

➤ SHRINK IT ◀
GROW DIGITAL ➤➤





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Hexaware Technologies Limited is a global leader and one of India's fastest growing outsourcing providers of IT, BPO, Consulting and Next-Generation Services.

The Company's long-standing competence in the industry is evident from the fact that it reported 12% revenue CAGR in USD terms and 21% CAGR in INR terms in the five years leading to 2015 and delivered profitable growth during a challenging year.



Shrink IT, Grow Digital



➤ SHRINK IT ◀

Hexaware's overarching theme is of Shrink IT, Grow Digital that allows clients to significantly shrink commodity IT spend while partnering with them to deliver their digital initiatives.

Shrink IT

Based on its decades of experience and current trends in the IT industry, Hexaware believes that most clients' spend on an average much more than they should on commodity IT services, such as Application Support and Maintenance (ASM), Testing, Infrastructure Management Services (IMS) and Business Process Services (BPS). The Company intends to position itself as the go-to service provider to help its clients reduce their commodity IT expenditure through its "Shrink IT" proposition, with the focus on reduction of quantity through intelligence driven automation.

Hexaware has identified certain specific set of levers to enable reduction of quantity by investing significantly in creating a platform centric approach to deliver ITO Services for both Application and Infrastructure Management services. It has launched RAISE IT Platform with pre-built automation components for IMS and ASM such as discovery, monitoring, analyzing and self-healing in addition to predictive analytics for proactive problem management. It leverages cutting edge Artificial Intelligence, Cognitive Analytical Engine, Big Data platform for IT Operations coupled with Robotic Incident Management to disrupt the current state of IT Services delivery.

Hexaware has also entered into strategic partnerships with multiple vendors of Robotic Process Automation (RPA) software, to enable rapid and intelligent automation of human intensive and rule-based back office administrative processes in the BPS space.

By embracing rather than avoiding these concepts, the Company expects to receive a higher share of the customer's overall IT services expenditure as they reallocate their budgets towards other products, thereby gaining market

share. Hexaware is well-placed to achieve this with its nimble footedness, anti-pyramid engagement approach and focus on partnering with innovative technologies for platforms.

Grow Digital

There is rapid change underway where industries are adapting new business models, driven by the disruptive force of digital technology. Clients are increasingly seeking leaner service models, enhanced CRM platforms and varied mobility offerings, while demanding more cloud-enabled services, less legacy technology and access to real-time insights for managers internally. Hexaware is at the forefront in enabling its clients to embrace digitization by changing the way they interact with their end customers, employees and supply chain, and help them gain a competitive advantage in the marketplace.

Hexaware's digital strategy is focused on transforming consumer experiences by reimagining the customer journey and improving the efficiency of business processes. Hexaware intends to continue investing in its digital offering and provide value to its clients by harnessing the power of data to derive real-time actionable insights, re-engineering business processes, modernizing application and infrastructure landscapes and building systems of engagement.

Hexaware's "Grow Digital" strategy will create better engagement with clients and lead to contract wins against more mature and established competitors and keep the Company's offerings relevant in a fast changing industry.

CHAIRMAN'S MESSAGE



Dear shareholders,

As corporates around the world cope with talent shortage, regulatory constraints and geopolitical challenges, three words have assumed unprecedented importance - 'pace of change'.

An inability to deal with 'pace of change' can effectively shrink market share leading to eventual extinction.

The need of the hour is of a service provider competent enough to address the demands of customers in 'real-time'.

What does this sweeping reality mean for customers and service providers like us?

One, most players across diverse industry verticals are seeking outsourcing partners who possess the competence to draw on the latest digital technologies, combined with their deep business understanding of customers.

Two, merely providing business-enhancing solutions may no longer be the answer; customers need business impact across defined metrics, which are being increasingly expressed in returns on employed capital and incremental profitability that their service providers now need to deliver.

Three, service providers like Hexaware do not just need to provide solutions for stated requirements; they need to second-guess clients to think of ways of how to take the customer's business ahead even before the customer can express such a need, evolving from a reactive vendor into a proactive consultant.

The Hexaware play

Hexaware is a distinctive solution provider.

We provide solutions in line with client needs; we assess the markets the customers operate in, the sweeping sectoral trends and financial performance.

We offer comprehensive solutions across varied sectors like asset management, asset servicing, capital markets, retail banking, corporate banking and leasing, among others.

We offer niche domain products and services across airlines and airports, travel and hospitality, transportation and logistics.

We provide a suite of strategic solutions to address the major discontinuities in the healthcare and insurance industry, including healthcare providers, life science companies and insurance providers.

We are also experienced in discrete manufacturing, hi-tech, engineering and construction, retail, education and telecom verticals.

Hexaware's combination of 'right size' and automation represents our biggest asset, enriching the brand, strengthening the customer's business and differentiating us in a competitive marketplace.

Hexaware has developed respect as a solutions-focused partner; the word 'partner' is operative because it immediately reinforces our brand as an enterprise committed to achieve a positive business outcome for our customer to the point that we are seen as a responsible extension of the customer's personality.

The digital opportunity

We believe Hexaware is at the cusp of an exciting inflection for a good reason.

At Hexaware, we have identified a specific set of levers to enable the development of a platform-centric approach to deliver ITO services for application and infrastructure management services and capitalise on the attractive unfolding prospects.

We leverage cutting-edge artificial intelligence, cognitive analytical engines and big data platforms for IT operations, coupled with robotic incident management to disrupt the current state of IT service delivery.

Our approach to automation is to look at opportunities that reduce the cost of management by enhancing automation versus traditional people-led service delivery models.

Case in point: Our 'RAISE IT' platform powers our managed services framework, delivers significant automation, enhances cognitive capabilities and does not just reduce cost but also optimises the entire infrastructural landscape.

We also entered into strategic partnerships with multiple vendors of RPA software to enable rapid and intelligent automation of labour-intensive and rule-based back office administrative processes in the BPS space. By embracing, rather than avoiding these concepts, we expect to carve out a larger chunk of the customer's overall IT services expenditure as they reallocate their budgets towards other products, thereby gaining market share.

Our goal is to transform how customers interact with their customers, employees and suppliers – a completely new way of running their business. Our approach is reflected in the ability to harmonize all types of data to derive real-time insights, modernize application and infrastructure landscape through the creation of a 'Composable Enterprise', drive process harmonization and re-engineer and use systems of differentiation to engage differently with customers, employees and suppliers.

At Hexaware, we do not address automation as just another new piece on the board. We believe this is a paradigm-changer; it can potentially eliminate 30-40% activities of a typical outsourcing partner, including manual interventions made by inexperienced professionals at the bottom of the service delivery pyramid.

The reality then is that with a number of services (and hence, revenues) being extinguished, the one-time scale advantage of the largest outsourcing vendors could well turn into a liability. As these large outsourcing vendors struggle to move with the nimbleness required, the additional expenses will be picked up by customers who continue to pay 30-40% higher than what the emerging reality would warrant.

The Hexaware differentiator

So what is the secret behind Hexaware's success?

It is the fact that we always act as if we are on the verge of losing a customer.

This is reflected in our responsiveness, turning projects around with speed, fusing the competencies we may have acquired in one vertical with the established competence required in another.

This is reflected in our commitment to allocate resources compatible with the challenges faced by the customer, putting the customer's interest over ours.

This is reflected in our anti-pyramid approach, wherein our consultants work with an ongoing client account for at least four years, strengthening domain understanding, customer relationship and the ability to evolve from a vendor to a consulting partner.

This is reflected in our innovation renewal, where employees are encouraged to innovate, not as an enforced afterthought but as an ongoing part of organizational DNA.

This is reflected in the functionality ethic woven onto our account teams, invested as they are with the freedom to make prompt on-the-ground decisions, strengthening our customer-leading culture.

Hexaware's strategy

Hexaware is at the right place at the right time with the right skills. Hexaware added USD 120 million in fresh business signed in 2015, among the largest order inflows in any financial year. Much of this growth in revenues and order book are the result of the attractive growth of our automation offering.

We intend to acquire a manageable quantum of customers each quarter, prudently allocating resources, establishing perceptible value while generating new customers or enhancing incremental business from each.

We will continue to report robust growth through our multi-pronged world-class customer experience strategy: understanding the customer's business, design, measurement, governance and culture. Besides, when these drivers are applied to the bottom 80% of our largest outsourcing customers, the result could be game-changing – for the customer and company.

Regards,

Atul Nishar
Chairman

Hexaware's combination of 'right size' and automation represents our biggest asset, enriching the brand, strengthening the customer's business and differentiating us in a competitive marketplace.



CEO's communiqué

In 2015, our primary objective was to outperform our industry average and reinforce a cycle of growth and profitability.

We outgrew a NASSCOM sectoral revenue guidance of 12-14% with reported currency revenue growth of around 15% to US\$ 485.5 million in 2015.

These are some of the highlights of our 2015 performance:

- Revenues grew 14.9% to US\$ 485.5 million
- EBITDA before ESOP grew 10.9% to US\$ 86.6 million
- EBITDA after ESOP grew 6.7% to US\$ 83.3 million
- Net profit grew 15.8% to US\$ 60.6 million
- Earnings per share (basic) after exceptional items stood at ₹13.05, up 22% over the previous year

The heartening feature is that this improvement came

notwithstanding a soft last quarter (Q4CY15). More than the year's performance, we are pleased to have created a foundation for sustainable growth. We reported new client bookings exceeding \$120 million. This order inflow provides us with attractive multi-year revenue visibility.

Our net profit outgrew revenue growth, indicating profitable growth. Our EPS (post-ESOP dilution) grew over 22%. Despite investments in long-term growth (which muted EBITDA growth), we continued to maximise utilization around 71.4%, with adequate headroom to scale growth at negligible costs when our investment impact begins to materialize.

Our performance would have been better but for a soft fourth quarter because of estimated furloughs, Chennai floods and clients rebalancing their budgets. Almost 45% of our global employees are located in Chennai. This reality was aggravated by a remuneration increment.

Two approaches

Hexaware reported attractive growth by eliminating the 'Watermelon effect' that has been challenging the industry. By cannibalizing our revenue, we have ensured a long-lasting, fruitful relationship with our clients.

We have been revolutionizing the IT landscape using our Shrink IT - Grow Digital approach. This unique approach helps in transforming digital business using distinctive blends of interlinked elements like Robotic Process Automation, Hyperconverged technology, Design Thinking and systems of differentiation.

'Shrink IT' is really about helping customers knock off 30% of their spend on commodity IT services, such as Application Support and Maintenance (ASM), Testing, Infrastructure Management Services (IMS) and Business Process Services (BPS). We have identified a specific set of levers to enable the reduction of quantity by investing significantly in creating a platform-centric approach to deliver ITO services for ASM and IMS. By partnering with various Robotic Process Automation vendors, we have enabled rapid and intelligent automation of human-intensive and rule-based back office administrative processes in the BPS space.

'Grow Digital' is focused on transforming consumer experiences by reimagining the customer journey and

The number of clients in the 'USD 30 million to USD 50 million' bracket increased from one to three, strengthening our pyramid apex.

improving the efficiency of business processes. We continue to invest in our digital offering and provide value to clients by harnessing the power of data to derive real-time actionable insights, re-engineering business processes, modernizing application and infrastructure landscapes and building systems of engagement.

Strengthening relationships

In 2015, Hexaware not only scaled its business but enriched business quality as well.

The number of clients in the 'USD 30 million to USD 50 million' bracket increased from one to three, strengthening our pyramid apex. Besides, we graduated clients over 'USD 20 million to USD 30 million' bucket, strengthening revenue visibility and profitability. Even as the last quarter of 2015 was not spectacular for our top five clients, the growth of business from them outgrew the company's growth annualized average.

Our people management best practices helped control attrition at 16.9% in 2015, well below the industry average of 19.9% (Source: Deloitte). In Q4 2015, our capacity utilization was below the optimal 70%-plus on account of furloughs and Chennai floods, a reality we expect to correct across the first two quarters of 2016.

Going ahead, we intend to work with customers in emerging areas like process reengineering, IT modernization and data power. We believe that this would help in generating meaningful and enduring changes in the way our customers engage with their customers.

Besides, we hand-picked niche areas within each vertical for prospective partnership or –investing in platforms that can enhance our access to straight-through processing. So while straight-through processing IT modernization represents a broad strategy for any industry on a custom work basis, we intend to bring platforms that can do the

STP work. We intend to offer this as a Business Process-as-a-Service offering delivering detailed services.

I urge you to stay invested in our enterprise, which is really the story of India's emergence in the digital technology domain, graduating us well beyond cost arbitrage towards genuine business-enhancing value.

With best regards,

R. Srikrishna, *Chief Executive Officer*



3 things our customers need to do to enhance their digital strategy effectiveness

- One, harness the power of all forms of data: structured, unstructured, sensor and IoT
- Two, modernize their IT landscape for key processes to get close to straight-through processes
- Three, engage in a process orientation first followed by IT modernization



The Board of Directors



- | | |
|--------------------------|---------------------------|
| 1. Mr. R. Srikrishna | 6. Mr. Basab Pradhan |
| 2. Mr. Christian Oecking | 7. Mr. P. R. Chandrasekar |
| 3. Mr. Atul K. Nishar | 8. Mrs. Meera Shankar |
| 4. Mr. Jimmy Mahtani | 9. Mr. Kosmas Kalliarekos |
| 5. Mr. Dileep C. Choksi | 10. Mr. Bharat Shah |

Mr. Atul K. Nishar, *Chairman*

Mr. Nishar founded Hexaware Technologies in 1990. He has been the driving force providing Company with strategic direction and marketing focus. Mr. Nishar is a Fellow of the Institute of Chartered Accountants of India (FCA) and received his Bachelor Degrees in Commerce and Law from University of Mumbai.

Mr. R. Srikrishna, *CEO & Executive Director*

Mr. Srikrishna, also known as Keech, is the Chief Executive Officer and Executive Director of Hexaware Technologies Limited. An extraordinary leader with a proven track record of building high performance teams, he has been named as Young Global Leader of the Year in 2010 by the World Economic Forum. He is a specialist in the IT Operations with two decades' experience. Mr. Srikrishna is an electrical engineer from IIT Madras and MBA from IIM Calcutta.