

# Hexaware Technologies Limited

## Q3 2013 Results

### Earnings Conference Call

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**Moderator:** Ladies and Gentlemen, good day and welcome to the Hexaware Technologies Limited Q3 2013 Results Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*' followed by '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Latika Gidwani from Hexaware Technologies. Thank you. And over to you, ma'am.

**Latika Gidwani:** Good evening, ladies and gentlemen, and welcome to the Hexaware Conference Call. From Hexaware, we have with us today, Mr. P. R. Chandrasekar – Vice Chairman & CEO; Mr. R.V Ramanan – Executive Director and Head, Global Delivery; Mr. Rajesh Kanani – CFO; Mr. Sreenivas – Chief Strategy Officer.

I shall now read out the Safe Harbor statement. Certain statements in this press release 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 in India, our ability to attract and retain highly skilled professionals, time and cost overrun on fixed timeframe contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduce demand for technology in our key focus areas, disruptions in telecommunication network, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the service 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. With this I hand over to Mr. P R Chandrasekar.

**P. R. Chandrasekar:** Thank you, Latika. Good evening to you all and thank you for joining us a late call on Monday. Appreciate your interest in Hexaware.

To start with, it has been a fairly interesting quarter for us at Hexaware. As all of you are aware we had a fairly significant corporate event specifically on October 11<sup>th</sup>. Baring Private Equity Asia became a majority shareholder in Hexaware and we want to formally welcome Baring to the Hexaware's family. The open offer also which was floated was closed as of Friday. The results of which are still being tallied and very soon there would be an announcement regarding how that open offer was done.

Coming now to the more performance related matters at hand, from a revenue standpoint Hexaware met its revenue guidance. If you recall the guidance was from 3.5 to 5.5% growth. We came in at 4.2% for the quarter. These are good healthy numbers on a broad variety of fronts and particularly strong in Europe and as well as in Americas. We also saw a healthy growth and healthy performance in our number one customer as well as in our top ten clients, both of which performed well and drove growth for Hexaware as a company.

We added 13 new customers again spread broadly and evenly across geographies and across our main service offerings. Repeat business also remains strong at 96% and overall healthy growth in terms of customers, service lines, verticals and geographies.

Looking forward, the pipeline is healthy. We are making good progress in our active pursuits. We have several large deals that we are pursuing; a couple of which are in a fairly advanced stage, and we are hoping that this in turn will allow us to continue this growth scenario looking ahead.

Margins, also we had indicated that we would be stable and in a narrow band and which is precisely what we have achieved in our Q3 numbers. The rupee did help us in achieving our operating margins as well as our gross margin numbers – and Rajesh Kanani will talk a little bit more about our numbers in that front.

Operationally, we have added freshers in this quarter after a gap of little period and utilization has improved and therefore from operationally we are looking ahead.

With that I am going to hand it over to Rajesh Kanani to give you a little bit more detail on the financial performance of the company.

**Rajesh Kanani:** Thank you, Sekar. As Sekar said, we had a revenue growth of 4.2% on quarter-on-quarter basis. On EBITDA front, our EBITDA has gone up by 10 basis points to 23.8 from 23.7. Our EBIT has gone up by 20 basis points to 22.2 from 22.0%. If you see the breakup our gross margins have gone up by 130 basis points to 40.7% from 39.4%. SG&A also gone up by 120 basis points to 16.9% from 15.7%. If you recollect last quarter we had one-time reversal. So, SG&A right now is normalized now which was not normalized last quarter.

On FOREX side we have losses of US\$ 2.95 million vs. US\$ 621K in earlier quarter, mainly due to rupee depreciation of 11.2% in the quarter. On CAPEX side we have spent 6.23 crores. On tax ETR we have 21.6 vs. 21.1% and it is going to be range bound between 21 and 22%. On DSO side, we have 54 days DSO Vs. 47 days, which still is the best in industry and with unbilled it remain at 69 days Vs. 60 days in last quarter.

Our cash has come down because of 3-4 reasons. Since rupee has gone down from 59 to 68 yet we had outflow of 1002 million or 100 crores and increase in working capital our cash is tied up by 525 million, taxes we have paid were 318 million, CAPEX as you have seen 60 million and dividend we have paid were 489 million. This is

only one-time event and I think going forward we are going to add cash. With this I will hand over for Q&A.

**Moderator:** Thank you. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Sandeep Shah from CIMB India. Please go ahead.

**Sandeep Shah:** It looks like that there is no guidance given for the coming quarter, which we used to give. This is a permanent trend change or any comments on the same, why we are doing this?

**P.R. Chandrasekar:** Sandeep, there is no comment on the why, but I would like to state that starting this quarter as a policy we will not be giving forward guidance.

**Sandeep Shah:** But this is driven by some bit of softness in the demand visibility which we used to see earlier versus now?

**P.R. Chandrasekar:** You do not have to read anything into this other than a simple change in our policy.

**Sandeep Shah:** So in that scenario, can you comment about the demand outlook qualitatively versus what it used to be three months earlier versus what you see now?

**P.R. Chandrasekar:** If you look at our first half of the year, Sandeep, as you are well aware, we had a fairly soft H1 for Hexaware. We have turned the corner in terms of growth in Q3. We expect to continue to grow in Q4. The demand outlook in North America and Europe is fairly strong. The top ten customers as well as our number one customer are healthy. The pipeline is fairly solid. And we expect that our growth in Q4 will also continue.

**Sandeep Shah:** In your initial remarks you said the growth momentum seen in Q3 has a possibility to continue in Q4. So is it what you said or?

**P.R. Chandrasekar:** Yes, yes, that is what I said but I did not if what you are trying to get at is, is there quantification to this, I am not able to do that,

but clearly, we will grow in Q4 over what we have achieved in Q3, and that growth will come across the geographies and the verticals.

**Sandeep Shah:** Just a question on the cash and bank balance which reduced by 1 billion, so can you explain more a bit on this and how the accounting has been done, why the....?

**P.R. Chandrasekar:** I am going to let Rajesh Kanani our CFO to elaborate a little bit. I just want to leave a comment that big chunk of that was as a result of our FOREX hedging and the outflow of cash that occurred as a result of the past hedges that we have taken. It is not any aspect of operational elements involved; it is the other major component in DSO and dividend payout. So those are our major elements in terms of why our cash is reduced. As Rajesh pointed out, currently as we stand, a large chunk of that has been recovered, we expect to remain cash positive. The events that involve the huge payout of cash which Rajesh mentioned Rs.1002 million was in terms of the FOREX hedge, but I am going to let Rajesh be more specific so that you get clarity.

**Rajesh Kanani:** I think this is basically on a rollover of a partial term hedge as we follow where when we rollover I think we have to pay the money and again we rollover. So once we have paid money, again, we will recoup the money in next few quarters or going forward quarter. As far as the accounting is concerned, part of it goes into balance sheet; part of it goes into PL, depending on the underlying transactions. If you had noticed the rupee had a sharp volatility, it moved from 59 to almost 68 and any contracts expiring during that period incurred a loss which was the cash outflow you have seen. However, the contracts have been rolled over at that rate. So we expect that this is not a trend going forward.

**Sandeep Shah:** Why I am asking is I agree that the swing was almost to an extent of almost 18%-20%, but there are a few quarters earlier in the past where the swing was 10%-12%, but we have not seen such a big cash outflow relating to this, because we are following this roll

forward policy for the last 2-3 years. So, is there any change in our accounting policy regarding this?

**P.R. Chandrasekar:** No, Sandeep, there is no change in accounting policy. We are also in the process of reevaluating our strategy with regards to our FOREX which to some extent has affected this particular quarter. Once we formalize what our strategy is going forward we will clarify that to you, but fundamentally the amount of FOREX we take on a rolling 24 months basis, all of that has not really changed, but in this quarter what we normally do which is partial hedges rolling over to future partial hedges did not take place.

**Sreenivas V:** It is not just the average rate for the quarter; it depends on the spot rate and the day in which the partial hedge expires. If that tends to be highly volatile this can be erratic behavior during the quarter but this is not an overall loss, this is not something which writes into the P&L, this is a loss which gets booked only in the cash flow but eventually over a period of the contract we will get back as the rupee strengthens.

**Sandeep Shah:** More questions will come in follow-up. With rupee now from 68, 69 coming back to 62, 63, there is a possibility that there would be inflows going forward and you mentioned there is inflows already started. So can you quantify how much inflow already happened and how much can come if rupee remains at 62 to 63?

**P R Chandrasekar:** I think in a highly volatile market, I think giving numbers not right. But directionally, you are right, Sandeep, which is that if it does that there will be inflow.

**Sandeep Shah:** So, if we assume 60, 62 as a stable, then there is a possibility this 1 billion would be recouped going forward?

**P R Chandrasekar:** Theoretically, you are right, but it will take span of so many quarters; over the term of the hedges.

**Moderator:** Thank you. The next question is from the line of Nitin Mohta from Macquarie. Please go ahead.

**Nitin Mohta:** I just had one question. Just wanted to understand, in terms of organizational changes, in terms of compensation for the top management, post the change in ownership, if you can share any light on that?

**P.R. Chandrasekar:** Nitin, this is Sekar. A couple of things; one, with the new change in our shareholding pattern and there is a change in the board of directors of the company, while that has taken place, there has not been any change in the organizational structure or in the key leadership roles in the organization. Number two, with regards to the compensation structure, currently, nothing has changed. I am sure as the new year comes into play and the typical compensation changes that do take place in Hexaware happens there would be changes as per the normal lines of the company.

**R V Ramanan:** Having said that we had already mentioned last quarter itself this year we gave increments for all the employees, not just the management, all the offshore employees up to a level, we had mentioned that the increments will be in Q3 spread over 3 months, we already effected that, the increments for our onsite folks will be effective 1<sup>st</sup> January, that is what Sekar is talking about, a new year, this is normal course of business, nothing specific to this deal.

**Nitin Mohta:** Sekar, if I have your attention, another thing which I wanted to check on was conflicting reports from different vendors about the outlook for ERP implementation work, given you guys are so strong on PeopleSoft, and there is competition from the likes of Workday, etc., just a little longer term view in terms of what approach has Hexaware taken and how comfortable you guys are with that footprint?

**P.R. Chandrasekar:** I am going to take a couple of minutes to answer this, so please be patient and then if Ramanan has something to add, he can. So first of all, if you look at our Enterprise Solutions business, it remains strong, it delivers two things for us; one, obviously, it gives us revenue and numbers; second, it is also a powerful arrowhead that Hexaware has to open new doors and open new customers. If you

see our quarterly results as well as the quarterly results that we have been announcing for the last few quarters, Enterprise Solutions and PeopleSoft in particular remains a very powerful means of opening doors. And we believe that it will continue to help us in that going forward as well. It will also be delivering us solid revenue as and when these projects come into place. Having said that, clearly, competitive landscape in that world is changing with the advent of Workday, with the advent of SuccessFactors, as well as the impact of Cloud and various technologies on these areas.

Recognizing these, it is a little difficult at this point in time to estimate what the true impact of that is, but clearly in the medium term given the growth that Workday is experiencing as well as given the growth SuccessFactors is projecting, that is likely to be some impact.

What Hexaware is doing is building strength in both of these areas, we have already been accepted as the global support and maintenance partner of Workday, we are also a partner of SuccessFactors in a number of key markets, we are building capabilities in both of these strong platforms and the plan is that while we strongly believe that our traditional workhorse PeopleSoft will remain strong Workday and SuccessFactors will also give us additional avenues of growth, particularly, Workday where we have some unique differentiated positioning as one of the few support and maintenance partners globally.

**Nitin Mohta:** If I can finally squeeze a last one, on CY14, given we are already in middle of November, any initial thoughts, and qualitative comments from talking to clients on how the next year is going to be?

**Sreenivas V:** Too early to comment, Nitin.

**Moderator:** Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

**Manik Taneja:** Just wanted you to talk about what you are seeing in terms of demand in your key service lines? That is number one. Second thing is if you could talk about some of the large deals that we are pursuing? And the third question was with regards to your dividend payout policy similar to the change that we have seen in terms of our quarterly revenue guidance, just wanted to understand if you could share what the board has guided with regards to the dividend payout policy?

**P.R. Chandrasekar:** In terms of demand, Manik, we have already commented that our pipeline is strong, Europe and North America look particularly good, in APAC we are building a pipeline and we have to still do some work; there are a couple of large projects we have won, which hopefully will see us deliver incremental growth in the APAC market going forward. As you know it represents a fairly small piece of our business.

The other area where we have been doing some work and we are beginning to see some results on the BPO front, where again we have closed a couple of deals and the demand pipeline is improving. So I am expecting that both APAC and the BPO business will also deliver growth. That is on that front. North America and Europe are fairly good. BFS continues to be one of our mainstays. Pipeline is good. Existing customers show signs of growth and we think that going forward also the prognosis is good. Global travel and transportation is a little softer. It is a very, very competitive marketplace. Our existing customers are going well. We are opening bunch of new accounts. Logistics foray that we have started 18-24 months ago is beginning to gather steam but the average deal size is still too small to show. So the growth there will be moderated. Healthcare and Insurance, we are very hopeful about. In Healthcare we are seeing good traction. There are several opportunities and deals in the pipeline which we are expecting will come to closure in the next couple of quarters. Horizontal or technology standpoint I have already given fairly extensive answer as far as Enterprise Solutions is concerned. I do want to single out

that the growth in our Testing business has been strong, particularly, in a bunch of existing customers and we believe that with the progress we are making both in terms of our people as well as the capabilities we are building in terms of automation, performance accelerators as well as the consulting we can provide on Test COEs that will remain a strong avenue of growth going forward.

As regards the deal, we do have 4 or 5. As I mentioned a couple of them are in a reasonably advanced stage, they are in the range of \$25 million plus, beyond that Manik, I am not going to be able to provide you too much color because on one hand these are deals and they are binary. We are reasonably well positioned but frankly we will know when decisions are made.

On the dividend policy, while we did not declare a dividend this quarter the newly constituted board of Hexaware is reviewing its policy as far as dividend is concerned and once there is clarity on this I am sure we will be communicating this to you as well as the other members of the investors' community.

**Manik Taneja:** One just last clarification on the large deal that you are saying, do you expect them to close in this quarter or do you expect them to push off to Q1 and Q2 of next calendar year?

**P.R. Chandrasekar:** We would love to get it closed at least one of them in Q4. There is a reasonable probability of that happening. Having said that given the nature of this quarter with Christmas and all of the holidays and the holiday season coming around event, there is a very high possibility that it could get pushed out to Q1 2014.

**Manik Taneja:** And last question, if I can squeeze in one more, if you could just give a sense on medium term margin trajectory for Hexaware?

**P.R. Chandrasekar:** No, I do not think I am going to answer that, Manik, but except to say that as an organization, we have been balancing growth and margins, and we are going to continue to invest in this

business. You will notice that there is a little bit of a trend which is slightly with our onsite increasing, our utilization has gone up, so it will remain in a bit of a narrow band with a slight greater focus on investments going forward.

**Moderator:** We have the next question from the line of Pratish Krishnan from Antique Stock Broking, please go ahead.

**Pratish Krishnan:** Just in terms of the 13 clients that you have signed in the quarter, any comments in terms of either the nature of deals or the size of contracts that you signed, any big strategic accounts here?

**P.R. Chandrasekar:** Pratish, of those 13 accounts, we believe there are 3-4, which will give us over a million dollars in 2014. They are not strategic deals in that sense, but they are potentially lucrative customers, and at least 2 of them are projects that can turn out to be multi-million dollar engagements going forward.

**Pratish Krishnan:** Overall in terms of the size of deals that you signed, that probably if you have to just put a number in terms of year-on-year growth or on a sequential basis, they would have improved or they would be flattish, any ...?

**P.R. Chandrasekar:** The pipeline that we have remains fairly stable.

**Pratish Krishnan:** And in terms of the large deals that you have, these are new deals or these are from the existing accounts that you see opportunities there?

**P.R. Chandrasekar:** I think largely existing accounts.

**Pratish Krishnan:** Just in terms of the overall nature of growth, we have seen that from the last two or three quarters, unlike previous times, the top 10 seems to be driving growth, we have not seen much growth beyond the top 10. So, any commentary here that you want to provide in terms of how to improve, what steps the management is taking to kind of drive growth beyond the top 10 accounts?

**P.R. Chandrasekar:** Pratish, you are asking the same question, my board is also asking.

**Pratish Krishnan:** But unlike CY11, CY12, we have seen a big deterioration there.

**P.R. Chandrasekar:** Jokes apart, the top 10 clearly in terms of absolute volume, if you look at that they represent this quarter 54% of our revenues. So clearly the growth in that as a percentage and in absolute numbers will be an important factor. Having said that we are making investments as well as taking initiatives to get the rest of the accounts to follow. We are seeing good signs of traction with several accounts in that area, and I think we should start seeing some results.

**Pratish Krishnan:** And lastly, just to clarify on the dividend side, you have not announced any dividend this quarter. So have you decided in terms of a new policy or are you still kind of, I am not very clear?

**P.R. Chandrasekar:** It is still being evaluated, Pratish.

**Pratish Krishnan:** And this is the rate of dividend or the frequency of payout or what is it?

**P.R. Chandrasekar:** No, I think I would be erring if I said any of these things. The fact is the new board is examining what our dividend policy should be going forward, and I think we will come to a view and we will communicate that Pratish. Honestly, I can understand the question that you have, I think it is a fair question, both you and the other callers, but I really do not have a better answer at this point in time other than to say we are evaluating what our dividend policy should be.

**Moderator:** We will take the next question from the line of Pinku Pappan from Nomura, please go ahead.

**Pinku Pappan:** Just wanted to enquire about the spike that we saw in onsite revenues. What do you think the trend is going to be in the near

term? Is it going to be more of onsite led growth again in the coming quarters?

**P.R. Chandrasekar:** Hey, Pinku, I think that is a good observation and our onsite component is not something that we would like to happen, but the reality is that there are several important customers, who frankly are quite onsite-centric, because of the nature of those organizations and they have been giving us good growth. I do believe that at least for the next quarter or so this kind of percentage will continue. We do have to close some deals of a certain size for us to get our onsite-offshore ratios better than what it is today, ideally we would like to have our offshore percentages more than what it is today. But I think at least for the next one quarter to two quarters given the growth that we anticipate in our accounts, which are more onsite-centric, that percentage is unlikely to change much in the next couple of quarters.

**Pinku Pappan:** And on utilization what are your thoughts, do you think there is room to go further and how much more?

**R V Ramanan:** This quarter also we have improved the utilization. We expect the utilization to continue in this current trend given that we also have to make sure that we have people, we have started hiring freshers, we have hired freshers this quarter, and we will continue to hire them. So, overall we expect the utilization to remain at the current levels.

**Pinku Pappan:** On the fresher hiring, how many you hired this quarter and do you have a target from the next couple of quarters?

**Sreenivas V:** Pinku, this quarter we have added 83 freshers compared to close to 100 that we hired in the last quarter. During CY13, we have added 180 freshers. As far as targets are concerned we do not have any specific data points now. We will look to add some freshers in Q4 2013, but when we look at 2014 from a fresh start we will then come back with our plans.

**Moderator:** Thank you. We have the next question from the line of Madhu Babu from HDFC Securities, please go ahead.

**Madhu Babu:** Sir, attrition has been increasing over the last four quarters. What is the outlook there?

**R V Ramanan:** Even at the current level the attrition is significantly below the industry average. There were times when our attritions were much lower, were sub-10%, but I think some of the attrition is catching up, and also the fact that the overall YTD head count has been negative, so it also has a base effect in terms of the attrition as a percentage and that is showing in terms of numbers and that has been done consciously to improve utilization. So once the utilization levels which we are able to maintain and as you see the first two quarters we also had a growth as mentioned, now that the growth has also kicked in and the utilization levels have improved, we expect the headcount numbers also to increase proportionately going forward. With that the percentage of attrition will be stabilized.

**Madhu Babu:** Regarding the growth beyond top ten, have we identified the next set of say 30 or 40 clients and would it be required to do any senior level addition at the top level to drive growth from the next set of clients?

**P.R. Chandrasekar:** Madhu, yes, we have identified who our next set of growth accounts are. The process of installing account managers as well as strengthening our field team has already been initiated. We have added people on both fronts. In addition to that we have also made some senior organizational additions to the team. We have a new Europe head who joins us from a large Tier-I company, and we have a change in the role of head of our healthcare and insurance business. One of our senior managers is going to drive that business going forward. In addition to that we have hired recently a very senior person from another large Tier-I company to establish and drive growth in a new vertical – manufacturing, and we are looking to add some more people both on the vertical as well as

horizontal fronts. So as an organization, like I mentioned earlier, we are consciously investing for tomorrow.

**Madhu Babu:** And lastly, what is the CAPEX guidance for this year and next year, and tax rate?

**Rajesh Kanani:** CAPEX I can only say Q4 right now, 18.5 crores roughly we are expecting. Next year, we are yet to formulate a budget. As far as ETR is concerned it is 21.6%. As I said in the last meeting as well, we will be within 21 to 22% and we are very much there.

**Moderator:** We will take the next question from the line of Dipesh Mehta from SBI Cap Securities.

**Dipesh Mehta:** I have a couple of questions. First is, there is a dip in other income. So can you help us understand the reason for the same? Second is about, can you provide update on PeopleSoft 9.2 upgrade-related deals, how many we have won and what would be the pipeline now? Third thing about in the release I think billing rate appeared to be missing. So can you provide whether we are seeing any pricing pressure or it remain largely stable? And last is about onsite hike. I think we expected it to be in Q4, but I think you suggested around January. So whether it was deferred or how it was?

**P.R. Chandrasekar:** Dipesh, I will address the bill rate to start with because I will get that out of the way. We have and will not be publishing that data going forward. Our primary reason being that to find that the particular piece of metrics does put us in a competitively disadvantageous situation when we are negotiating with customers.

**Dipesh Mehta:** So, if you can just give qualitatively, whether we have seen any changes or it largely will remain stable?

**P.R. Chandrasekar:** No, I do not want to give any commentary, Dipesh, on the bill rates because we are finding that it actually puts us as at a competitive disadvantage with our existing customers and on large deals, and when we renegotiate contracts.

**Rajesh Kanani:** On other income, I will take the question, other income there are two reasons why other incomes have come down; first one is, as you know, I have charted out amount of cash outflow we had. So cash flow under management was slightly lower; and secondly, the RBI came in with a high interest rate, because of that mutual fund incomes have come down from 15th July to almost August 10. These are the two reasons why other income has come down, but I think after September it has again come back and I think we see a normalized income going forward.

**R V Ramanan:** On the PeopleSoft 9.2 we have won 6 projects, and we do have a good pipeline. Currently, we have 10+ deals which we are chasing and PeopleSoft 9.2, and we also expect that there will be a good uptick in 2014 as there are more and more customers moving to PeopleSoft 9.2.

**Dipesh Mehta:** And last about onsite hike, because earlier I think you suggested in Q4 onsite hike to happen?

**R V Ramanan:** It will be effective 1st of January; it will be Q1 2014.

**Dipesh Mehta:** So in this year we have not given onsite hike, right?

**R V Ramanan:** No, this year we have not given. Usually, the pattern is like this. The offshore increments happen in Q2 that is effective April and then we normally defer the onsite by a quarter. Based on our plan and given the softness in the first half of the year, we had delayed the offshore increments to almost Q3 in a deferred manner. Given that as a normal process, we start onsite one quarter later, which is given that the final thing will almost fall into Q4, we have moved the onsite increments to January, which is Q1 next year, so this year there has been no increment.

**Dipesh Mehta:** So if you can help us understand, next year offshore would be the same quarter or it might change also?

**Sreenivas V:** Too early to provide you with a view, Dipesh.

**Moderator:** Thank you. We have the next question from the line of Ravi Menon from Centrum Broking. Please go ahead.

**Ravi Menon:** I just like to understand here whether are we looking at any sort of synergies from Baring, like they have a portfolio of companies in the APAC region, are we looking at any of them as potential customers, maybe some of the wins already from some of their portfolio, just like to understand that?

**P.R. Chandrasekar:** Thanks, Ravi. Clearly, we are a major significant investment for Baring, and there is a high level of attention and focus on Hexaware as an organization and our growth. Clearly, the desire is to introduce us to both their portfolio of companies as well as a network of other both leadership as well as organizations primarily across Asia, that process has already been initiated. Some of their portfolio of companies may not be applicable because of the nature of those organizations or the size of their organizations, but clearly we are going to try and see if we can contribute to the IT services of those organizations, and we are already in conversation with Baring to see if we can leverage their network to grow our business.

Most of this will be across the Asia Pacific region, but depending on their investor community and their network could also extend to other markets. So it is an intent, there is a desire, let us see how it works out in practice.

**Ravi Menon:** Remote Infrastructure Management, this quarter we have seen an uptick in revenue again. So is it a standalone Remote Infrastructure Management contract or is that bundled with any Enterprise Solutions or any maintenance contracts around that?

**P.R. Chandrasekar:** Ravi, our IMS business is at least at this point in time primarily focused on our existing customers and the growth in our IMS business as a result of a fairly sizeable project that we won with one of our top customers and that really is. So it is not necessarily bundled with a service or the other, but it is one more

service line and a new type of service that we are offering to this large account. It is something new; it is something that we have not done in the past, and we hope that it will add to our portfolio of capabilities.

**Ravi Menon**

And if I might squeeze in one last question, particularly around what sort of projects are we seeing and around what size and even on PeopleSoft 9.2, what size of the projects approximately?

**R V Ramanan:**

I will specifically answer. PeopleSoft 9.2 is a typical upgrade project, depending on the size of the implementation, depending on the employee head count of the organization which we are dealing with, it could be anywhere from \$250,000 to about \$1 million dollar in terms of the upgrade value alone. But the upgrade provides two opportunities. One is, it allows us to get the customers, because typically if you are not working with the customer, the upgrade opportunities allows us to enter into the IT side of the customer and the deal size whatever the particular project could be between 250k to a million, but usually at the end of the cycle every upgrade we have taken, we have landed up taking out maintenance and support of it. And if you look at it, our PeopleSoft business, nearly 70% of our business is support and maintenance, we tend to carry over in that area and also penetrate into other horizontals with the same customer. So it is a sword with two edges for us to use, is what we use to penetrate as well as to proliferate.

**Moderator:**

Thank you. We have the next question from the line of Dipesh Mehta from SBI Cap Securities, please go ahead.

**Dipesh Mehta:**

Just want to understand hedge policy. I think this quarter it appears to have declined. So just wanted to understand whether we have changed our hedge policy?

**P R Chandrasekar:** Our hedge policy remains the same, we have not changed it. We are where we are. We are reviewing the policy once again.

**Moderator:** Thank you. We have the next question from the line of Urmil Shah from May Bank, please go ahead.

**Urmil Shah:** Just wanted to get more color on the large clients. If we see the \$1 million plus client metrics, it has remained steady on a Q-o-Q basis. Should we be reading more into that? And specifically on the top client, post Q4 of last year, there has been a consistent growth. So still there is a scope of further growth in that account?

**P.R. Chandrasekar:** Urmil, yes, the answer about this top client is, we have always maintained that what happens in Q4 was in regards to a specific engagement in a project. We recovered from that during the course of H1 and we did indicate to the marketplace that that client not only is a very strong customer, the relationship remains strong, but represents an avenue of opportunity and growth going forward as well. We continue to maintain and believe that it will continue to grow for us going forward.

The other question, I am a little unclear, but bottom line what you are saying is that is our focus continuing to be to drive growth from our top 50 accounts, which is kind of million dollar plus customers, the answer is yes, and we are making additional investments to see that we drive more growth from our clients in the 20 to 50 category.

**Urmil Shah:** And lastly, sir, we had indicated that inorganic growth would be something, which would come in early next year. Any momentum on that?

**P.R. Chandrasekar:** Urmil, we continue to look at opportunities in terms of strategically how they will fit with us and whether they can give us an accelerated rate of growth. Clearly, with the developments in the organization there has been little bit of a slowdown in the way we aggressively look at those opportunities. But after Q1 I think we will go back to seeing how we can look at inorganic ways to supplement our growth, but I think temporarily there is little bit of

a stabilization process, if you want to call it that, to make sure that everything is okay and we continue with business as usual.

**Moderator:** Participants due to time constraints we will take the last two questions. We have the next question from the line of Yash Mehta from Equirus Securities, please go ahead.

**Yash Mehta:** Just wanted to know that since we had staggered wage hikes this quarter, what sort of an impact should we have in Q4 this year for the wage increments offshore?

**Sreenivas V:** Yash, since as a company we are not disclosing any kind of forward-looking quantitative statement, we will have to skip this question.

**Moderator:** We will take the last question from the line of Sandeep Shah from CIMB India, please go ahead.

**Sandeep Shah:** Sekar, just on the large deals for the last 2-3 quarters, we are saying that a couple of deals are at advanced stage, but it looks like the closing is getting postponed. So, if we look at the industry as a whole as well as the peers, it looks like the deal closure rates have been going up. So why this difference versus peers in terms of closing deals at Hexaware?

**P.R. Chandrasekar:** Sandeep, I cannot comment on the comparison between us and the peers. I can only comment on the specific opportunities that we are pursuing. And for various reasons, there is some delay in the closure of those. All I can say is that a couple of them, we are expecting to close by say Q1.

**Sandeep Shah:** Just last thing on the treasury yield, though you have explained, but if you look like on an annualized basis the yield has been as low as 4.725%. So is it that big change, because the outflow might have happened on the FOREX hedge could be at the end of August, so it may not be at the start of the quarter, as well as the RBI ruling, does our investment was more into the fixed income funds or it was more into the liquid funds?

**Rajesh Kanani:** I think first of all, it is not only the RBI, the rupee started moving from July itself. The major chunk went into middle August and end August, that is the first thing. The second thing is, we had money in short term funds, where we had major hit, because the NAV went down, and there was no dividend coming out, that is the reason why we had some amount of setback.

**Moderator:** I would now like to hand over the floor to Mr. Sekar for closing comments. Thank you, and over to you sir.

**P.R. Chandrasekar:** Thank you very much. Thank you all for joining Hexaware for this analyst call at this late hour. We appreciate your interest in the company and look forward to talk to you soon and in the next quarter.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Hexaware Technologies Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

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