



[www.hexaware.com](http://www.hexaware.com)

# Investor Update

## Q3 2014

# Safe harbor statement

Certain statements on this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Hexaware has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry



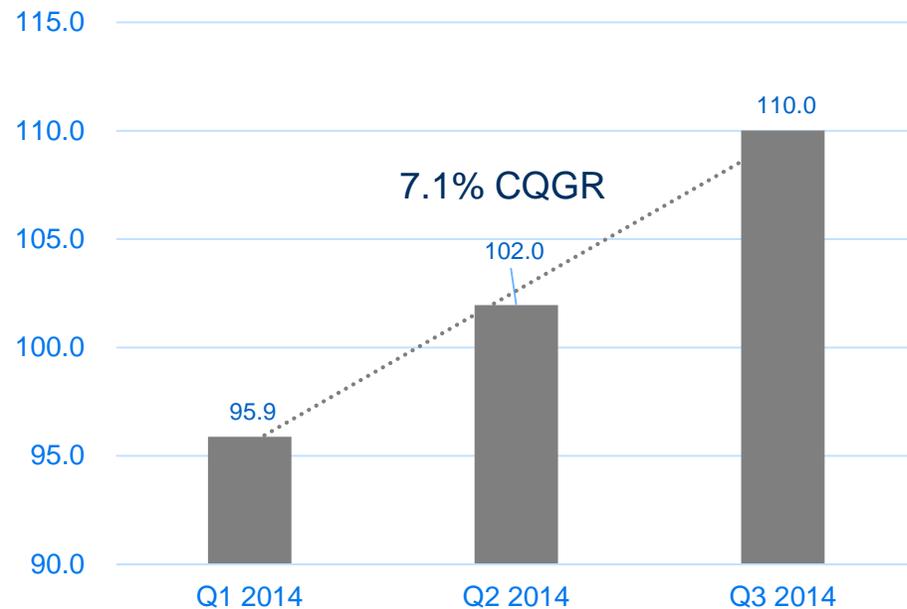
[www.hexaware.com](http://www.hexaware.com)

# Business Update

# Healthy broad-base revenue growth

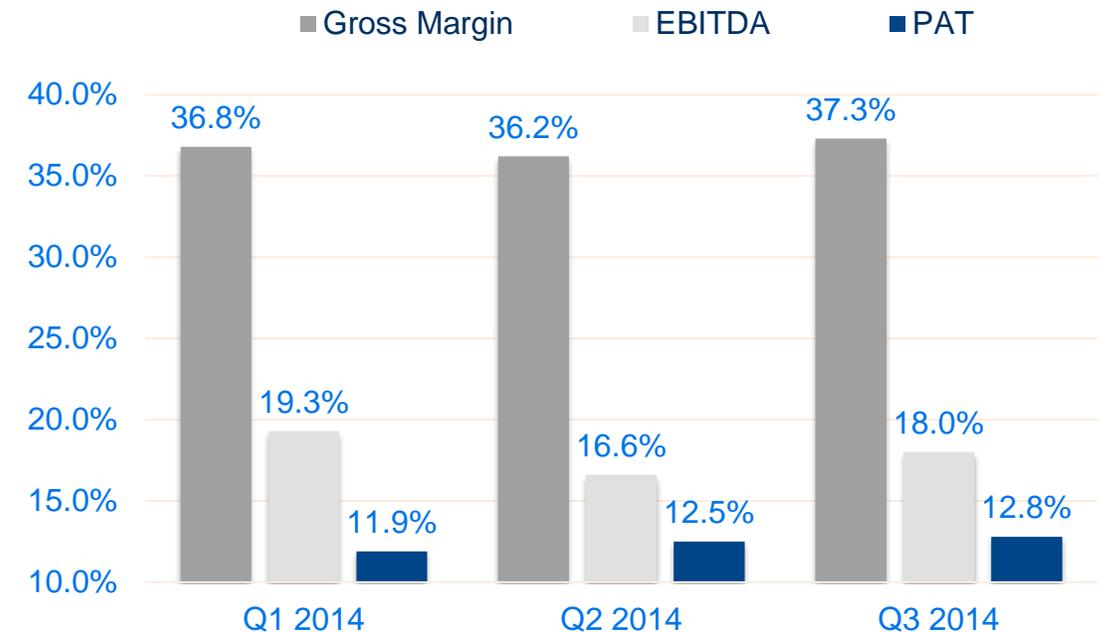
## Profitability metrics outgrow revenue

**Revenue:** Healthy QoQ growth in Q3 2014



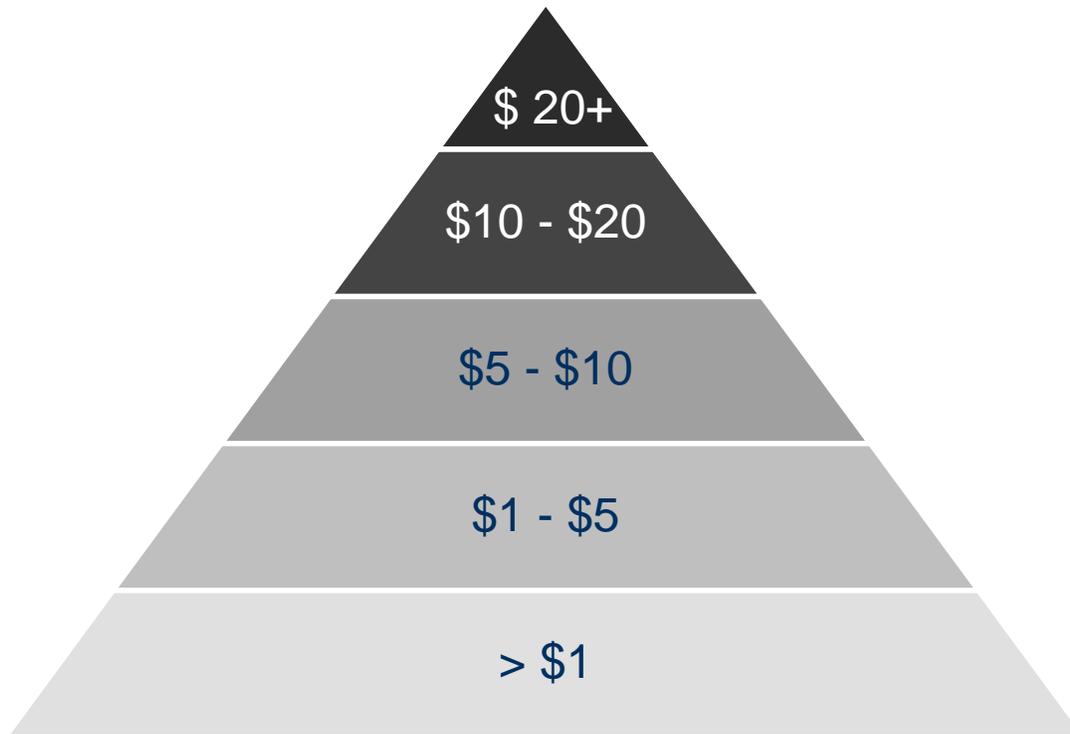
### Profitability metrics:

Margin expansion QoQ across the board:  
Gross Margin, EBITDA Margin and PAT Margin

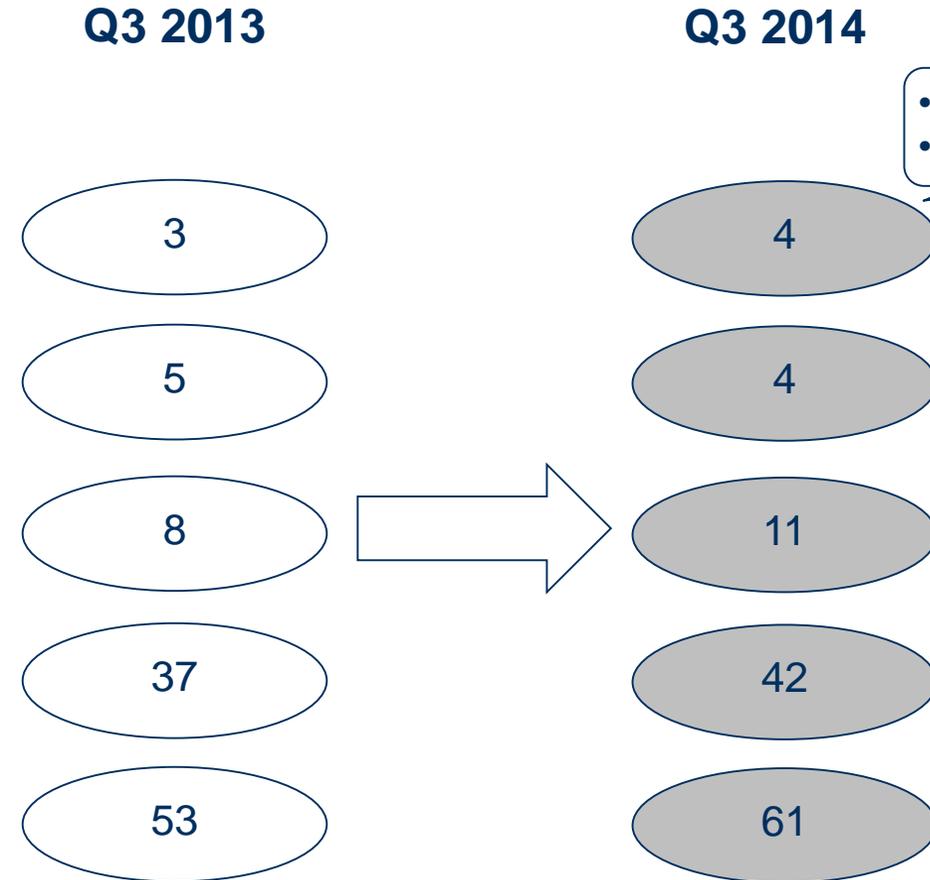


Focus is on improving sustainability of the performance

# Progress made in Client Size

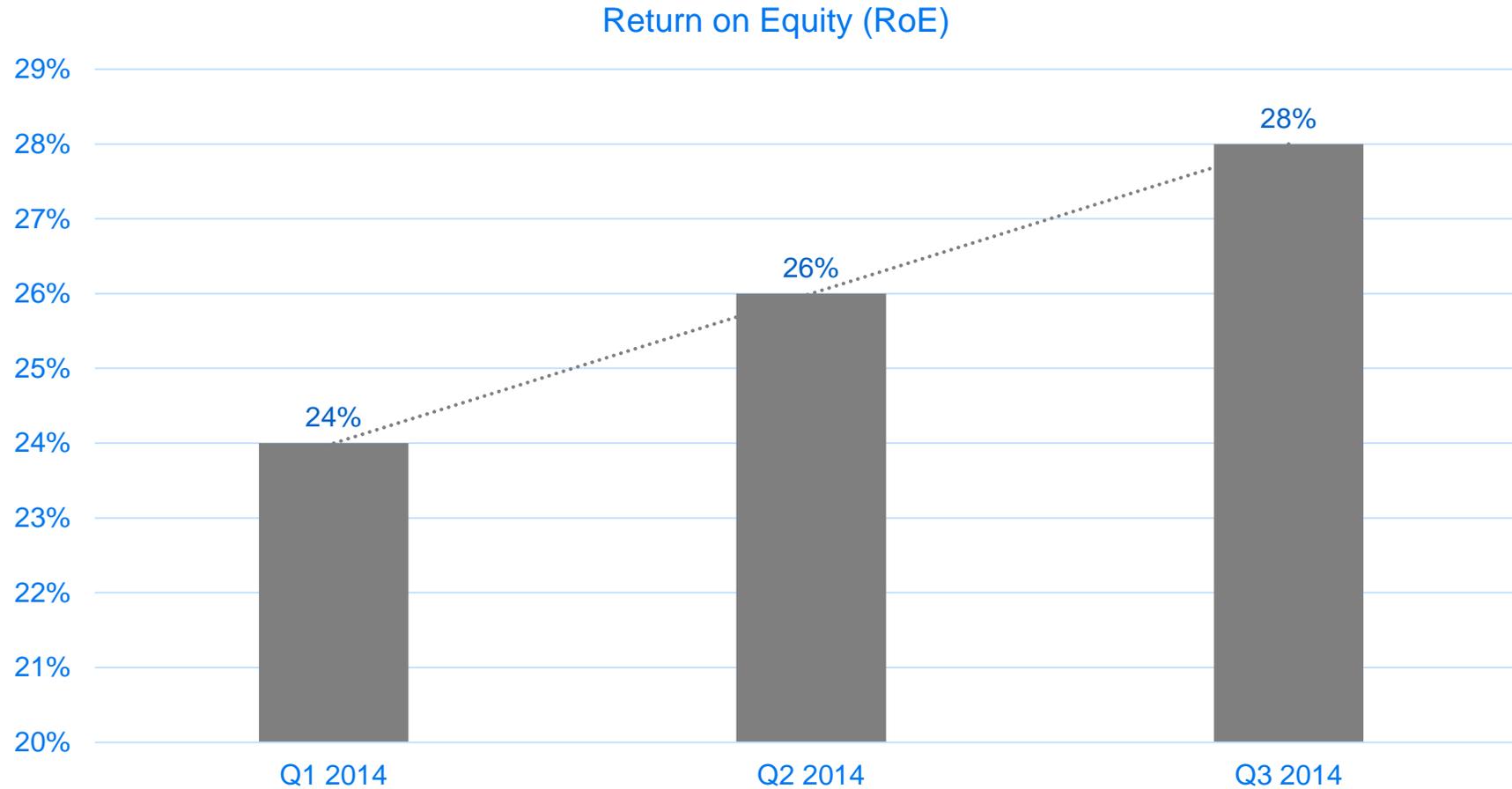


Last twelve months revenue in US\$ million



- 1 client > \$ 50 m+
- 1 client > \$ 30 m+

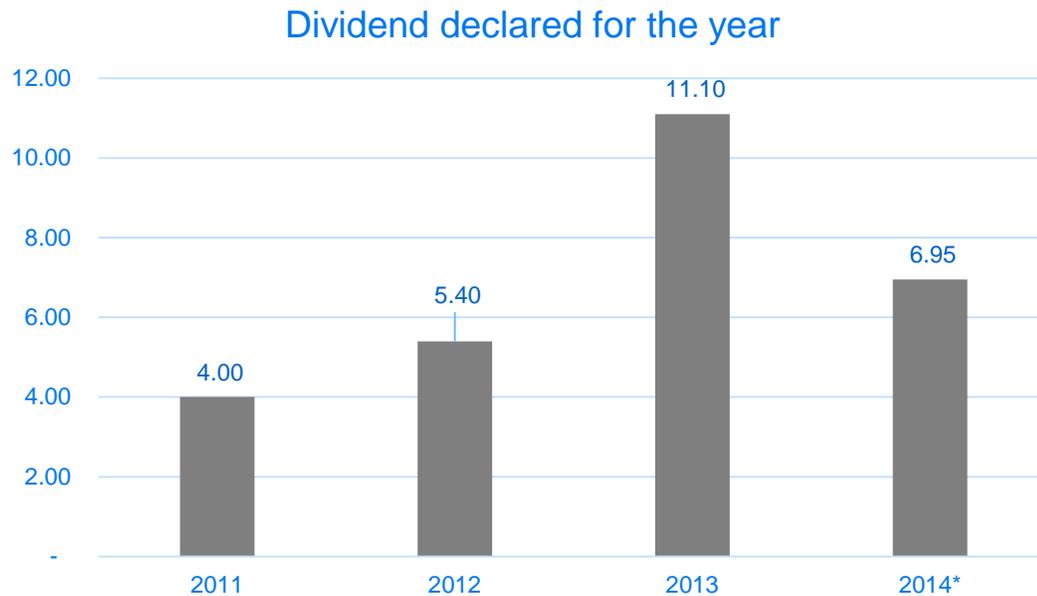
# Consistent Return on Equity



# Shareholder Metrics

## Dividend Payout: well above industry

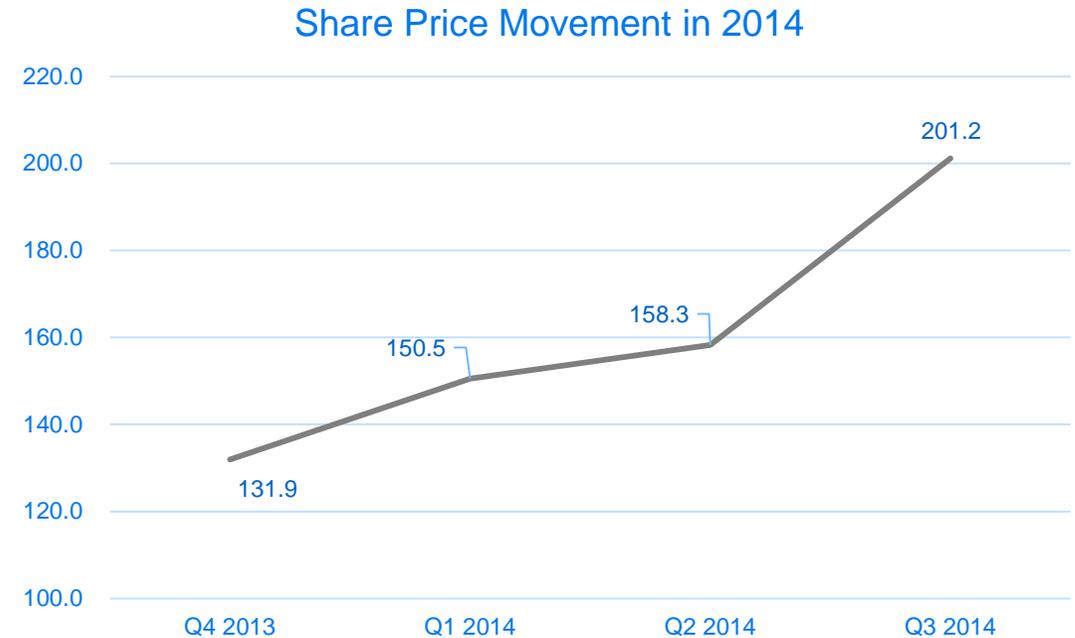
2014 includes the interim dividend of the first three quarters alone [ ₹ 3.00 + ₹ 1.60 + ₹ 2.35 = ₹ 6.95]



\*YTD 9M 2014

## Total Shareholder Returns:

Stock price as at the end of each quarter end in 2014



# Business Updates

## New Client Adds in Q3 2014

Geography	Client Add #
Americas	4
Europe	3
Asia Pacific	3

## New Wins in Q3 2014

- 1) Data Management in Capital Markets
- 2) End to End ownership of Enterprise Financial Applications
- 3) MRO Analytics; Data Migration and Application Modernization for Airlines

# Employee Metrics: Promising

**Utilization** in a narrow band

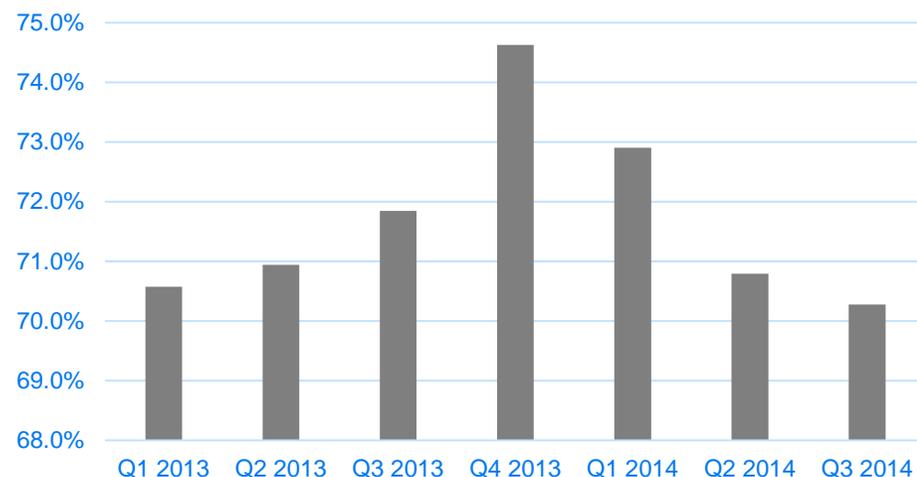
Net addition during the year 2014: 843

Includes trainees; 45% of net additions in 2014 are fresh graduate engineers

**Employee Attrition:** well below industry

Attrition has remained in the 12% - 13% band for more than a year now

Technical Utilization



Employee Attrition



# Awards & Recognition

- Hexaware BPS has won the award for ‘Operational Excellence and Quality in BPO Industry’ category at the recent summit for Asia Pacific **HRM Congress Awards, 2014**. This award aims to honor organizations who have significantly impacted or influenced the society, the corporate world, and the HR Community in the area of Human Development. Recipients of these Awards are role models with unquestionable integrity
- Hexaware BPS was recognized at the National Awards for Excellence in Outsourcing & BPO 2014 for “Best **Finance & Accounts Outsourcing Team**”. This award demonstrates the company’s creativity and ability to sustain a competitive advantage, providing business transformation and achieving value. It also recognizes organizations and Individuals to be a benchmark in terms of best practices and business excellence
- Hexaware has been ranked as an “Emerging Player” in the Everest report titled “Independent Testing Services IT Outsourcing (ITO) Service Providers’ Assessment”, the first of its kind for Independent Testing Services, by analysts Jimit Arora, Yugal Joshi, Chirajeet Sengupta, Ashwin Venkatesan and Sivaram S
- Hexaware has been mentioned as one of the sample vendors in different Gartner reports during Q3 2014. These reports are titled:
  - “Hype Cycle for Business Process Services and Outsourcing, 2014”
  - “Hype Cycle for IT Infrastructure and Outsourcing Services, 2014”
  - “Hype Cycle for Application Services, 2014”
  - “Hype Cycle for Bank Operations Innovation, 2014”



[www.hexaware.com](http://www.hexaware.com)

# Financial Update

# Revenue Walk

- Q3 2014 Revenue in US\$ terms at \$ 110 mn; up 7.9% QoQ; & up 11.4 % YoY
  - Volume growth: 6.6%
  - Foreign Exchange Impact: - 0.64% (cross currency headwind: 64 basis points)
- ₹ Revenue for the quarter at ₹ 671 crores; up 9.9% QoQ; and 8.0 % YoY

# Profit Margin Walk

- EBITDA margin for the quarter was 18.0%; up 140 bps from 16.6% in Q2 2014
- Gross margin for Q3 2014 at 37.3%; up 110 bps from Q2 2014
  - Bill rate: +113 bps
  - Offshore Increment: (52) bps
  - FX Gains and other factors: +49 bps
- SG&A at 19.3% for Q3 2014 vs 19.6 % last quarter, improved by 30 bps
- Foreign Exchange Margins Impact: + 39 bps (Direct and SG&A) due to ₹ depreciation
- Forex Hedges: Loss of \$ 560k this quarter vs profit of \$ 165k last quarter.
- Effective Tax Rates: 20.6% for Q3 2014 vs. 22.9% in Q2 2014

# Balance Sheet Update

- Cash and Cash Equivalents at US\$ 67.80 mn ( ₹ 4,187 mn)
- DSO for Q3 2014 at 47 days, 68 days including unbilled.
- Third interim dividend:
  - ₹ 2.35 per share ( 117.5%)
  - Dividend Payout including taxes ₹ 851.6 mn (\$ 13.79 Mn)
  - Dividend Payout Ratio: 99%
- Capital Expenditure
  - For the quarter (Q3 2014): ₹ 269 mn
  - For the first nine months: ₹ 475 mn
  - Q4 Plan for Chennai SEZ: ₹ 300 mn



# Thank you

© 2014 Hexaware Technologies Limited. All rights reserved. For internal circulation only.

