

# SUSTAINABLE GROWTH

ANNUAL REPORT  
2011

TECHNOLOGY SOLUTIONS

INNOVATION

CUSTOMER FOCUS

HUMAN CAPITAL

# MILESTONES

1990

Hexaware was formed in India

1995

Operations started in North America and Europe

1997

Establishment of Airlines practice  
Wins first client for Airlines practice-  
Air Canada

1998

Development centres established at  
Mumbai and Chennai with an overseas  
branch at Princeton, USA

1999

Achieves SEI CMM –Level 4  
assessment for ODCs

2000

Partners with PeopleSoft in India for  
SEI CMM - Level 5 ODC assessment

2001

Merges with the software division of Aptech. This merged  
entity later demerged from the training arm and is now called  
'Hexaware Technologies Limited'  
Hexaware goes public in January 2001

2003

Wins mandate to set-up and manage PeopleSoft India Service  
Centre

2004

Launch of Caliber Point as an independant BPO arm  
Opens new office and proximity centre in Germany  
Launches SAP Practice, wins first major SAP implementation  
Assessed at level 5 of the SEI CMM

2005

Ranked 11th in NASSCOM Top 20  
Ranked among the best employers by DQ-IDC

2006

Completes successful acquisition of Focus Frame in Testing  
services

2007

Positioned in the Gartner Magic Quadrant for North American  
offshore application services

2008

Launch of Remote Infrastructure Management Services  
Hexaware's Green Campus at Siruseri goes live  
Ranked 15th in the NASSCOM Top 20 IT Software and Services  
exporters from India

2009

Presented the CIO 100 Ingenious award by IDG at the 4th annual  
CIO 100 Symposium

2010

Expands reach to 20 countries  
Signs the first USD 100+ mn contract  
Establishes Global Delivery Centre in Bengaluru, India  
Global Platinum Partnership with Oracle

2011

Wins a USD 250 mn contract – largest for the Company till date  
Signs USD 177 mn contract  
Wins Golden Peacock Award for Excellence in Corporate  
Governance

# Contents

## Management Review

Board of Directors	2
Chairman's Letter	4
CEO Speaks	6
Vision and Mission	7

## Hexaware Overview

Global Presence	8
Organisational Structure	10
Widening Spectrum	11
Strengthening Niche Expertise	14
The Year in Quarters	16
Exploring New Vistas	17

## Operational Review

Holistic Progression	18
Quality as a Way of Life	19
Enriching Thought Leadership	20
Leading Through Partnerships	21
Launch of Cloud View	22
Empowering Enterprise Mobility	23

## Commitments

Foundation for the Future	25
Human Capital	26
Diversity @ Hexaware	27
Hexavarsity	28
Passion and Compassion	29

## Recognition

Awards and Recognition	30
Hexaware in Financial Markets	31
Hexaware in News	32

## Statutory Section

Notice	33
Directors' Report	38
Report on Corporate Governance	52
Management Discussion and Analysis Report	70

## Financial Statements

Consolidated Financial Statements	81
Standalone Financial Statements	107

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our future prospects and take investment decisions. This report and other statements - written and oral that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', 'forecasts', 'guides' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Board of Directors



### Standing from Left to Right

Mr. R. V. Ramanan (Executive Director & President – Global Delivery)  
Mr. P. R. Chandrasekar (Global CEO & Vice Chairman)  
Mr. Atul K. Nishar (Founder & Chairman)  
Mr. Bharat Shah (Director)

### Sitting from Left to Right

Mrs. Preeti Mehta (Director)  
Mr. S. Doreswamy (Director)

**Standing from Left to Right**

Mr. S. K. Mitra (Director)  
Mr. Abhay Havaladar (Director)  
Mr. Ashish Dhawan (Director)

**Sitting from Left to Right**

Mr. Shailesh V. Haribhakti (Director)  
Mr. L. S. Sarma (Director)





Atul Nishar, Chairman

# CHAIRMAN'S LETTER

Dear  
Shareowners,

It is my privilege to present to you the 19th Annual Report of our Company, which has achieved healthy financial results, in spite of the challenging business environment witnessed by the industry for the year gone by. Driven by a single-minded desire to achieve, the revenue from operations recorded a robust annual volume growth of 37.6% to ₹ 1,450.50 cr in 2011. During 2011, Hexaware has significantly outperformed the industry growth rate by achieving double the growth rate reported by Nasscom for 2011. Revenue growth translated into higher profitability resulting in improvement in the gross margins by 400 basis points (Y-o-Y) to 38.4%, while our EBITDA margins expanded to 18.02%; up 940 basis points from 8.58% in 2010. Operating profit (EBIT) margin continued its expansion to 16.32%; a sequential increase of 1,000 basis points from 6.28% in 2010. The twin elements of rising top-lines and increasing operating profitability margins have had a consequent impact on the Profit after Tax, which increased to ₹ 267.00 cr in 2011; up 148% from ₹ 107.60 cr in 2010.

From a business standpoint, there was all round growth in all the geographies. It was heartening to see Europe and Asia Pacific contribute positively to the

growth trajectory of your Company.

This year also witnessed launch of a new vertical in the form of Healthcare and Insurance. Driven by the initiatives undertaken, the revenue share from the above business domain aggregated to 16% in the fourth quarter of 2011. In the light of this, Healthcare and Insurance has been carved out as the third focus vertical for Hexaware following Banking and Capital Markets (BFS) and Travel and Transportation (GTT). We remain committed to investing in strengthening our domain capabilities and developing new service offerings tailored to unique customer requirements globally.

We are continuing to focus on our Top 20 accounts in pursuit of large deals and are expanding our focused account management activities to cover beyond our Top 20 clients. Hexaware has secured six large deals over the past six quarters and has a healthy pipeline entering 2012. During the year 2011, four such large deals were signed. We signed our largest contract till date with value estimated at USD 250 mn with an existing client. Additionally, we have also secured a large contract potentially worth USD 177 mn over a five-year term. These large deals were won on the back of our dominant position in multiple technology platforms, an exemplary execution track record and a partnership approach to ensure maximum value accretion for the client.

## DIVIDEND

₹ 4.00

% of Face Value

▲ 200

## PAT

₹ 267 CR

% Growth

▲ 148

Remote Infrastructure Management Services (Remote IMS) contribute nearly 4% to our global revenue. In line with our strategic plan, Hexaware will continue to strengthen its competencies and invest in newer market niches within Remote IMS such as Enterprise Security Solutions and emerging areas such as Virtualisation and Cloud Services.

We have been steadily ramping up our delivery capability to cater to the demand uptake visible in the market place. The global headcount as on December, 2011 increased to 8,317 - an increase of 1,806 compared to December, 2010, exceeding our original forecast of 1,500 net addition in 2011. There has been a continued addition to sales and marketing team in the field and strengthening of our execution team throughout the year. One of the key focus areas for us has been to strive to create value for customers, both existing and new. We have consistently added 10-12 new clients every quarter and the excellent service standards and relationship management has ensured 192 active clients at the end of this year. We possess 52 clients in the Fortune/ Global 500 Lists and 52 clients generate more than USD 1 mn revenues per annum. Moreover, our Top 10 clients have contributed to 52.6% of revenues in the fourth quarter of 2011.

During the year 2011, we have invested ₹ 63.30 cr towards capital expenditure for physical infrastructure mainly in Chennai SEZ campus and for technical/ IT infrastructure. These investments help our Company ramp-up and scale for the next leg of growth during 2012 and beyond.

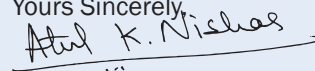
A best-in-class leadership team is the biggest driver in pursuit of excellence and maximising shareholder value in any organisation. We boast of a leadership team of excellent individuals who not only lead with vigor in their own areas of expertise but also synergise to achieve the common goal of Hexaware.

A major focus area for us is customer-centricity as we have built our organisation with an extensive focus on delivering value to the customer. We strive not only to ensure we deliver to the commitments made but are in constant pursuit of delivering maximum value to our customers. We believe in achieving wholesome growth for all the stakeholders and our excellent customer relationships are a testimony to the same.

As an organisation, Hexaware believes in achieving excellence and this can only be ensured by absolute belief in our core competencies which are established around areas of specialisation. Our focus will be restricted to pockets to attain leadership in those chosen segments viz. Capital Markets within which Asset Management in a much larger Banking and Financial Services, Airlines in Travel and Transportation, PeopleSoft in Enterprise Solutions, IP-led differentiation in both BI/BA and Testing as well as synergistic service offerings between IT and BPO.

As I conclude, I am pleased to announce that this stellar performance has helped us reward our shareholders in a significant manner with a final dividend of ₹ 1.50 per share (75%) subject to the approval of the shareholders. This brings the total dividend for the year 2011 to ₹ 4.00 per share (200%) on double the equity share capital post 1:1 bonus issue of equity shares in 2011, up from ₹ 3.00 per share (150%) for the year 2010. I thank you for your continued support and co-operation and will look forward to the same in the future.

Yours Sincerely,



**Atul Nishar**  
**Chairman**



**P. R. Chandrasekar,**  
**Global CEO and Vice-Chairman**



## Dear Shareholders,

It gives me immense pleasure to share that your Company delivered best in class revenue growth in the industry for 2011. It is satisfying to see the efforts expended over the last several years bear fruit in 2011. We continue on the same path – strengthening our domain competencies, increasing the breadth and depth of our horizontal service lines, continuing to focus on Innovation and adding value to our clients through all the steps mentioned above. Year 2011 was a robust year on multiple fronts - USD 308 mn in revenues surpassing all the upwardly revised guidance issued for the year, and four large deals during the course of the year in attestation of excellent execution. We added 51 new clients during the year 2011 and ended the year with 192 active clients including 52 Fortune 500/ Global 500 companies. Revenues from new clients accounted for 6-7% of total revenues with promise to grow into much larger accounts over the medium term. This ability to differentiate using core strengths helps us build relationships, and enables successful cross-selling to further grow each account. As a Company, we intend to drive our growth through securing these wins with existing clients and winning new orders through new initiatives such as carving out new verticals like Healthcare and Insurance, launch of a new horizontal - Remote IMS offering, and strengthening our market presence in UK, Latin America and Australia.

The heartening aspect of 2011 was the profitability margins which continued to expand in all the four quarters in succession resulting in an exit EBITDA margin of 23% in Q4 2011. During the year, the focus on managing the multiple levers paid dividend through a margin expansion across all the levels - Gross Margins, Operating Margins, Profit Before Tax and Net Income. To drive our growth momentum, we increased our global headcount to 8,317 with 1,806 net additions, of which

nearly a third were fresh graduate engineers from engineering schools. To cap a healthy performance, attrition during Q4 2011 dropped to 13.9% well below industry standards.

As a result, a sizable percentage of all Hexawarians today are fresh engineers – a number that will only grow, with implications on average cost and our competitive efficiencies going forward. Our growth is now truly broad-based; empowering us with adequate drivers. The performance in 2011 sets us on a platform to mitigate risks in an uncertain macro environment. The changes in the cost structure attained in the period of 2009 – 2011 makes Hexaware a competitive organisation. The success seen with the large deals renders Hexaware with potency to compete for large deals and new business in the market place. All of these have enabled Hexaware to expand its footprint in the market place. Thus, while PeopleSoft remains a dominant platform for differentiation, we now see benefits coming in form of increased experience in Oracle and SAP through recent wins. Even as an emerging practice, IMS accounted for almost 4% of our revenues this year, as our endeavour has been to win business in existing clients. We foresee further enhancements in metrics like resource mix and team structure, offshore business ratio and operational productivity cutting across technical and sales organisation for better performance over the medium-term. All these would obviously help Hexaware in its stated goal of meeting the guidances put out for 2012 and pursuing the goals far beyond. With satisfaction in our collective achievements, I invite you at a very opportune time to join us on our growth story!

Yours Sincerely,

**P. R. Chandrasekar,**  
**Global CEO and Vice-Chairman**



## VISION

We ensure customer satisfaction by adding value and honouring commitments at all times. We are committed to building shareholder value and maintaining high standards of corporate governance. We strive to be an eco-friendly organisation, inculcating good corporate citizenship.

## MISSION

To be competitive and proactive in providing software solutions to customers by continuously striving to exceed their expectations.

# Global Presence

Hexaware's global footprints span across 5 continents, 20 countries and 31 locations.

## NORTH AMERICA

- 1 Boston
- 2 Manhattan, NY
- 3 New Jersey
- 4 Chicago
- 5 Atlanta
- 6 Texas
- 7 California
- 8 Seattle
- 9 Montreal
- 10 Mexico (Saltillo)

## SOUTH AMERICA

- 11 Brazil
- 12 Argentina

## EUROPE

- 1 United Kingdom
- 2 Netherlands
- 3 Belgium
- 4 Germany
- 5 France

## ASIA

- 1 Qatar
- 2 Dubai
- 3 Saudi Arabia
- 4 Mumbai (Mahape)
- 5 Pune
- 6 Nagpur
- 7 Bengaluru
- 8 Chennai (Siruseri)
- 9 Japan
- 10 Malaysia
- 11 Singapore
- 12 Hong Kong

## OCEANIA

- 1 Australia
- 2 New Zealand

