



Financial Release

Second quarter ended June 30, 2020

July 28, 2020

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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, 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, and unauthorized use of our intellectual property and general economic conditions affecting our industry.

COVID-19 Update

The Group has assessed the impact on the recoverability of the receivables (including unbilled) and other current and non-current assets including goodwill considering both internal and external information available till date. It has also assessed, the probability of occurrence of forecasted transactions in the hedging relations, credit risk of the counter party to the derivative contracts and banks. The Group, based on the analysis on assumption used, believes that the carrying value of these assets are recoverable. Considering the fact that the global situation is evolving day by day with new facts and numbers, the economic impact of pandemic could be different from the estimated till date by the management. The management is continuously monitoring the material changes.

Press Release

Constant Currency Revenue resilient at (-0.9) % QoQ, 11.3 % YoY EBITDA margin expands 240 bps QoQ to 17.3 %

Mumbai – July 28, 2020: Hexaware Technologies Ltd., a Leading Global IT Consulting & Digital Solutions provider reports numbers for the second quarter ending June 30, 2020.

Financial Summary

US \$ Mn	Growth	
	QoQ	YoY
Revenue (Constant Currency)	-0.9%	11.3%

US \$ Mn	Q2 20	Growth		₹ Mn	Q2 20	Growth	
		QoQ	YoY			QoQ	YoY
Revenue	208.1	-1.2%	10.4%	Revenue	15,691	1.8%	19.9%
EBITDA (Post RSU)	36.0	14.8%	17.9%	EBITDA (Post RSU)	2,713	16.1%	28.1%
EBIT	27.5	13.3%	0.0%	EBIT	2,076	14.2%	8.6%
PAT	20.2	-13.5%	-7.2%	PAT	1,525	-12.9%	0.7%

Leadership Speak

“In spite of the global crisis created by COVID-19, Hexaware has continued to excel and delight its customers. This is reflected in the EBITDA margin improvement of 240 bps QoQ, USD revenue drop of only 1.2% QoQ and a revenue growth of 10.4% YoY. With this Hexaware has once again reported industry leading performance.” remarked Atul Nishar, Chairman, Hexaware Technologies Limited.

“We expect to go back to delivering industry leading growth as the headwind from one of our Top 3 accounts recedes fully. Our impeccable execution through COVID-19 has helped us improve relationships and grow market share with our customers. Much of our improved margins are backed by sustainable initiatives.” stated R Srikrishna, CEO & Executive Director, Hexaware Technologies Limited.

“Our continued focus enabled us to execute well this quarter across multiple fronts - Revenue, EBITDA, Collections, Cash flows and Long-term sustainable transformation initiatives. While revenue decline was limited, we executed very strong on margins and cash flow front. With several structural and sustainable initiatives in play and our continued investments in strategic areas, we are confident of delivering near-term margins in the range of our margins in the first half of the year.” stated Vikash Kumar Jain, CFO, Hexaware Technologies Limited.

Outlook

Revenue: Expect Q2 to be the bottom. Flat to small volume growth in Q3 and Q4, with normal cyclical effects overlaid in Q4. One of the Top 3 accounts that has been a headwind to growth for us over the past three quarters, returned to growth in Q2 and we expect continued growth in this account for the foreseeable future.

EBITDA: Instituted several structural and sustainable cost improvement measures. Near term sustainable margins to be in the range of H1 actuals +/- 30 bps.

Business Update

New Wins

NN wins in Q2 2020 with TCV of US\$ 46M. H1'20 NN wins is at \$ 115M compared to \$ 72M in H1'19. Material, "V" shaped improvement in activity levels with customers from late May. Market-share growth in many existing customers and material improvement in pipeline.

Revenue Growth

In Q2 2020, Europe showed 37.4% YoY growth. Among the verticals, H&I with 20.9% and HTPS with 20.2% led the YoY growth. In the service lines, YoY growth was led by ATM with 21.4% and BI&A with 13.3 %.

Particulars	Segments	Q2 2020	
		QoQ	YoY
Verticals	Banking and Financial Services	3.4%	6.9%
	Travel & Transportation	-27.2%	-20.0%
	Healthcare & Insurance	3.5%	20.9%
	Manufacturing & Consumer	-4.4%	16.4%
	High-Tech & Professional Services	2.1%	20.2%
Service Lines	Application Transformation Management (ATM)	-5.5%	21.4%
	Enterprise Solutions	3.4%	2.3%
	Digital Assurance	1.9%	2.0%
	Business Intelligence & Analytics	9.1%	13.3%
	Business Process Services (BPS)	-9.9%	5.6%
	Infrastructure Management Services (IMS)	2.9%	-1.1%
Geography	Americas	0.4%	8.3%
	Europe	-3.6%	37.4%
	Asia Pacific	-10.7%	-13.1%
Total		-1.2%	10.4%

EPS

Q2 2020 EPS at ₹ 5.10, compared to ₹ 5.08 in Q2 2019.

Cash

- Cash & Cash equivalents (incl. restricted) at the end of June 2020 at ₹ 886 crores.
- Days of Sales Outstanding (DSO) was 55 days (billed) and 77 days (including unbilled) at the end of Q2 2020.

Foreign Exchange Cover

The Company has hedges worth \$ 212.98 M at an average exchange rate of ₹ 77.20, € 6.00 M at an average exchange rate of ₹ 89.71 and £ 13.36 M at an average exchange rate of ₹ 100.32 maturing over the course of the next eight quarters (from July 2020 to June 2022).

Human Capital

- Headcount stood at 18,825 at the end of Q2 2020.
- Utilization stood at 79.8% in the quarter, highest in last four quarters.
- Attrition at the end of June 2020 reduced to 14%.

Second Interim Dividend for 2020

The Board of Directors of the Company declared second interim dividend of ₹ 1.5 per share (75%) on equity shares of ₹ 2.00 each.

Earlier in the year, the Board of Directors declared a first interim dividend of ₹ 3/- per share (150%) on equity shares of ₹ 2.00 each.

Other Business Highlights

- Hexaware launched COCO - the Unified Teams Bot built for Microsoft Teams, that helps with improving employee experiences & seamless return to workplaces.
- Hexaware ranked number two in overall customer satisfaction, in the 2020 UK IT Sourcing Study conducted by Whitelane Research. Hexaware ranked number one in KPIs across cloud capability, account management quality, business understanding, and contractual flexibility.
- Hexaware launched KareRing - a cloud-based, quarantine zone care management software solution and mobile application that provides institutional care providers a care management dashboard, quarantine zone tracking and reporting facility.
- Hexaware launched Amaze™ for Data & AI, the new cloud transformation solution for taking on-premise Data warehouses and Analytics ecosystems to cloud.
- Hexaware launched Amaze™ for Applications, a patent-pending platform for automated re-platforming of legacy applications to the cloud.

Awards and Recognition

- Hexaware Named Leader, Automation Implementers Archetype, in the ISG Provider Lens™ Financial and Accounting Outsourcing 2020 Archetype Study.
- Hexaware Named Rising Star, Transactional Finance & Accounting Services, in the ISG Provider Lens™ Financial and Accounting Outsourcing 2020 US Quadrant Study.
- Hexaware featured in an HFS Highlight Titled: "Hexaware Invests in Cloud Solutions to Help Clients Through the Post COVID-19 Era".
- Hexaware featured in ISG Briefing Note: "Hexaware's Triadic Framework for SAP S/4HANA Transformation".
- Hexaware featured in ISG Briefing Note: "Hexaware: Disrupting FAO via Automation".
- Hexaware featured in ISG Briefing Note: "Hexaware's Autonomous Led Digital IT Operations Ecosystem Empowers Enterprises with Innovation".
- Hexaware featured Among Top 25 Digital Case Studies in New ISG Book on Digital Excellence.

About Hexaware

Hexaware is the fastest growing next-generation provider of IT, BPO and consulting services. Our focus lies on taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight by 'Powering Man Machine Collaboration.' We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy - 'Automate Everything, Cloudify Everything, Transform Customer Experiences.'

We serve customers in Banking, Financial Services, Capital Markets, Healthcare, Insurance, Manufacturing, Retail, Education, Telecom, High-Tech & Professional Services (Tax, Audit, Accounting and Legal), Travel, Transportation and Logistics. We deliver highly evolved services in Rapid Application prototyping, development and deployment; Build, Migrate and Run cloud solutions; Automation-based Application support; Enterprise Solutions for digitizing the back-office; Customer Experience Transformation; Business Intelligence & Analytics; Digital Assurance (Testing); Infrastructure Management Services; and Business Process Services.

Hexaware services customers in over two dozen languages, from every major time zone and every major regulatory zone. Our goal is to be the first IT services company in the world to have a 50% digital workforce.

Learn more about Hexaware at <http://www.hexaware.com>

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Performance Update

Performance Highlights in US\$

US\$ Mn	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Revenue from Operations	208	211	214	211	188
% , q-o-q	-1.2%	-1.7%	1.8%	11.7%	4.7%
% , y-o-y	10.4%	17.0%	21.7%	23.1%	12.0%
EBITDA (Post RSU)	36	31	34	34	31
EBIT	28	24	29	29	28
PAT	20	23	24	26	22

Performance Highlights in ₹

₹ Mn	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Revenue from Operations	15,691	15,418	15,288	14,813	13,083
% , q-o-q	1.8%	0.8%	3.2%	13.2%	3.5%
% , y-o-y	19.9%	22.0%	22.1%	22.5%	15.1%
EBITDA Post RSU	2,713	2,336	2,397	2,377	2,118
EBIT	2,076	1,818	2,041	2,053	1,913
PAT	1,525	1,750	1,678	1,837	1,514
EPS (₹ per share)/Basic	5.10	5.86	5.62	6.16	5.08
EPS (₹ per share)/Diluted	5.04	5.79	5.56	6.07	5.01

Revenue by Vertical

% of Revenue	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Banking and Financial Services	38.5	36.8	35.5	38.6	39.8
Travel & Transportation	7.3	9.9	10.3	10.1	10.1
Healthcare & Insurance	21.1	20.1	21.0	19.3	19.2
Manufacturing & Consumer	16.9	17.5	18.2	17.1	16.0
High-Tech & Professional Services	16.2	15.7	15.0	14.9	14.9
Total	100.0	100.0	100.0	100.0	100.0

Revenue by Service Line

% of Revenue	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Application Transformation Management (ATM)	40.6	42.5	40.4	41.8	37.0
Enterprise Solutions	8.7	8.3	9.2	9.2	9.4
Digital Assurance	16.4	15.9	15.6	15.7	17.7
Business Intelligence & Analytics	12.6	11.4	10.6	10.9	12.3
Business Process Services (BPS)	7.7	8.5	8.4	8.2	8.0
Infrastructure Management Services (IMS)	14.0	13.4	15.8	14.2	15.6
Total	100.0	100.0	100.0	100.0	100.0

Revenue by Geography

% of Revenue	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Americas	75.3	74.2	74.4	75.4	76.8
Europe	17.4	17.8	17.5	16.6	14.0
Asia Pacific	7.3	8.0	8.1	8.0	9.2
Total	100.0	100.0	100.0	100.0	100.0

%	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Repeat Business	93.6	93.8	93.6	94.4	96.4

Nos	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Clients Billed	273	273	263	261	255

Nos	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Clients added	11	14	7	11	15

DSO

Days	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Billed	55	57	59	51	54
Including Unbilled Accruals	77	82	80	76	77

Revenue Concentration

% of Revenue	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Top 5	37.4	34.3	33.4	35.2	37.3
Top 10	47.5	45.1	43.4	44.4	46.4

Client Size

Nos (Last Twelve Months)	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
More than \$ 1 Mn +	119	126	129	124	120
Between \$ 1 to 5 Mn	88	91	95	89	85
Between \$ 5 to 10 Mn	18	21	20	22	24
Between \$ 10 to 20 Mn	7	8	8	7	6
Over \$ 20 Mn	6	6	6	6	5

Onsite:Offshore Mix with BPO

%	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Onsite	61.0	61.6	60.4	62.7	63.0
Offshore (Incl.Nearshore)	39.0	38.4	39.6	37.3	37.0
Total	100.0	100.0	100.0	100.0	100.0

People Numbers

%	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Billable Personnel (IT + BPS Services)					
Onsite	18.6	18.0	18.0	18.3	19.2
Offshore	72.8	73.8	74.5	74.2	73.2
Total	91.4	91.8	92.5	92.5	92.4
Marketing (Incl. Sales Support)	3.2	3.1	2.9	2.9	3.0
Others (Incl. Tech. Support)	5.4	5.1	4.6	4.6	4.6
Grand Total	100.0	100.0	100.0	100.0	100.0

%	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Utilization	79.83	76.50	78.46	78.97	80.70

%	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Attrition Rate: Last Twelve Months	14.0	15.1	15.8	17.3	18.2

Rupee Dollar Rate

	Q2 FY 20	Q1 FY 20	Q4 FY 19	Q3 FY 19	Q2 FY 19
Period Closing rate	75.51	75.67	71.39	70.88	69.02
Period average rate	75.41	73.06	71.35	70.36	69.42

Notes:

- Mobiquity numbers included in key metrics starting Q2FY19
- For 'Client size' metrics, Mobiquity numbers are an annualized view

Financial Statements

Consolidated Income Statement - Ind AS

All Amounts in INR M	Q2 20	Q1 20	QoQ%	Q2 19	YoY%
Revenue	15,691.2	15,417.5	1.8%	13,083.4	19.9%
Direct Costs	10,258.6	10,415.0	-1.5%	8,807.5	16.5%
Gross Profit	5,432.6	5,002.5	8.6%	4,275.8	27.1%
SG&A Cost	2,632.8	2,586.7	1.8%	2,116.5	24.4%
EBITDA before RSU cost	2,799.8	2,415.8	15.9%	2,159.3	29.7%
RSU Cost	86.8	79.9	8.5%	41.0	111.5%
EBITDA	2,713.1	2,335.9	16.1%	2,118.3	28.1%
Depreciation	636.7	517.7	23.0%	205.5	209.8%
Operating Profit = EBIT	2,076.4	1,818.2	14.2%	1,912.8	8.6%
Other Income (net)	(122.0)	(106.3)	14.8%	24.7	-593.6%
Forex Gains / (Losses)	(71.3)	434.2	-116.4%	73.8	-196.6%
Transaction Expense	0.0	0.0		(169.5)	
Profit Before Tax	1,883.0	2,146.0	-12.3%	1,841.8	2.2%
Provision for Tax	360.6	396.9	-9.2%	329.2	9.5%
Profit After Tax	1,522.4	1,749.0	-13.0%	1,512.7	0.6%
Share of Profit in associate	2.1	0.6	260.3%	0.9	145.9%
PAT After Profit in Associate	1,524.5	1,749.6	-12.9%	1,513.5	0.7%

Key Ratios	Q2 20	Q1 20	QoQ%	Q2 19	YoY%
<i>Gross Margin</i>	34.6%	32.4%	2.2%	32.7%	1.9%
<i>SG&A to Revenue</i>	16.8%	16.8%	0.0%	16.2%	0.6%
<i>EBITDA (Before RSU)</i>	17.8%	15.7%	2.2%	16.5%	1.3%
<i>EBITDA (Post RSU)</i>	17.3%	15.2%	2.1%	16.2%	1.1%
<i>Operating / EBIT Margin</i>	13.2%	11.8%	1.4%	14.6%	-1.4%
<i>Profit before tax</i>	12.0%	13.9%	-1.9%	14.1%	-2.1%
<i>Profit after Tax</i>	9.7%	11.3%	-1.6%	11.6%	-1.9%
<i>EPS - Basic (INR)</i>	5.10	5.86	-0.76	5.08	0.02
<i>EPS - Diluted (INR)</i>	5.04	5.79	-0.75	5.01	0.03

Consolidated Balance Sheet

INR M

Head	As at Jun 30 2020	As at Mar 31 2020	Q-o-Q
Assets			
Property, plant and equipment and intangible	8,927	8,330	597
Right of use assets	4,434	4,621	(186)
Goodwill	12,445	12,466	(21)
Capital work-in-progress	233	879	(646)
Deferred tax assets	1,655	1,557	98
Other non-current assets & investments in associates	1,078	1,155	(77)
Trade receivables and unbilled revenue	13,274	14,289	(1,015)
Other current assets	942	1,227	(284)
Cash and cash equivalents (inc. restricted)	8,864	4,406	4,458
Total assets	51,853	48,929	2,924
Equity and liabilities			
Equity Share capital	598	597	1
Other Equity and reserves	29,318	28,437	881
Total equity	29,915	29,033	882
Liabilities			
Non-current liabilities	518	305	213
Borrowings	4,002	4,020	(19)
Lease liabilities	4,052	4,192	(140)
Trade payables	3,998	4,276	(278)
Other current liabilities	4,955	4,150	805
Q1 Interim dividend payable	897	-	897
Deferred consideration	1,587	1,480	107
Provisions	1,928	1,472	456
Total liabilities	21,938	19,896	2,042
Total equity and liabilities	51,853	48,929	2,924

Consolidated Income Statement - Ind AS

USD K

All Amounts in USD '000	Q2 20	Q1 20	QoQ%	Q2 19	YoY%
Revenue	208,085	210,595	-1.2%	188,500	10.4%
Direct Costs	136,036	142,592	-4.6%	126,962	7.1%
Gross Profit	72,048	68,002	6.0%	61,538	17.1%
SG&A Cost	34,908	35,561	-1.8%	30,433	14.7%
EBITDA before RSU cost	37,140	32,441	14.5%	31,105	19.4%
RSU Cost	1,150	1,097	4.9%	591	94.6%
EBITDA	35,990	31,344	14.8%	30,514	17.9%
Depreciation	8,441	7,020	20.2%	2,964	184.8%
Operating Profit = EBIT	27,550	24,324	13.3%	27,550	0.0%
Other Income (net)	(1,618)	(1,395)	16.0%	355	-555.8%
Forex Gains / (Losses)	(951)	5,791	-116.4%	1,048	-190.8%
Transaction Expense	0	0		(2,445)	
Profit Before Tax	24,980	28,720	-13.0%	26,508	-5.8%
Provision for Tax	4,783	5,341	-10.4%	4,737	1.0%
Profit After Tax	20,197	23,380	-13.6%	21,772	-7.2%
Share of Profit in associate	28	8	248.0%	12	125.5%
PAT After Profit in Associate	20,225	23,388	-13.5%	21,784	-7.2%

Key Ratios	Q2 20	Q1 20	QoQ%	Q2 19	YoY%
<i>Gross Margin</i>	34.6%	32.3%	2.3%	32.6%	2.0%
<i>SG&A to Revenue</i>	16.8%	16.9%	-0.1%	16.1%	0.6%
<i>EBITDA (Before RSU)</i>	17.8%	15.4%	2.4%	16.5%	1.3%
<i>EBITDA (Post RSU)</i>	17.3%	14.9%	2.4%	16.2%	1.1%
<i>Operating / EBIT Margin</i>	13.2%	11.6%	1.7%	14.6%	-1.4%
<i>Profit before tax</i>	12.0%	13.6%	-1.6%	14.1%	-2.1%
<i>Profit after Tax</i>	9.7%	11.1%	-1.4%	11.6%	-1.8%
<i>EPS - Basic (INR)</i>	5.10	5.86	-0.76	5.08	0.02
<i>EPS - Diluted (INR)</i>	5.04	5.79	-0.75	5.01	0.03

Earnings Conference Call

Date	July 28, 2020
Time	6:00 PM IST

Participants are requested to kindly dial-in 10 minutes in advance to ensure that you are connected to the call on time.

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Replay Facility*

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**The replay facility of the conference call will be available 60 minutes after the call ends; from July 28 until July 30, 2020.*