

Hexaware Technologies Limited

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Earnings Conference Call

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hexaware Technologies Limited Earnings Conference Call. As a reminder, all participant lines will be in a listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Latika Gidwani. Thank you. And over to you ma'am.

Latika Gidwani: Good Evening, everyone. Welcome to the Hexaware Conference Call. From Hexaware, we have with us Mr. R. Srikrishna – CEO & ED; Mr. Ashok Harris – President, Global Delivery; Mr. Rajesh Kanani – CFO; Mr. Sreenivas V – Chief Strategy Officer. The disclaimer is available on the Hexaware website and I shall take it as read. With this I hand over to Mr. R. Srikrishna.

R. Srikrishna: Good Evening, everyone. This is Srikrishna. A very warm welcome to all of you. Thank you for joining us this evening. Since this is the first time I am interacting with you, I would like to spend a minute to introduce myself. I joined Hexaware about 100 days ago. Prior to that I spent a little over 20 years at HCL Technologies; at HCL I was leading two businesses – HCL's Infrastructure Services business and HCL's Healthcare business, they accounted for about 42% of HCL's business. If some of you cover HCL also you may have interacted with me on HCL Investor Calls. I do look forward to talking to you today and on an ongoing basis every quarter. I also want to take a minute to allow Ashok to introduce himself. Ashok joined Hexaware shortly after I joined. Ashok?

Ashok Harris: Yes, thanks Keech. Good Evening, everyone. I joined Hexaware about 80 days ago. Before Hexaware, I was running my own management consulting company, focused on Strategy Consulting, Performance Improvement, and IT Advisory. Prior to that I spent about 11 years at Satyam Computers where I headed operations for a group which was about 1.2 billion in size, and prior to that 11 years of my career I was the CIO of the Sanmar Group. It is good to interact with you and look forward to future interactions. Thanks.

R Srikrishna: Thank you, Ashok. One of the things we have done and we will do going forward is to put together a short presentation that will explain the salient aspects of our quarterly results and so that is the reason why we circulated a go-to meeting along with the bridge and we can see that not all of you have access to looking at the presentation online. So we will do our best to verbalize the contents so you can follow along. We had clearly a healthy and broad-based revenue growth this quarter. But really if you look at this chart, the revenue growth story has been there for the past few quarters. Last two quarters CQGR really is at 7.1%. From a profitability perspective, you are seeing that we have had an expansion in this quarter at all levels, profitability metrics outgrew the revenue metrics. Our EBITDA expanded by 16.8% quarter-on-quarter and our EBIT expanded by 18.6% quarter-on-quarter.

One of the interesting things for us to look at is our client metrics and if you look at our numbers from a year ago on client concentration and look at how they progressed we made substantial progress in all sizes of customers. If you look at this pyramid, it has at the bottom customers over

million, they have gone from 53 to 61, and in every category 1 million to 5 million, from 37 to 42, and at the top of the pyramid, you are seeing really that customer has moved from the 10 to 20 category into the above 20 million category. So there are four customers there, and really why we have not called out in the last category on the top of the pyramid, there is now one client above \$50 million and one client above \$30 million dollars. This is an important thing for us to look at on a periodic basis, not necessarily quarter-on-quarter, because it demonstrates depth in relationship with our customers, it demonstrates outcome of our ability to cross sell and expand our relationships, and preserve our relationships with customers.

Our return on equity has been consistent and strong; this quarter is at 28% and it has been on a steady uptick right through this year. Broad shareholder metrics have been strong, we have had a generous dividend policy including the one that was announced today, and there is Rs.6.95 per share of dividend for 3 quarters that represents a significant portion of our profit after tax. The stock price has done well, thanks to your support, in every quarter there has been a steady upward curve in stock price along with our results announcement.

During the quarter, we added 10 new clients, and I know that last quarter we told you that there are three large deals in the pipeline. We are happy to announce that one of them was closed and that is in this stem here, and the other two are actually still in the pipeline, and the client additions you are seeing here Americas 4, Europe and APAC 3 each, but the emerging manufacturing and emerging added five customers, and the investment that was made in expanding

into the manufacturing vertical is beginning to show early results, and there were three added in HNI and one each in GTT and BFS segments.

More important than the number of customers, the type of work that we are gaining is highly differentiated. I am not going to go into each of these examples, but pick the third one; Airlines, as an industry, one of the biggest cost items is how to manage their spare parts efficiently, and so we are implementing a solution that will help our airline customer to manage their spare parts more efficiently than they do through the use of analytics. So interesting example of a type of solution, and the reason why customers are buying that.

Our employee metrics are promising. Our utilization moved in a narrow band relative to last quarter, and it has been in a narrow band for many quarters now consistently. We are very proud of the fact that our attrition is amongst the lowest in the industry, it has been in the 12% to 13% band for a number of quarters and it continues to remain so this quarter. We actually take the fact that this is one of the important contributors to our customer satisfaction and retention. One of the things in our growth is the fact that our top 10 customers grew, in fact the top 10 customers grew faster than company average, and a lot of things helped particularly the fact that we have a highly committed set of employees, a stable set of employees, help greatly to ensure satisfaction and growth with our top customers. We got recognized and got some awards on a number of different ways, through a number of different analysts, I am not going to go to each of these, and I will pause for a few seconds on this slide to enable you to read this. With that I am going to

hand over to Rajesh to give us a little bit deep dive into the financials for the quarter.

Rajesh Kanani: Thank you, Keech. I will give the financial update. To start with the revenue, Q3 2014 revenue as you all know was \$110 million dollars, up by 7.9% on QoQ basis and up by 11.4% on YoY basis. If you see the reasons for the growth, the main reason is the volume growth of 6.6% and then we had a foreign exchange negative impact of 64 basis points. They were major reasons why our revenue grew. Revenue in Indian rupee terms for the quarter is Rs.671 crores, up by 9.9% on quarter-on-quarter basis and 8% on YoY basis.

I will go through the margin walks, if you start with the EBITDA margin for the quarter, it was 18% as Keech also said, which is up by 114 basis points, and the components of EBITDA is gross margins, gross margins in Q3 2014 was 37.3%, up by 110 basis points in the last quarter. If you see the reasons for the increase in gross margins, the prime reason was bill rate increase, 113 basis points. Again, we had an increment which has reduced our gross margin by 52 basis points, and the FOREX gain, the other factors has contributed to a positive gross margin of 49 basis points. SG&A, which is 19.3% improved by 30 basis points than last quarter.

The FOREX impact on entire profitability or up to EBITDA level was 39 basis points due to depreciation of the rupee. Loss on account of FOREX hedge was 560K for the quarter versus profit of 165K last quarter. Tax rates have improved to 21.6%; ETR basically has improved to 21.6% for the Q3 2014 Vs 22.9 in Q2 2014.

If you look at the cash and cash equivalents, the cash balance has again improved to \$67.80 million, in rupee term \$4187 million. DSO has again improved than last quarter; DSO is 47 days Vs 51 days in the last quarter and 60 days including unbilled revenue, which was 69 days in last quarter. As Keech said, third interim dividend was Rs. 2.35 per share, which is 117.5%. Total dividend payout including taxes is Rs.851.6 million, in dollar terms \$13.79 million. Dividend payout ratio is 99%.

Capital expenditure for the quarter is Rs.269 million and 9 months number is Rs.475 million. Q4 plan is mainly for Siruseri is 300 million, Rs 30 crores. I think now I will hand over for a question-and-answer session.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Manik Taneja of Emkay Global. Please go ahead.

Manik Taneja: Congratulations on the strong execution in the current quarter. Just wanted to get your thoughts first of all, you have been at Hexaware now for about 90 to 100 days, if you could talk about what areas you plan to focus on over the medium term and the required investments that you think the company will have to make? That is question #1. And the second question was with regards to the performance across verticals. So, one has seen Financial Services being the growth driver for Hexaware for almost like last 6 to 8 quarters. If you could also talk about what you are seeing in your top clients in terms of business, both in Financial Services as well as Travel and Transportation?

R. Srikrishna: Before we talk about the strategy, I wanted to talk to you a little bit about the process that we, and actually Ashok, both

as new leaders coming in went through to try and synthesize strategy for future. I have met about 6,000 employees through town hall and other forums. Ashok has met several thousand independently. I have met over 25 customers and Ashok has met about 15 to 20 customers as well. So, we have first spent a lot of time understanding our organization strengths, what our customers want, what our aspirations are through different lenses, through the lens of our customers, through the lens of our employees, through the lens of organizational leadership with which we have spent an enormous amount of time. So that serves as an important foundation for the strategy and our directions going forward.

So based on all this we simplified and said there are three important principles for us going forward.

The first one is to delight our customers, now every organization wants to delight their customers, want to do very well with their customers, but we want to do so much of difference. The difference is that it is not just the leadership and a top-down approach to customer centricity. We want to engage near 10,000 Hexawarians to think differently about how they service their customers, how they can bring innovation to customers on a daily basis and we are doing this through implementing a cloud sourcing mechanism, which will allow inspire our employees to think and bring forth ideas through which they can improve IT systems and processes and reduce cycle times and costs for our customers. That is the first imperative.

Second imperative to do this, we need to make Hexaware a great place to work, and we are very committed to doing

that. We already are, I mean, attrition is a great indicator of that and we are committed to doing more of that.

The third imperative for us is to invest in creating services in areas that are most relevant for our customers' future. There are many emerging areas where we have a level playing field and in fact some of them we have early lead, and relative to the larger players in the industry, we want to create differentiated services in each of them, and want to, over time, as those service areas grow, we will grow.

Manik Taneja: The second question was with regards to the performance across verticals, if you could talk about, what are you seeing in terms of demand from Financial Services and Travel and Transportation? And while Mr. Srikrishna also talked about some of the investments that you plan to make if you could talk about medium term margin outlook for the company?

R. Srikrishna: BFS has, like you rightly pointed out been an important growth driver. There are some interesting things happening in our customer base, and a lot of our top 10 customers do come from the Financial Services industry. They are making investments in certain areas, and we continue to remain bullish about our growth prospects in the Financial Services industry.

The Travel & Transportation and Healthcare & Insurance while you are seeing a muted this quarter, I spoke about creating differentiated new services, there are many of them in those two verticals, we are confident that as we begin to roll out those services and begin to take them to market during the course of next year, we will see growth in those segments.

While we talk about sectoral growth I think it is also important to add through the lenses a geographic view and a horizontal view to our growth.

From a geographic perspective, Europe grew the fastest, followed by Americas, actually all geographies grew robustly,

From a horizontal service line perspective, again a number of our service lines grew very well, leading the pack were IMS and Business Intelligence and Analytics.

In terms of outlook, you know that the next quarter and the following quarter are seasonally quirky quarters for the industry and they are no different. But despite from that, given a lot of what we are doing, we think it will take us three to four quarters to establish what we believe will be the sustainable trajectory of growth both in terms of revenue and margins and that is what we think will take us to establish here as well our trajectories will look going forward.

Manik Taneja: With regards to our dividend payout policy, we have been very liberal in paying dividends through the last few quarters. If you could give us a sense on a particular range that the company and the board would plan to go with in the future?

R. Srikrishna: We do not provide guidance for the future, but in general we want to be efficient about capital. We look at each quarter performance, the investments we need, working capital we need, and come up with a dividend number. So that is what it is. We do not provide a specific guidance for the future.

Moderator: Thank you. Our next question is from Ritesh Rathore of UTI Mutual Fund. Please go ahead.

Ritesh Rathore: First maybe, I would expect more interaction from your side during the quarter. Compared to the previous owner, the interaction has come down and I expect that it again goes back to that level.

Second, on the organization structure, after Mr. Ashok has come in, do you expect any further inclusions in the management team at the senior level?

R. Srikrishna: First, Ashok came in as a result of R.V. Ramanan whom possibly some of you interacted with retired, so Ashok took that role. You know as we continue to define our growth strategy and execute our growth strategy, we will constantly look to add and enrich and diversify our leadership. It is going to be a constant process and we are not saying that this is our leadership, I think we have a great leadership team in place that is doing what they are doing, there are new frontiers to go out and invest and when we do that we will be augmenting our leadership team on a sustained and periodic basis.

Ritesh Rathore: In terms of margin band, would you be willing to give any particular band in the medium to long term, where you would like to see?

R. Srikrishna: Like I said, Ritesh, we are working hard to establish sustainability of margins and our revenue. You have seen a little bit of volatility in the past, so clearly we are working hard to establish sustainability, and we think it will take us three to four quarters to establish what that stable trajectory would be.

Ritesh Rathore: One on the sales and marketing side, would there be any restructuring after you coming in or is that thing going on for

the last couple of months and where do you think that process would end?

R. Srikrishna: We are making improvements to how we address our customers. I spoke about our first imperative being the need to delight customers. The art of doing that is to improve how our customer accounts being large. So we are creating teams that are self-sufficient. They will have within that account team, especially with accounts that we see growth potential over the next three years. We are enabling that account team to, empowering them to be more independent, giving them solution architect and people that are required to help grow business and be self-sufficient and thereby we will be in a position to respond to our customers' needs faster or be more agile and also be more proactive in identifying growth opportunities and creating value for the customers. There are some adjustments I would term them more as adjustments and fine tuning them than as reorganization. That is happening as we talk.

Ritesh Rathore: And how much time would that adjustment or fine tuning will take place?

R. Srikrishna: We will have the changes in our rear view mirror come January 1st. The execution is happening in fast pace, the adjustments whatever we are doing will get completed during the course of this quarter, a lot of it is under way already.

Ritesh Rathore: Just in case of this account management and structuring you talked off, as you said, you have come to Hexaware and understood the company in the last 100 days, so where do you think Hexaware's strong points are there in terms of service lines which can grow and where do you think we need

to add capabilities, because to scale an account you would require depth in particular service lines?

R. Srikrishna: A very good question, first and foremost. I think our biggest strength lies outside service lines in our focus around customers, and in our ability to build trusted relationships with our customers. And if you look at the tenure of our customers, very large customers do not leave us, so that is our most important strength area. To grow, we clearly need to add capabilities and build on capabilities we have, but trusted relationships makes it easier, because whenever you are building new capability, you need trusted relationships is vital first and that is something that we have in place.

So, our traditional strength areas of HCM and Enterprise Services, but we are very strong in Testing, we are very strong in BI and Analytics, we have an emerging strength area in IMS and BPS, and those are the areas that we need to do more and we will do more. You are seeing BPS grew this quarter in terms of numbers at 11.6%. The fact that we are merging that entity completely will help not just operationally but really strategically in creating service offerings that are integrated between BPS and IT. So, I see both BPS and Infrastructure as areas of opportunities for us to do more. ADM is large and that is relatively lower in terms of other verticals in terms of growth, but with the rest of the industry, our growth in this quarter certainly is pretty good in this area relative to the industry. But again, I see opportunities for us to not just grow it, but really combine that creatively with IMS and with BPS Services, and take full offering for customers.

Ritesh Rathore: Thanks. Wish you good luck and expect more frequent interaction during the quarter from your side.

R. Srikrishna: Thank you. We will certainly attempt to improve our communication with the investor community.

Moderator: Our next question is from Madhu Babu of HDFC Securities. Please go ahead.

Madhu Babu: Our growth has been volatile depending upon top ten clients, in the last two quarters that was again good because of top ten clients. So how do you see this over the next two to three quarters and what is the next mining in the next set of accounts, how is that panning out?

R. Srikrishna: I did point you a chart in the deck if you recall and I will set it up here again. So for those of you at least who can see it, you are seeing that we are making a steady progress in going upwards in the customer size pyramid. In every size of the pyramid, we are increasing the number of customers. So that ultimately our most important kind of balancing and de-risking about fluctuations in our top 10 customers. And ultimately, I do expect that we will see some churn in the top 10 which is healthy, that means there are some new customers that have come in there. I think that while there is already a customer in the top 5 who was not in the top 5 before.

Having said that the top 10 for this quarter grew at 9% and outside the top 10 grew at 7% that was a fairly healthy growth outside the top 10 as well. While the top 10 outgrew the average a little bit, but it is just a little bit, there was healthy growth outside the top 10 as well.

Madhu Babu: There was onsite shift in effort and wage hike. Despite that there was a very good outperformance in the margins. So what is the quantum of wage hikes we have given and do we see any pick up in attrition if the wage hike has been a bit low?

Rajesh Kanani: The impact of wage hike is 52 basis points.

Madhu Babu: That is what, so whether the quantum of wage hike has not been significant?

Rajesh Kanani: There are further wage hikes going to come in Q4, the wage hike has been divided into two quarters, so another 72 basis points impact is going to come in Q4.

Madhu Babu: I know we do not give guidance, but Q4 is going to be seasonally soft on the growth front because of seasonality, how should we see Q4?

R Srikrishna: We spoke about this question, right, we do not provide guidance, we think it will take us three or four quarters to establish, what is the sustainable trajectory, but the fact that Q4 is seasonally soft and weak for the industry, will certainly play into our performance as well.

Moderator: Thank you. Our next question is from Ashwin Mehta of Nomura. Please go ahead.

Ashwin Mehta: Congrats on a good set of numbers. Wanted to get a sense in terms of areas that you are looking to invest going forward, and do you think the quantum of investments that would possibly be required in say source increases or adding solution architects, that would possibly be higher than the near term revenue growth that you see, or that should not necessarily be an issue?

R Srikrishna: So in terms of areas, Ashwin, I did lay out the theme, if you peel the onion a little bit on the three themes, and if you pick the third one especially where we said we are going to create innovative and differentiated solutions, we have actually identified 22 specific solutions that we are building on, and we will begin to start testing the market with some of these as early as Q1 next year. They will not be fully baked but we believe in building the solutions in conjunction with our customers.

If you look at our SG&A, it is already pretty healthy, there are good investments that have been made, there have been some increases in SG&A in the recent few quarters and a lot of that was in the various; there was expansion into new vertical in manufacturing, there was expansion in Europe, there was expansion in solution architecture teams. So, some of those will begin to start now bearing results in terms of creating new solutions. Having said that we will continue to increase our investments in these areas, but I expect that they will be largely in line with the growth, because we have made some additional investments in the recent past.

Ashwin Mehta: We have restricted our communication lately to just quarterly calls. Do you think that interaction will become more frequent or that is not necessarily on the anvil as of now?

R. Srikrishna: That is the second feedback we have got today about improving our communication with the investor community. Taking the feedback, we will come back and think about how best to communicate better. We will come back.

Moderator: Thank you. We will take the next question from Srivathsan of Spark Capital. Please go ahead.

Srivathsan: Just wanted to get your commentary on the strong growth we saw in Enterprise Applications, could you just qualify it better in terms of what, is it PeopleSoft led or is it some of the newer SaaS offerings is driving this kind of growth?

R. Srikrishna: We would like to think part of that business as HCM business, we also have offerings and capability around SAP, Oracle, and CRR. And HCM business there is a PeopleSoft component, but there are also components of Cloud, in Workday, Oracle Fusion and other Cloud platforms.

Specific to this quarter, the biggest growth driver was around actually Financials, we spoke about ERP financials, so we spoke about the fact that one of the three deals that we mentioned in the last quarter was in the pipeline closed, that was actually around Enterprise Financial Systems, which closed and that started yielding revenues early from the quarter.

Srivathsan R: Just wanted your commentary in terms of pipeline, how do you see the Enterprise Application building up and how do you qualify the demand – is it more for traditional on premise systems or you see more and more of Apps being filling up with Cloud or SaaS-based implementation offerings?

R. Srikrishna: I would say a general commentary on pipeline that in spite of the fact that there are 10 deals closed which have depleted a pipeline in a positive way. There is new pipeline build up at the point that our pipeline now is better than what it was last quarter and we are actually feeling good about our pipeline at this point of time on an overall basis.

Clearly, on HCM, the balance is shifting towards more of Cloud, there is no doubt about that.

Moderator: We will take the next question from Abhay Moghe of IL&FS, please go ahead.

Abhay Moghe: I had two questions; one, you have already explained a bit on what your priorities are over the near-term for the growth, but if I look at something like a 3-year perspective, what would be your top one or two industries, and top one or two service offerings which will be in your focus and which may drive a big quantum of growth over the next 3-year period and fall out of that on your Onsite/Offshore mix and utilization?

R. Srikrishna: I am going to answer the question a little bit differently. If you ask us about on a more medium to long term basis, how would we look as an organization? How would you characterize Hexaware a few years from now? here is what we want it to be – We would love for three things; first, that our customers are incredibly happy, and they are actually not just happy that we are doing a good job in delivering to what they want, but they are happy that we are bringing innovation, we are bringing thought leadership and we are doing all of these proactively. So that is the first thing that I would say that we want to be in three years.

The second thing is that we want to be a great place to work, which means we are consistently retaining the current talent and attracting great new talent and we become a great talent magnet. That is clearly going to help us meet our first objective as well of delighting our customers.

The third thing, we want to be known for a few highly differentiated services that are unique, that we lead, we have helped lead the industry in creation hunting in the market.

BFS currently is our largest and it is on a strong growth trajectory, I do not know if it will continue to be the largest, but certainly it is going to be in our top two verticals in the medium term positively.

Abhay Moghe: Just want to be a bit persistent, what is your view on IMS and Healthcare within Hexaware. You were critical in building these two practices at HCL Tech and Hexaware has derived low proportion of revenues from these two areas in an overall pie. So what is your view of building these practices within Hexaware?

R. Srikrishna: IMS clearly represents an opportunity for us to do more than what we do currently, but we want to go about it smartly. If you looked at the industry, there is a Gen-1 outsourcing, there was a Gen-2 outsourcing, which some companies went after, including HCL Tech of replacing some of the western incumbents. Where I think you will see us playing and leading is the Gen-3 outsourcing wave in the world where the focus is really on elimination of labor and cost through innovative use of technology and through innovative use of automation, through innovative use of data and analytics. So we certainly see IMS as an opportunity, but we are going to do it a little differently. We are going to attempt to leapfrog, we are going to attempt to do things that could be revenue cannibalizing for the larger organizations. They also know where this opportunity exists, but for them it is revenue cannibalizing, and for us it is a growth opportunity.

Healthcare, we already have some presence. You have got to peel the onion a little bit on healthcare because it is a very broad suite. We are not present in Life Sciences at all and we are for the next few quarters we are not going to go after

that market, we are going to focus on sharpening our focus on what we already do well and grow from there. We have some presence in payer and provider, actually very little in provider. So, essentially, the payer space. The focus again is we are building out one or two innovative offerings, which are differentiated, which we believe will help us grow in that.

Abhay Moghe: On the fresher additions, they have been quite strong in this quarter. And just comparing this with whatever innovative solutions you want to develop and offer, so will we see continued higher fresher additions going forward or there may be some increase in lateral additions along with higher fresher additions?

R. Srikrishna: Clearly, hiring in general will closely follow growth or closely follow anticipation of growth, but what we are committed to doing for the most part in the medium term is to continue our trajectory on fresher hiring. So, we are going to do that for the most part in anticipation of long term growth. The rest of the hiring will more closely follow anticipation also in near term growth, but fresher growth we will continue.

Moderator: Our next question is from Dipesh Mehta of SBI Cap Securities, please go ahead.

Dipesh Mehta: I have a couple of questions. Just continuing on the IMS part, I think last few quarters we were growing very strongly. So can you help us what is driving growth there, whether it is specific, which are in the ramp up stage or we are seeing more mining and that service line is added into some of our accounts and that is why we are seeing growth which would be very broad-based kind of thing and what would be the strategy for IMS, I think you addressed it partly if you can provide more color regarding the related question?

Second question is about you suggested we closed one deal. So it is possible to say TCV deal win during the quarter.

R. Srikrishna: On the first one, the growth is balanced, but I am going to say a good majority is coming from existing customers. If you take a look at our customer base; we have lots of great logos and lots of great customers with many of them where we have headroom in their budgets. So, in this quarter, in the past quarters, good portion of growth has come from existing customers and we feel good about a lot of our customer base.

There is some and there will continue to be some focus on adding new customers. But we want to make new customers that we add in each account, want to make sure that we can grow them, we can grow them rapidly up the customer pyramid size.

On IMS, I have to be careful about throwing more color because it is competitive strategy, but let me give you one or two directions of color. One of the things that I think the IT industry in general, certainly the Indian IT industry has not quite understood yet fully is the phenomena of consumerization. Product companies understand it well; product companies especially those that originate from California understand it well. Indian IT Industry especially does not necessarily. In the context of Infrastructure Services, work place service which is how you get your desktop, help desk service and all that is a very consumer industry. You are going to start seeing a large number of very young people coming into the work force who grown up using very consumer-friendly technology, grown up using tablets, cloud services and self-service and very easily to

consume services on a subscription basis. When they walk into an enterprise, they are handed an 8-pound laptop that is not going to work going forward. So, an opportunity for differentiation we believe lies in creating a set of work place services. That is really mimic and create cloud like consumption experiences for employees but do so from the safe confines of an enterprise. The reason why enterprises cannot provide is because they have safety and they have standards and their enterprise applications to be accessed. So, if you can somehow marry the two provide the same user experience of self-service and choice and very easy to use in interfaces and do it from an enterprise, it is a great model. That is an example of a differentiated services and IMS that we create.

Dipesh Mehta: Second question was about on deal wins during the quarter. So, TCV wise if possible can you tell the value?

R. Srikrishna: On your second question, I am sorry, we do not provide booking size, but there were 10 deals won, one of them was 1 of the 3 large deals that was spoken about in the last quarter and you were seeing actually some portion of our growth came from that deal as well.

Dipesh Mehta What would be our strategy for large deals, because I think you addressed it partly, but going forward what would be the major growth drivers, so large deal focused and in specific what would be the hunting and mining kind of thing?

R. Srikrishna The large deal strategy is three-pronged; first is what services will yield large deals. So, when you want a large deal, you have to have service offering that will create a large deal. I said we are creating 22 differentiated offering. Some of them or many of them will be amenable to large

deal that is the first thing. The second is that, we are creating a large deal competence group which once there is demand we will be able to address it effectively and pursue large deals effectively. There are unique set of competencies that are required. So, we have got to augment our sales team with a large deal competency. And the third, to generate demand, we are going to create and invest in a sourcing advisor relationship; sourcing advisors tend to be advisors, gatekeepers for the good portion of large deals. So, building a relationship with them, educating them our capability will be done consistently over many quarters will start becoming an important source of pipeline of large deals.

Moderator Thank you. Our last question is from Karan Uppal of Equirus Securities. Please go ahead.

Karan Uppal First question is extension of what you just talked about a bit of a consumerization of technology. So, taking a leap there, product companies in particular today are providing several of their offerings as a service delivered on Cloud already and they are developing alliances network across the globe who are integrating these into the enterprise. So, in this kind of scenario, maybe Indian IT may not be the competition you may be looking at, but do you not think that you already have a large market already being invaded by these product companies?

R. Srikrishna Yes and no, I think product companies will do very well in a niche or in a service, take drop box as an example, so they will be very good in providing five shares, they will develop an enterprise version.

If you think of the needs of an enterprise, how are they different? a) They need drop box like service where the data

resides within the enterprise in many cases; b) that is one of 20 other services that an enterprise needs. So, there is important white space of a service provider that can integrate and aggregate some services that will get delivered from within the enterprise and other services which will get delivered from the Cloud and provided all back to employees through one seamless mechanism and as one seamless service.

So, there are people looking at that space, but it is an example of a white space that is in early stages of development. I am not saying there is nobody there, but as we are creating that we will be one of the early ones and hence as that way of consuming service grows, so will we.

Karan Uppal

If I look at this quarter and obviously you must have had some kind of help from your pricing given your volume growth number. So could you just give some color, what kind of service line helped you get this pricing uptick and did it come as an engagement you did with your existing client or a part of some new deals that you have gotten?

R. Srikrishna

So, let me answer the second question first, it actually came from existing clients, like I said, in our existing clients grew healthily. So, some of our existing clients where the realizations were higher actually grew faster. So, that is what really contributed to the improvement in realization. They came in a few areas, but the biggest one was in Business Intelligence and Analytics.

Karan Uppal

If I could just squeeze my last, If you could just help me with two data points; one obviously is that the involuntary attrition if you recall that number, then if you can share that with us. Going forward what would be the right number to

look at for your effective tax rate, given that you had some leverage there this time?

Sreenivas V So, Karan for the attrition like most companies in the industry, we provide voluntary and voluntary for the last 12 months has been 13%. As far as effective tax rate is concerned, throughout the year we have been saying that it would be in the 22% to 23% range, we maintain the same.

Moderator Thank you. Our next question is from Gaurav Rateria of Morgan Stanley. Please go ahead.

Gaurav Rateria Congratulations on a good set of numbers. You mentioned talking about establishing sustainability in the performance. Could you just highlight what does it mean in terms of your balance of business mix with respect to top 10 clients, non-top 10 clients, and also discretionary and non-discretionary part of the business? And if you could highlight some of the initiatives which you have taken, which probably are different from what has been done historically and which could actually help you balance the business mix more over the next coming few quarters?

R. Srikrishna Let me start with the second I think that will then lead to the first. What are some of the things differently? I have touched on them but let me bring them back into focus.

I said we are changing and tweaking the way that we approach customers and we are really creating more empowered account teams. Actually, the fact is we were not even necessarily actively managing all of our customers. So, for customers that kind of yield 90% of our revenues and actually even a greater percentage of our profits, we are actually establishing a formalized account management and

an account service delivery management program. So, this is for about 60-odd customers. We were doing it actively for the top-20 or so and we were doing it in pockets for others, but it is more formalized program. The good news is that we are doing all this with the people we have, there were people that were doing different things which may or may not have yielded results or returns. We refocused and said, what we are going to put first eggs behind, first investments behind our customers that yield 90% of revenues and actually greater percentage of margin. So, that is something different. It is a change in how we go-to-market, how our customers will see us and that change like I said is being executed right now, and for the most part, it will be implemented before the beginning of the year, will take some time to settle and learn, a couple of quarters but the change is underway.

Let me back to first, I think done well over many quarters, it is going to start impacting the pyramid of client sizes that is up again here. If we impact this pyramid in a positive way and we see upward movement on a long-term, that will be a good validation of our strategy and that will kind of derisk our top 10, top 5 while continue to grow those by the way.

The other kind of important thing is the focus on creating differentiated services. Like I said, we have added 22, not all of them may turn out to be differentiated, but that is an iterative process, we will create, take it to market, take feedback and it is a continuous process. So, that is another important thing and in all this we are doing it not just as a leadership team in isolation, we are engaging at every step as many employees as possible, especially in creating

customer delight, we have very active program to engage all 10,000 Hexawarians.

Gaurav Rateria . How long do you think will it take to establish the sustainability in the financial performance – will it be one or two quarters, could it take even longer?

R. Srikrishna Like 3 or 4 quarters is when we will have a view as to what is the sustainable trajectory. It does not mean that after that time, we will have volatility go away or will have absolutely stable stuff Q-o-Q, but we will have a better sense of what sustainable in 3 to 4 quarters.

Moderator Thank you. I now hand the floor back to Mr. R. Srikrishna for closing comments.

R. Srikrishna Thank you all. It was wonderful, stimulating, a lot of the questions. We look forward to continued conversation. I hope that you would like the small deck up front to help kind of step the stage. We are going to try and continuously add more relevant things in that to bring insight beyond the data into this going forward. We have got further feedback about potentially improving communication to increase the frequency. So, we will come back on that. Thank you all and have a great evening.

Moderator Thank you. Ladies and Gentlemen, on behalf of Hexaware Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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