11.0 SEVERABILITY

If any clause in this agreement is held invalid, illegal or unenforceable for any reason, that provision shall be severed and the remainder of the provisions of this agreement will continue in full force and effect as if this agreement had been executed without such invalid provision.

For, SYNTEL Ltd.

Signature /s/ Yogesh Augen
Name Yogesh Augen
DATE: 18th Dec - 2006

Confirmed and Agreed to

Signature /s/ Chetan Manjarekar
Your Name Chetan Manjarekar
DATE: 18 Dec 2006

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Name	State or Other Jurisdiction of incorporation or Organization
Syntel Private Limited	India
Syntel Europe Limited	England
Syntel Canada Inc.	Canada
Syntel Deutschland GmbH	Germany
Syntel (Hong Kong) Limited	Hong Kong
Syntel Delaware, LLC	Delaware
Syntel SPC, Inc.	Michigan
Syntel (Mauritius) Limited	Mauritius
Syntel Holding (Mauritius) Limited	Mauritius
Syntel Worldwide (Mauritius) Limited	Mauritius
Syntel (Australia) Pty. Ltd.	Australia
Syntel Solutions Mexico, S. de R.L. de C.V.	Mexico
Intellisourcing, SARL	France
Syntel Solutions BV	Netherlands
Syntel Switzerland GmbH	Switzerland
Syntel Poland, sp. z o. o.	Poland
State Street Syntel Services (Mauritius) Limited	Mauritius
State Street Syntel Services Private Limited	India
Syntel International Private Limited	India
Syntel Global Private Limited	India
Syntel Technologies (Mauritius) Limited	Mauritius
Syntel Services Private Limited	India
Syntel Solutions (Mauritius) Limited	Mauritius
Syntel Software (Mauritius) Limited	Mauritius
Syntel Solutions (India)	India

Private Limited	
Syntel Technologies LLP	India
Syntel Software LLP	India
Syntel (Singapore) PTE Limited	Singapore
Syntel Infotech, Inc.	Philippines

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-136821 on Form S-8 of the Syntel, Inc. Amended and Restated Stock Option and Incentive Plan and the Syntel, Inc. Amended and Restated Employee Stock Purchase Plan, Registration Statement No. 333-215131 on Form S-8 pertaining to the Syntel, Inc. 2016 Incentive Plan, and Registration Statement No. 333-162060 on Form S-3A of Syntel, Inc. and subsidiaries of our report dated February 26, 2018 relating to the financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe Horwath LLP

Oak Brook, Illinois
February 26, 2018

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Rakesh Khanna, certify that:

1. I have reviewed this annual report on Form 10-K of Syntel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2018

/s/ Rakesh Khanna

Rakesh Khanna,
Chief Executive Officer, President and Director (principal executive officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bharat Desai, certify that:

1. I have reviewed this annual report on Form 10-K of Syntel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2018

/s/ Bharat Desai

Bharat Desai, Co-Chairman
(principal executive officer)

EXHIBIT 31.3

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anil Agrawal, certify that:

1. I have reviewed this annual report on Form 10-K of Syntel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2018

/s/ Anil Agrawal

Anil Agrawal,
Chief Financial Officer & Chief Information Security Officer.
(principal financial officer and principal accounting officer)

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Syntel, Inc. (the "Company") on Form 10-K for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bharat Desai, Co-Chairman of the Company, Rakesh Khanna, Chief Executive Officer and President of the Company and Anil Agrawal, Chief Financial Officer & Chief Information Security Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Bharat Desai
Bharat Desai
Syntel, Inc. Co-Chairman
(principal executive officer)

February 26, 2018

/s/ Rakesh Khanna
Rakesh Khanna
Syntel, Inc. Chief Executive Officer, President and Director
(principal executive officer)

February 26, 2018

/s/ Anil Agrawal
Anil Agrawal
Syntel, Inc. Chief Financial Officer
& Chief Information Security Officer
(principal financial officer and
principal accounting officer)

February 26, 2018

A signed original of this written statement required by section 906 has been provided to the Company and will be retained by the Company, and furnished to the Securities and Exchange Commission or its staff upon request.