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Hexaware
TECHNOLOGIES
YOUR SUCCESS IS OUR FOCUS

Forward-looking Statements
In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed 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', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Customer @ the core

In today's dynamic business environment, technology is emerging as the most important factor for companies to differentiate, improve processes, stay ahead of the competition, enhance efficiencies and augment productivity. As a result, corporates are considering Information Technology as an investment rather than an expenditure. Hence, it becomes more crucial for companies to find the right IT partner who brings in innovation, speed and precision to their business and at the same time deliver value without straining their bottom-line.

At Hexaware, our mission is to be competitive and proactive in providing solutions to customers by continuously striving to exceed their expectations. In line with our mission, we have built our organisation with an extensive focus on 'customer at the core'. In order to ensure that we deliver maximum value to our customers, we are getting closer to our customers, strengthening relations with our customers, making our customers operationally efficient and helping them stay ahead of the curve.



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Message from the Chairman



Dear Shareowners,

I am pleased to report that Hexaware has delivered a significantly better performance in 2013. This growth is the result of all the efforts which we have taken over the last couple of years: efforts like strengthening our domain competencies, increasing the breadth and depth of our service lines, our determination to remain relevant to customers and our long-term engagements with our key global clients.

With the prevailing adverse economic conditions across the globe, the permeation of disruptive technologies and the dynamic changing needs of customers, companies have no other option but to change the way they operate. Notwithstanding the global economic sentiments, I feel very happy to report that Hexaware performed very well in 2013. The Company grew by 17.3% to ₹ 2,285 crore in 2013 (in rupee terms). In dollar terms, the Company grew by 6.4%, registering a revenue of USD 387.8 million. Higher revenue growth translated into higher profitability as EBITDA margin improved by 170 bps from 20.7% in 2012 to 22.4% in 2013. Higher revenue growth coupled with improvement in operating margins had a cascading impact on the Net Profit, which increased to ₹ 379 crore in 2013, up by 15.7% from ₹ 328 crore in 2012.

I am proud to state that Hexaware has been built with an extensive focus on delivering value to the customer and customer centricity remains our major focus area. Our strategy of having long-term relations with key clients continues to pay rich dividends as we received 95.5% of our business from our repeat clients. Through the year, our top 10 clients remained very strong and continue to represent around 53% of our total revenues. Our efforts of adding new clients, globally and across our major focus areas continued and we succeeded in adding 48 new clients during the year, of which we expect around 10-15 clients to contribute significantly to our revenues in 2014.

With niche strength in key service offerings in Business Intelligence & Analytics, Enterprise Applications, Quality Assurance and Testing as well as the strength of the management team; Hexaware has been able to differentiate itself by the quality of its relationship with some of the largest corporations around the world. During the year under review, Baring Private Equity Asia hiked its holding to 70.87%

10.2%

Indian IT industry growth
in 2013 (in dollar terms)

17.3%

Revenue growth
in 2013

₹ 2,285 crore

Revenues earned
in 2013

₹ 379 crore

Net profit
in 2013

USD 100 million+

Revenues earned
in Q4 2014

₹ 100 crore+

Net profit earned
in Q4 2014

in Hexaware through an open offer to the shareholders of the company. Even though Baring Asia has become the major shareholder of the Company, the management team will continue ensuring continuity of relationship with all stakeholders particularly our customers, employees and public shareholders.

We have strengthened our leadership team by adding a new leader in Europe and North America, for BPM business and one in the Health care & Insurance vertical. Further, we added domain experts in the Health care & Insurance space to drive delivery and content for our Health care business.

We remained committed to invest in strengthening our domain capabilities and develop new service offerings tailored to unique customer requirements. During the year, we launched a new vertical in the manufacturing sector and created a new business segment called Human Capital Management (HCM). The purpose of this business segment is to integrate all our product competencies such as Peoplesoft, Fusion and Workday. This will also help us in focusing on our customers' needs, to provide integrated IT and BPM solutions and become a leader in this space across all geographies.

In our bid to get closer to our customers and serve them better, we opened two new global delivery centers (GDC). One in Saltillo (Mexico) in addition to existing two to cater to clients in North America, Mexico and Latin America and the other in Frisco (Dallas) in the USA to undertake critical IT projects and to add value to existing and new customers. We will continue investing in more GDCs in other cities and countries in order to serve our clients better, recruit best-in-class local talent and drive our revenue growth consistently.

Going ahead, we are optimistic about 2014. While the global economic growth might be affected by challenges, we are confident of our growth outlook. We believe that with the improvement in the global economy, the global IT spending will also improve, as

companies across the world will continue to invest in IT to boost productivity, increase span, stay agile and tap emerging technologies. We will continue to seek organic as well as inorganic growth opportunities that will continue to come our way in line with our strategic plan. In order to enhance our value proposition across key technology areas and position ourselves to take advantage of the opportunities, we intend to make strategic investments in Social, Mobility, Analytics and Cloud (SMAC) technologies.

As I conclude, I am pleased to announce that the stellar performance in 2013 has helped us reward our shareholders in a significant manner with a final dividend of ₹ 1 per share (50%) on equity shares of ₹ 2 each, subject to the approval of the shareholders. This brings the total dividend for the year 2013 to ₹ 11.10 per share (555%), up from ₹ 5.40 per share (270%) in 2012.

Lastly, I would like to place my gratitude towards our customers, partners, employees and shareholders who have supported us at every stage of our journey with the expectation that this support continues as we move forward in a dynamic and challenging market place.

Yours sincerely,



Mr. Atul Nishar
Chairman

53%

Contribution to
revenue from
our top 10 clients

233

Number of
active clients in 2013

72%

Technical utilization
in 2013

2

New global
delivery centers
opened in 2013

555%

Total dividend paid
during 2013 on
face value of ₹ 2

215

Freshers added
in 2013

Session with the CEO

Mr. P. R. Chandrasekar, Global CEO and Vice Chairman, Hexaware, speaks about the Company's performance, clients and outlook



ON THE COMPANY'S PERFORMANCE



The year 2013 was encouraging on multiple counts as the Company delivered robust growth despite the not so pleasant global and domestic macroeconomic environment. Hexaware's revenue increased by 17.3% (in rupee terms) & 6.4% (in dollar terms), EBITDA margin grew by 170 bps and Profit after tax increased by 15.7%. During the year, we remained focused on growing our business, servicing our clients and most importantly continued strengthening the organisation across all our business segments.

ON CUSTOMERS



During the year, we added 48 new clients across all our key focus areas, taking the total client count by the end of 2013 to 233. The clients generating annual revenues of USD 20 million plus have increased to 4 in Q4 of 2013 compared to 3 in Q4 of 2012. The clients generating revenues of USD 1 million plus has increased from 53 to 55 in Q4 of 2013. Vertical wise, our Banking & Financial Services reported good growth during the year as the contribution from this vertical increased from 30.5% in 2012 to 35.5% in 2013. In services line, revenue from the Quality Assurance and Testing Services (QATS) increased from 10.2% in 2012 to 13.3% in 2013 and Remote Infrastructure Management Services increased from 5.2% to 5.8%. As we move ahead, we will continue to make investments in strengthening our core competencies across verticals as well as horizontals and enhance our ability to add value to our clients.

ON EMERGING OPPORTUNITIES & PLANS TO CAPITALIZE THEM



As global businesses are searching for new and innovative ways to enhance their competitiveness, the Social, Media, Analytics and Cloud (SMAC) technology is emerging as a promising segment, which can change the way companies do business. It can help clients to transform their business. Keeping an eye on the future, we are investing heavily in the areas of Social, Mobility, Analytics and Cloud segment. We expect that this area will be a strong revenue growth driver for us in the years to come and it will contribute to increasing share of our overall growth. Our ERP business has been a major focus area for us and we are also making investments in both SAP and Oracle in order to strengthen our ERP business.

We are making consistent investment to strengthen our field force presence globally. To augment our growth further, we have been making consistent investment by increasing the quality and quantity of our front ending teams, hunters, account managers, practice professionals and enhancing processes & methodologies to boost their productivity. We are confident that these initiatives will help us grow our repeat business from existing clients and acquire new businesses.

With the global economy showing signs of improvement, the global IT spend of organizations will increase globally. In order to tap the emerging opportunities from new clients, we are expanding our presence in markets where we are already present and soon we will be penetrating into new geographies in emerging markets.

Board of Directors

Mr. Jimmy Mahtani
Non-Executive Director



Mr. Kosmas Kalliarekos
Non-Executive Director



Mr. Dileep C Choksi
Independent Director



Mr. P R ChandrasekarGlobal Chief Executive Officer &
Vice-Chairman**Mr. Ramanan R V**Executive Director &
President Global Delivery**Mr. Bharat Shah**

Independent Director

**Mr. Atul K Nishar**

Non-Executive Chairman



Board of Directors' Profile

MR. ATUL K NISHAR, Non-Executive Chairman

Mr. Atul K Nishar founded Hexaware Technologies in 1990. He has been the driving force providing company with strategic direction and marketing focus. Before establishing Hexaware Technologies, Mr. Nishar founded a computer training company, Aptech Limited in 1985. He grew Aptech to a leading global IT training outfit with over 2400 centers across 52 countries and served as its Chairman till 2003.

Mr. Nishar has been associated with several government and trade bodies that play an instrumental role in the development of India's IT Sector. He was the Chairman of NASSCOM in 2000 and continues to be on its Executive Council. Mr. Nishar is a Fellow of the Institute of Chartered Accountants of India and received his Bachelor Degrees in Commerce and Law from University of Bombay.

MR. P R CHANDRASEKAR, Global CEO & Vice Chairman

Mr. P. R. Chandrasekar is based out of Hexaware's New Jersey office and has vast experience in business development, channel development, merger and acquisitions and other strategic initiatives. Before joining Hexaware, he served as Head American operations and President Americas and Europe at Wipro. Prior to that, he was Director, Business Development with GE India. Mr. Chandrasekar started his career with ICI India in 1979 and thereafter worked with a California based consulting firm from 1986 to 1995. From 1995 to 2000 he worked with GE Medical Systems.

Mr. Chandrasekar holds a degree in Engineering from the Indian Institute of Technology, Madras and has done his MBA from the Jamnalal Bajaj Institute of Management Studies, Mumbai University.

MR. RAMANAN R V, Executive Director & President Global Delivery

Mr. R. V. Ramanan joined Hexaware Technologies in 2003. He has been instrumental in establishing and growing new service offerings including QATS and BI/BA horizontal practices at Hexaware Technologies.

Mr. Ramanan has over two decades of experience in managing large delivery operations across multiple geographies. He works closely with a few of Hexaware's key customers, helping them modernize and enhance efficacy of their IT systems. He also has been furthering Hexaware's research and development efforts. Prior to joining Hexaware, Mr. Ramanan worked as the Chief Architect for Citibank implementing Banking Software solutions in the European sector.

Mr. Ramanan holds a Post Graduate degree in Technology from I.I.T. Delhi.

MR. KOSMAS KALLIAREKOS, Non-Executive Director

Mr. Kosmas Kalliarekos, Managing Director, Baring Private Equity Asia and member of the firm's Portfolio Management Committee, has advised Baring Private Equity since 2004 and joined the firm on a full time basis in 2008. Mr. Kalliarekos was founding member and Senior Partner of The Parthenon Group, a strategic advisory firm with offices in Boston, London, San Francisco and Mumbai. Mr. Kalliarekos headed the firm's Education Industry Center of Excellence. For over 20 years he advised clients on issues related to operational excellence, strategy development and growth. Parthenon's client relationships span several industries, including consumer products, financial services, information publishing, educational publishing, and technology and services, and range from start-ups to Fortune 100 companies. Previously, Mr. Kalliarekos was Consultant with Bain and Company. Mr. Kalliarekos holds a B.S. in Economics from the Wharton School of the University of Pennsylvania and an M.B.A. from Harvard Business School where he was a Baker Scholar.

MR. JIMMY MAHTANI,

Non-Executive Director

Mr. Jimmy Mahtani is a Managing Director with Baring Private Equity Asia and is primarily responsible for Baring Private Equity Asia's investments in India and South East Asia. He has been with Baring since 2006 and has led investments in technology, infrastructure & building materials, education, financial services and consumer goods companies. Mr. Mahtani was previously a Vice President with General Atlantic Partners ("GAP") in Mumbai, whose India office he founded. During his tenure at GAP, he was responsible for India investments with a focus on the technology and financial services sectors. Previously, he worked for Bear Stearns & Co., Inc. in New York and Merrill Lynch in Washington D.C. Mr. Mahtani graduated with honors from Georgetown University, where he received a B.Sc. in Business Administration with a triple major in Finance, International Business and Marketing.

MR. DILEEP C CHOKSI,

Independent Director

Mr. Dileep C. Choksi, a Chartered Accountant by profession, has over 35 years of experience having qualified as a lawyer and a cost accountant. He began his career with C.C. Chokshi & Co. His areas of specialization include tax planning and structuring for domestic and international clients, including expatriates, finalizing collaborations and joint ventures, executive advisory and decision support, corporate restructuring with a focus on start-up, turnaround and change management strategies and analyzing tax impact of various instruments. He advises some of India's largest business houses on various strategic matters and multinational clients on cross border structuring and family succession and on wills and trusts.

Dileep is a member of the Board of Directors of various companies. He also was on the Advisory Board of foreign banks as well as Ex-Chairman of Banque Nationale De Paris, Bombay. He was the former Joint Managing Partner of Deloitte in India before setting up of C.C. Chokshi Advisors Pvt. Ltd.

Dileep is a Fellow Member of the Institute of Chartered Accountants of India, Bachelor of Law, Member of the Institute of the Cost and Works Accountants of India.

MR. BHARAT SHAH,

Independent Director

Mr. Bharat D. Shah is the Chairman of HDFC Securities Limited. He was one of the founder members of HDFC Bank and joined HDFC Bank in December 1994 as an Executive Director. He is on the Board of various companies like, Computer Age Management Services Private Limited, ADFC Pvt. Limited, Hill Properties Ltd., Salisbury Investments Pvt. Ltd., IDFC Alternatives Ltd. and Faering Capital Trustee Co. Pvt.Ltd. Mr. Shah acts as a Trustee at Vanita Vishram Trust. He is Chairman of BSE Investment Committee.

Mr. Shah has received his Bachelors in Science (B.Sc) degree from the University of Mumbai in the year 1967. He also holds a Degree in Applied Chemistry with special reference to Metal Finishing from Borough Polytechnic, London (1967-1969).



Customer @ the core

