



## **Hexaware - Q1 CY25 Earnings April 29, 2025**

Moderator – Dinesh:

Good day and welcome to the Hexaware Technologies Limited Q1CY2025 earnings call. We will begin with the presentation by the Hexaware Technologies Management Team, followed by a question and answer session. If you would like to ask a question during the question and answer session, please select the raise hand button to be placed in the virtual queue. The raise hand button can be found at the bottom of the Zoom interface. I will now hand the conference over to Mr. Niraj Khemka from the Hexaware Technologies. Thank you. And over to you, Mr. Khemka.

Niraj Khemka:

Thank you, Dinesh. Hello everyone and welcome to Hexaware Technologies, Q1CY25 earnings call. In the call today we have with us Mr. R Srikrishna, CEO and Mr. Vikash Jain, CFO. In the course of this call, we may make certain statements which are forward-looking and may involve a number of risk and uncertainties. All forward-looking statements made herein are based on information presently available to the management and the company does not undertake it to update any forward-looking statements that may be made in the course of this call. In this regard, there's a full disclosure, which has been included in the investor presentation and the press release. We consider that as read. With this, I'll hand over the call to Keech. Keech, over to you.

R Srikrishna:

Thank you, Niraj. Could you go to the next slide please? One more. Thank you. So good morning. Good evening. Welcome everyone. For all that's happening around the world we had a surprisingly normal quarter. We expect quarter one of a calendar year to be a soft quarter always, and that's kind of how it was. It is a flattish quarter in terms of quarter and quarter. Still a solid YoY growth of roughly two and a half percent. Both are a little higher on INR terms, 16 and a half percent YoY on INR and a moderate growth QoQ on INR terms. While I wouldn't call these out in a good quarter, I'll call out two or three factors that contributed to our performance. There were two clients, this was planned, who moved their work offshore, and then there was one program which I will talk about later that actually delayed start and I'll say between them, they had a little over a hundred bps of revenue headwind during the quarter. Like I said, this is kind of what we would consider normal. Wouldn't call out in a regular quarter, but in a soft quarter I thought it is worthwhile calling out. The fact is the planned movement of work from onshore to offshore for two clients did help improve and improve our margins in a difficult quarter. So we've actually improved EBITDA from the prior quarter to 16.7 and actually our EBITDA in absolute terms gone up 20 odd percent YoY in absolute terms, and our EPS is up 16.7% YoY. And finally, we have a healthy closing cash balance as of 31st March, as we always do.

I want to spend some time on some of the investments and some of the key topics that happened during the quarter. The first is that we expanded our footprint in Dehradun. We actually moved to a

much larger facility. This is a good indication of the success of the location. We also opened a new 700 seater in Hyderabad. Some of you that may have seen our Chennai facility know that we have a customer experience center there. Post-Covid, as client visits to our centers have declined, we decided to open two centers, one each in New Jersey, Jersey City, and the second in London. And these are investments we've made to help get closer and bring some of our innovation closer to client locations. The Jersey City location we inaugurated a few weeks ago and London office actually, while we've already moved in there, the official inauguration is in a couple of days from now.

We closed our head count at 31 and a half odd thousand. This is actually net reduction from the prior quarter. However, if you peel the onion, our IT head count went up moderately, just shy of a hundred people, and all the reduction was actually in our BPS business. Attrition, we continue to do very well. It's range bound. It was 10.8, it's 11.2 and our utilization as expected after a full heavy quarter moved up in Q1. We spoke about our NPS score in the cycle directly prior to IPO. Actually since then, we've got results for 24 because the numbers we have published at that time were 23 results. Early this year we got results for 24 and as always, we scored very well. On NPS 67, 27 points higher than industry median. We continue to have three clients above 75 million and 1 in the hundred million plus category.

In a variety of discussions I've spoken about what are four strategies that we have, to accelerate and improve our historical performance and those four were; the first one was legacy modernization using AI and more specifically we think we have a highly differentiated platform, RapidX. The second was to open PE as a channel. The third was to expand our footprint in HealthTech and ISVs, and the fourth was to make our Middle East and India markets count more. And I think the last one, especially in the light of global macros, there is additional conviction that these markets, India and Middle East, will be more decoupled from world macros than other economies. So I'll touch a little bit upon each of these to provide a progress.

The most progress actually is in the first line, which is legacy modernization. So we did beta last year with two or three clients in Q4. There's a lot of confidence that came from that and we decided to invest in both accelerating the platform and in a go-to-market effort. And the go-to-market effort has been in place essentially since Jan this year. And I'm happy to say that we have shy of 40 clients in the pipeline for this already. And I can say that we've not had a new service that has attracted such a solid pipeline early in the process. To be sure, all of these, many of these, are in the POC process. That's how these will start because they tend to be very large and involved programs, but even the POC investments are material for clients.

We started our capability with [inaudible]. We've expanded it since to COBOL and PL/SQL. I think a good marker of success for us is when we talk the next time after Q2 that we should have moved at least one or two clients out of POCs into real full-scale modernization order. So that will be defining what good will look like for us in a quarter from now.

I think the second of the board for us where we've made the most progress is in the Middle East and India markets. I think we spoke about the fact that we did a couple of JB's, I think that's on the Middle East side and there is a very healthy pipeline in Middle East that we expect will play out through the rest of the year. India GCC is where we have been actively looking for ways to become significant in the market.

As a quick recap, for good or bad, we don't have a lot of footprint in GCCs and at an aggregate we see it as a big net new opportunity because we get virtually very low millions of digits, millions of revenue from GCCs right now, and you will hear some material updates from us in the next quarter on this.

I will pick ISVs as the third topic. I think some of you may have seen that we made a notification that Rac, who used to lead our high tech and professional services vertical as a combined unit, left the organization. He became the CEO of another company.

What was in the cards, in any case, we executed immediately, which is to separate high-tech and professional services. We have undertaken that exercise, so it'll take us a little bit of time to find a new leader, but that new leader is going to be very focused on high tech and ISVs market. The desired profile for us is somebody who's done this, sold into IVS at scale. And so we think that will give a boost to our ongoing efforts in ISV.

Lastly, private equity. We think there is obviously a fair bit of discontinuity in that market right now, but we think we will see outcomes coming through the Q3 and Q4 of this year. So we'll have more meaningful updates for you later in the year, but I will provide every quarter a brief commentary on each of these four. The reason is this; we've spoken about a 3 billion ambition on revenue for us. We've said good for us looks like getting there in calendar year 2029 and even through challenging macro this year. We actually feel pretty good about getting to that medium-term goal as a consequence of these growth accelerators and documents. Over to you, Vikash.

Vikash Jain:

Thanks, Keech. And move to the next one. So just to recapitulate what Keech mentioned, we had a good quarter with revenue year-on-year growth bank 12.4 percentage in reporting currency, 12.7 in constant currency. The growth was led by four out of the six verticals growing at double digits on year-on-year basis. We had double digit that came through a combination of both the existing accounts and new account ramp ups. The two verticals that did not deliver year-on-year are banking and MNC. Banking headwind is associated with project closure. That we had called out even in our last earnings call. However, we have a very healthy pipeline and we expect this vertical to grow meaningfully from a full year perspective. In fact would be one of the growth drivers for us at a overall company level.

MNC is expected to continue to face some headwinds. Recent challenges, whether it is in terms of the tariff market uncertainties create barriers are leading to bit of a delayed decision making and subdued spend. So that's the reason for MNC in terms of underperforming for some time. Let's go to the next one. The only key point to highlight here is very meaningful set of accounts that we continue to add. So from a last year perspective, if you look into it on an LTM basis, we have added two accounts, which are greater than 20 million dollar and one account which is greater than 75 million dollar. We do have a hundred million dollar plus account and as we had called out last time, hopefully by end of the year we'll have two accounts which are going to be a hundred million dollar plus. Next.

R Srikrishna:

So Vikash, I will take back over. Thank you. I think the most important aspect of Q1 for us is a number of solid wins that we think sets us up very well for the next quarter, for the remainder of the year. These wins are a mix of EN and NN and I will briefly touch upon several of these.

The first one is a transnational bank that provides aid. They go through a cycle of redoing the vendor list every five years. So this year, through last year, they went through a process early this year, they announced seven vendors, and I think we are, maybe one more, are the only non-incumbents in that list. What will happen is that through the course of the next two years, they will bid out 200 million dollars per annum roughly of work, which are restricted to seven of us. So we expect this account to be, it's a very large logo. We expect this will be a growth driver for us this year and a more material growth driver for us in future.

The second one is similar firm in Europe and where we are part of their... we are the lead implementers on SAP for their most important co-transformation project of back office on finance and HR. And this is a very large program that has eyes from the top of this bank. In fact large program that has eyes from the top of this bank. In fact, I'm a part of their business chairing committee for this. The third large global

bank this, and I will later provide an update on some of the pipelines that we spoke about in the past. This is a client which is still in pipeline for a large consolidation opportunity. They actually gave us a test drive and so we want a piece of work that has several components to it, but the most important component is app modernization and transformation.

The next one is a cool work. This is a legal advisory firm I think in a couple of weeks there is a legal conference, legal week, which brings together the heads of many legal firms, the tech heads and business sets, and actually an app, GenAI app-based platform. An app which we built for this firm is getting launched at this firm at this forum in a couple of weeks.

The next one, this is the bottom left-hand corner. One of the key things happening in the airline industry is called OnOrder, which allows airlines to distribute the products more widely, not just through their own websites. And this is a new standard that will allow them to do that and this is actually will be one of the first implementations in the industry for that. So this is the one-on-a-platform implementation one. We have been going after legal as a sub-domain, we already have a top five client in this domain. There's another one. A lot of the initial work is created because of a need to separate from China and we have specific experience in doing that rapidly. And this is again a top 10 global legal firm.

The next one is actually a healthcare division of a very large conglomerate that's separated into three businesses recently. And we have an app modernization and legacy modernization effort underway here. And the last one is one of the largest pet insurance companies in the world and many parts of the world pet insurance is a big thing. There's a lot of money that pet parents spend on pets and insurance is a way to manage that spend better and we want essentially a strategic supplier, there's an initial set of good set of work, but there's a lots pipeline for us to become for this to become a very material client for us. Very quickly. Next slide please. Vikash.

Vikash Jain:

Thanks Keech. So on the margins, we are progressing well on improving margins. Current quarter saw margin improvement of 40 bips. Q1 margin at 67.7 percentage. The 40 bips improvement was driven by operational benefit of 50 bips, which was partially offset with currency headwind of 10 bips. And the currency headwind for us is a combination of two factors. The underlying benefit that we get with respect to rupee depreciating, but at the same point of time how the hedges play out because we start taking hedges as per our hedge policies two years in advance. But you would see here that while the EBITDA improved by 40 bips, the net profit improvement is lower as ETR has gone up quarter on quarter. ETR for the current quarter is 25 percentage versus 23 percentage last quarter. Last quarter had some one-time credits in our ETR. As we had guided to earlier, our ETR guidance for the full year is approximately 26% versus 25 percentage from a full year of last year.

And what we saw in the current quarter, the marginal increase, what you would see in the subsequent quarters is an account of some of the SEZ units coming out of the tax holiday period. And if you look into our current quarter results, despite the currency headwinds that we absorbed in the numbers, we delivered a sequential improvement. And this is despite the fact that we have the ERP cost is still into our numbers, which is expected to go out in the future quarters. So we remain confident in terms of delivering to our quoted margins of 17.1 to 17.4 percentage from a full year perspective.

Move to the next one. We are making progress on our operational. We continue to make progress on our operational metrics and the offshore mix has improved by 200 bips sequentially. You heard Keech state that we had two clients move some of their work offshore, plus the ramp up in the new deals helped with the better offshore mix. Now while this is a bit of a revenue headwind, this has definitely helped us in terms of our margin expansion. On the headcount, while there is a net decline, if you look into the numbers, what we have given as part of the data book published with the results, you would

see that we added a hundred net headcount, approximately a hundred net headcount to 90, which was offset by a reduction in the BPS headcount of close to 850.

On the IT side, we have added headcount while improving our utilization quarter on quarter, demonstrating that we have an underlying volume increase. BPS there is a marginal decline in revenue quarter on quarter and the headcount associated with that has actually come down. We improved our utilization quarter-on-quarter. We expect our utilization to be range bound between 82 to 83 percentage from a full year perspective.

Let's move to the next one. DSO for the quarter is at 75 days. This is marginally higher than the target DSO level we have set out for ourselves, which is 70 to 72 days like every year. At the start of the current year, we had meaningful number of SOWs that were due for renewal. This is basically a paperwork while the work continues to happen at the client's end. However, it took a little bit more time than usual to have the paperwork executed this year. The resultant impact of the same is basically delays in invoicing and leading to a DSO increase. We expect the DSO to be back to the 70 to 72 days by the year-end. Similarly, on the OCF to EBITDA now we have a very healthy cash balance of \$225 million completely credit-free. Our goal is to generate OCF to EBITDA on an LTM basis at 70 percentage. And we always look at LTM basis as there cash flow seasonality primarily associated with tax and variable payouts in between quarters.

So our OCF to EBITDA for LTM Q1 is 67 percentage, which is marginally lower than our target levels of 70% driven by the DSO being higher in the current quarter. The ETR, as I called out, ETR for last year was 25 percentage. There was some variability by quarters both ways which actually offset the impact on full year basis. ETR for current quarter is 25. We expect our ETR for the full year to be 26 percentage. Last from my side just to add on the dividends, we declared dividend post-a quarter close of \$5.75 per share leading to a total payout of \$40 million. Keech, over to you.

R Srikrishna:

Thank you, Vikash. Could we go to the next slide please? This is our last slide and I'm going to spend several minutes hopefully addressing several questions that you may have. I think the first and top is really an update on our two JSC clients. I know there's been some risk perception worry about where this will go. So here's the update. So update on client one. This is one of the two consolidation deals that we won earlier in the year. The deal execution was delayed, but it's begun now. So it got delayed for a few to several weeks, but it is started now. So we are all good here. The delay was not just the revenue impact for that, but it's also a signal of what could further happen because we have a very large pipeline in that client. So the fact that it's begun now is actually a good signal for us that whatever uncertainty was there when the new administration took over has kind of receded.

In client two, we had a sharp ramp down. Now this actually was told to us early last week. It was quite, it didn't happen immediately, but we had a sharp ramp down which will account for roughly 1% of the company revenue. However, in my conversations with their management, what they said is this is our kind of here now attempt to reduce cost. How are our most sustainable way of doing this is that we want to consolidate, they have roughly 2,500 contractors, which they do business with over hundred people. We are less than 20% of that, but we are the largest. And they said they want to get it down to a very small number, somewhere between two and 10. And so that's a process that has started. So in many ways for this client, the way we look at it is the downsides are behind us and it's in the books and upside, potentially large upsides are ahead of us now.

We spoke on two deals that we won last time. We didn't provide a color on size of these. I want to provide, we have more clarity on what are the book of work that will come. So really client one, which is kind of the same one where the work got delayed, that will give us on annualized basis about \$20 to \$30

million per annum incremental revenue and ramped from Q2, partial ramped from Q2. Client two, we will get \$25 to \$35 million annualized incremental revenue. That again, the partial ramp is from Q2.

Now we also spoke about two very large, call it mega consolidation opportunities, in clients where we are non-incumbents for this work. We do other work on both these clients, but we're now incumbents for this. Both of these that have been positive progress, I'll say they're closer to a decision. In fact, in one of them they gave us a test run. I spoke about that deal earlier. Aside from these, we have two other very large consolidation opportunities in the pipeline. One of which I referred to already, the 2,500 FTEs. And in that as the largest incumbent, we feel good about where we are.

The other one is in another large global bank. We have a footprint, but we are not a strategic vendor. We have very large spend and this process will potentially put us in play for another half a billion dollar per annum of outsource spend. Now the reason I'm highlighting these is A, of course impact on our performance and our revenues, which is very positive. But I think more importantly also that we are now with some more consistency getting into consolidation deals in very large customers who have very large spends. And that's as a consequence of our focus strategy to make sure that we hunt material logos even on day one. It starts with low or even sometimes zero revenue. But eventually these are the clients where if you're in play you get opportunities which are very large.

So what does all this mean for '25? I think we last time said we are not going to provide guidance. We are taking a 10-year view. There'll be up and down cycles. We are going to stick to that. We are not providing guidance, but I'm going to provide as much color as we can. So Q2, actually our underlying performance will be very strong. There are two I already spoke about. One of the GSC's will have an impact of 1% of company revenue, that has already started. It was announced early last week and it's in effect immediately. That plus another large program which ended, normally that client would've had quite a bit of follow-on work, but their client in financial distress. So they have actually stopped follow-on work for that.

So just between these two, we'll convert Q2 from what would've been a great Q2 to a good Q2. So we still expect to have a good Q2, but actually underlying performance ex of these two will actually be a very solid Q2. And that momentum will continue into Q3. So we expect to have accelerated growth in Q3 and given some of the deals in the pipeline and the backend nature of the ramp up, we expect at this point that we will buck the usual trend in Q4 and actually deliver sequential growth in Q4 as well and much of this is not macro-contingent for us.

R Srikrishna:

This is not macro contingent for us. A measure of our confidence, we expect to hire 1800 to 2000 IT people in Q2, both to serve Q2 ramp and in anticipation of Q3 ramp.

Some vertical color and Vikash touched on some of these already, we expect banking and financial services to lead growth for us. FS already is and it'll continue. Banking, you've seen a couple of negative quarters, but you will see a very sharp, literally, potentially double-digit Q on Q growth starting immediately from Q2. So it will turn around and actually for the full year, we expect it to be a growth driver for us.

TNT, I'll say it's marginal, incremental weakness due to macros over the last several weeks, but it will still grow at roughly company average for us.

HTPS, HNI, we expect it to grow roughly at company average and MLC is where actually the biggest impact of macros is and it will help. It has had weakness and it will actually continue to have significant weakness.

Finally, on margins, I want to reiterate what Vikash said. We will improve our reported EBITDA to range in 17.1 to 17.4. We are not in the phase of profit maximization. These are what will happen naturally. We are still investing significantly in our business. I did speak about some of the investments we've made even in this quarter. ERP costs will be a tailwind for us. It will be the end of Q2.

Finally, on margins, there are medium-term levers to improve the margin 100 to 150 pips. However, our here and now focus is to not necessarily apply those levers, but instead focus on using that to maximize growth.

With that, we'll stop for Q&A. Dinesh?

Moderator:

We will now begin our question-and-answer session. If you have a question for today's speaker, please select the Raise Hand button at the bottom of the Zoom interface and you will enter a queue. After you are announced, please unmute yourself, state your name and company and ask your question. If you find that your question has been answered, before it is your turn to speak, please press the Lower Hand button to leave the queue.

We will now pause for a moment to allow the team to gather and assemble the queue.

Our first question comes from Ankur Rudra from JP Morgan. Please unmute your line and ask your question.

Ankur Rudra:

Hi. Good morning. Thank you for taking my question.

So maybe to start with, Keech, you gave a lot of detailed outlook. Thanks a lot for that. Could you maybe elaborate a bit more on the nature of client feedback you're getting across banks, financial services, manufacturing and travel on spend intentions, and how widespread are your client ramp downs and cancellations? I think you referred to two of them, specifically. Thanks.

R Srikrishna:

So I had the benefit we had in the first week of April, an annual client meeting at Pebble Beach Golf Resort in California, and we had call it 50 clients in that location. We had conversations with a number of clients about what did the macro mean for them, positive, neutral, negative.

I think manufacturing clients, a lot of them actually pulled out of the event. That, in of itself, tells a story and the ones that were there clearly said we have trouble. There were a surprising few client that actually said it's a positive for them. It was a surprise to me, but for them it was kind of, "Hey, this is a positive for us." For example, there's an insurance client that said, "Anytime there's high volatility, people tend to buy more of our products."

The vast majority said it's kind of a second order impact, so it's a wait and watch. They don't have any kind of specific plus or minus plans that are in motion, it's a wait and watch.

Now, Ankur, you said something, I mentioned a couple of client ramp downs. Actually I didn't. I mentioned one, which is a project that was scheduled to get over. Normally, there will be follow-up work from that, but that client, because of financial issues, did not choose to continue. They've chosen not to continue, at least for now. I can't recall another one I mentioned.

Ankur Rudra:

So the other one is the ramp down on your GSE client where you will be hit this quarter onwards. I was referring to those two.

R Srikrishna:

Yes. Sorry, yes.

Ankur Rudra:

But are there any other besides those two?

R Srikrishna:

No.

Ankur Rudra:

Okay, thank you.

R Srikrishna:

I mean nothing which is not on the normal course of business. Yeah.

Ankur Rudra:

Okay. So given all of this, Keech, what kind of visibility do you have into the year now, given the headwinds you face? Do you think you will be able to sustain the double-digit growth momentum, given you face somewhat tough comparable in both 2Q and 3Q?

And also if you can summarize the full-year outlook in a way, how should we think about it versus what you did in the first quarter or what you did last year? Thank you.

R Srikrishna:

Yeah. So I did say that Q2, late start of Q2, right? But actually Q2, our underlying role will be solid and actually because of the two clients that you refer to, it'll go from an outstanding quarter to a good quarter. So we'll still have a good quarter, and those two quarter-on-quarter headwinds will go away for Q3, and actually Q3 growth will accelerate. So we actually expect to have a pretty solid year, Ankur.

Ankur Rudra:

Okay, understood. Maybe the last question on the GSE side, just to clarify. Your second GSE client, the impact will happen for two months in the current quarter, it'll complete in 3Q, right? Is that the main to understanding this?

R Srikrishna:

Two and a half months, yeah. I mean, little under two and a half months. Two to two and a half months for current quarter and full quarter from the next, yes.

But their intention, at least right now, what they've stated is that they will make pretty quick decisions on the consolidation because that's a more sustainable path to cost reductions. Right now they've kind of taken up, as they described it, a peanut butter approach, just uniform cuts. They haven't given



thought to programs and things like that that get impacted. That's not a sustainable way for them, more sustainable ways through consolidation effort.

Ankur Rudra:

Got it. Appreciate it. Thank you so much.

Moderator:

Right. Just a reminder, if you would like to ask a question, please use the Raise Hand button, which can be found at the bottom of your Zoom interface.

Our next question comes from Abhishek Kumar from JM Financial. Please unmute your line and ask your question.

Abhishek Kumar:

Yeah, hi. Thank you for taking my question.

Keech, you mentioned that now Hexaware is increasingly participating in vendor consolidation or large deal scenarios. So one question is what is helping us win more in these deals? And second, have you seen more pricing pressure around large consolidation deals? Because it looks like these are the only type of deals out there in the market.

R Srikrishna:

So I'll say, I think the first question is not even why we win. I think the first question is why are we in these deals? Because they can only happen large, very large opportunities can only happen in very large clients, and I think it's a very systematic effort for us to hunt material logos. And I think we've mentioned in the past some 61, 62% of our revenues comes from clients whose revenues are above \$5 billion, and that's not an outcome without a focus and an effort behind that. So I think once you get in and you deliver well and over time you get an opportunity to play in this, right?

As of now, much of these opportunities that are in front of us, we are not CapEx fund. It's really kind of no downside or potential upside scenarios for us in many of these. Clients have chosen not to put our book of work into the mix or, in many cases, we are not even in that lane for that. But yet we've done well somewhere else so they've put us in play for something larger.

Why we win the ones that we've won is I'll say it's really kind of three things. One, whatever we executed, we execute very well. Two, we are able to bring more intensity and focus to the clients. And three, customers love our platforms.

Abhishek Kumar:

Okay, understood. Maybe one last related question.

It looks like the deal wins have been healthy. Any color on what would be the TCV order backlog we are sitting on compared to where we were maybe a year back, and which verticals you think order bookings are strong.

And maybe a related one is we have seen, you've mentioned a couple of ramp down, one ramp down and one delay, so that revenue deal TCV to revenue conversion. Do you think that would flow as usual or as we go through the year and there are uncertainty around, there could be gaps between TCV and revenue conversion? Thank you.

R Srikrishna:

The reason for the many gaps between TCV to revenue translation is the reason we're not reporting in TCV. Instead, I'm hopefully making it simple for you by translating it to specific revenue range of growth in the key deals.

This is obviously not all of the deals, but at least the large ones, we're going to try and translate to a revenue growth over the next 12 months for you, which is what we've done for two other deals.

Abishek Kumar:

Sure, that's helpful. Thank you and all the best.

R Srikrishna:

Yeah, I think you asked about vertical. I already gave commentary on verticals. FS and banking will lead for us and MLC will pull us down, what would otherwise been, or MNC will be a drag, others will be roughly on par.

Abishek Kumar:

Thank you.

Moderator:

Our next question comes from Shweta Seth from Alliance Bernstein. Please unmute your line and ask your question.

Shweta Seth:

Hey. Hi. Thanks for taking up my question, and thanks for the presentation. So I have two questions.

First is do you see any impact from reshoring in case of any risks due to any change in Trump policies?

And my second question, I'm not sure whether it's within your scope to comment right now, but just the question will be around the refinancing risk for the bond. What are you thinking about the USD \$1 billion bond that's maturing next year? What options do you have in case you're not coming to the dollar bond market? Thank you.

R Srikrishna:

Thank you. So on reshoring, we're not hearing any clients talk about it, certainly as it pertains to our business. You are hearing enough announcements, including IBM most recently that they're kind of invest more in the US for manufacturing. There's nothing really about services.

But should it happen, it's not necessarily a risk for us. I see it as an opportunity. We have a solid kind of employing brand in several major pockets around the US. I actually see it as an opportunity. The clients want to do more in the US.

The second question we can do, like you said, the bond is not on Hexaware where it's colored. Nevertheless, I'll say that we have good options on the table, so you should not think of it as an issue. So when or much before the time comes, there will be an answer for it.

Shweta Seth:

Okay. Thank you.

Moderator:

Our next question comes from Manik Taneja from Axis Capital. Please unmute your line and ask your question.

Manik Taneja:

Hi. Thank you for the opportunity, and my apologies that I joined the call late. So if you can, I don't know whether you've already answered that, but if you could break up the segmental performance between high-tech and professional services in the current quarter and how do you see each of those two parts behaving through the year? That's question number one.

And the second question is with regards to some of the challenges or the pressure that you are witnessing with some of your GSE customers. Do you think this drives more expansion in your offshore revenue mix and thereby some sort of a tailwind to margins as well?

R Srikrishna:

So on the first one, Manik, I mentioned earlier that we are actually going to split our high-tech and peers and we think that will give serious growth wings to high-tech. We've done this playbook before. Banking was embedded in a small portion of our financial services vertical. We separated it four years ago and has actually grown quite nicely, and we've acquired some major logos in the process. We're going to do the same to high-tech. High-tech, actually, is very small right now. So wouldn't be meaningful commentary to talk about differential performance between the two. Much of our performance is actually driven by PS right now, and that's the opportunity for us to do a lot better on high-tech and hence we are going to create a new vertical.

On the second one, we did answer in some detail on it, so maybe we can follow up with you in a more detail, but I'll tell you the high level or the two clients, one of them there was a slight delay in a consolidation deal, but that's since started, so we are actually on good wicket there. The fact that we've started also to us is a signal that things are back to normal. The second one, there was a sharp rundown that was announced early last week effective immediately; that'll have an impact of 1% on the company revenue for the year, but that is behind us. They also said they want to consolidate 2,500 vendors to a much smaller list. And as having just shy of 20% there, and as a large vendor, we actually stand at a very good spot in that exercise. But there was more details, then perhaps we could do that offline, Manik, since we answered in some detail earlier.

Manik Taneja:

Sure, Keech, my clarification on this one is basically does this provide an opportunity to increase your offshore revenue mix, given some of these JSC customers have largely been onshore service customers?

R Srikrishna:

I mean, in general, I think we will improve our offshore mix. We did improve it this quarter, but that is not because of the JSCs. Actually, there are two other clients that have planned movement from offshore to onshore that was a revenue headwind for us in Q1, but a margin ... sorry, revenue headwind, but a margin tailwind for us. So I don't think JSCs will be a driver of improving offshore mix. I mean, there is a one-time step reduction that will be an improvement for offshore, but there's still plenty of opportunities, like I said. In some ways the downsides are behind us. We think there is potential large upsides ahead of us.

Manik Taneja:

Sure, thank you and all the best for the future.

Moderator:

Just a reminder, if you would like to ask a question, please use the raise hand button at the bottom of your Zoom screen. Our next question comes from Dipesh Mehta from Emkay Global. Please unmute your line and ask your question.

Dipesh Mehta:

Yeah, thanks for the opportunity. Two questions, just want to understand because in second JSE client you indicated about immediate trim down kind of thing, so what factor led to it and whether you see risk it to play out even in the another client? Second question is about the CY25 outlook, whether any change, let's say based on what you observed in Quarter 1 and likely to see in next three quarter, compared to what we might have expected at the beginning of year, if any changes?

R Srikrishna:

See, on the first one, I mean what led to the reduction, I explained earlier, but the client is simply doing, and this is their words, quote unquote, "peanut butter." There was an ask from the administrator to reduce X amount of cost and they did, and they didn't give thought to where, what programs, what they were, nothing. That is all kind of phase two through a consolidation, a more thoughtful exercise that has already started. There's an RFI out already and their desire is to rapidly make a decision. And like I said, because we are the largest, we feel good about it. More than largest, we deliver outstanding work in critical programs for that. So there's no real why except, hey, it's a peanut butter spread off the cut.

Could it happen in the other one? I don't know. It's not happened till now. More importantly, I think our at least initial intel is that the administrator thinks the other one is better run. For example, they had already a hundred percent work from office implemented for three days a week. That was one of the big first things for the administration and these guys already have done it. Sorry, what is the second question, Vikash, can you remind-

Dipesh Mehta:

CY25 outlook, whether any change based on what we observed in Quarter 1 and next three quarter?

R Srikrishna:

Yes. Yeah, listen, I've called the negatives out very specifically and tried to characterize it as much as I can. There's a number of positives, so there's lots of pluses and deal wins. What is true is that our deal ramp-ups are, some have started in Q2, but it'll continue ramping through Q3, Q4 and others will start in Q3. So we will actually have pretty solid quarters ahead of us.

I'll leave it at that. I've said we won't do guidance, so I'm going to stick to that. We will have, Q2, I want to reiterate, it would have been a great quarter, it'll actually be a good quarter because of the two specific headwinds in Q2. Q3, those Q1 Q headwinds will go away, so we'll actually have accelerated growth Q3. And Q4, we will likely buck the trend of a flattish Q4 and actually grow in Q4.

Dipesh Mehta:

Thanks.

Moderator:

Right. Our next question comes from Girish Pai from BOB Capital Markets. Please unmute your line and ask your question.

R Srikrishna:

Girish, if you're saying something we can't hear you.

Moderator:

It looks like we are having trouble getting you connected. We will place you back in the queue and return to you later. We'll move to the next question. The next question comes from Abhishek Gupta from Axis Asset Management Company. Please unmute your line and ask your question.

Abhishek Gupta:

Hello? Am I audible now?

R Srikrishna:

Yes, Abhishek.

Abhishek Gupta:

Yeah. So I just wanted to check on the two clients which might impact our growth in Q2 as well. What are the kind of work which we are doing for these two clients and wanted to more clarity on the second client which we saw a sharp drawdown, like what is the criticality of the work for that organization? Just wanted to understand how this budgeting is happening within this corporate. Are they looking for that criticality? Are they even considering the criticality of work to ramping down the?

R Srikrishna:

So in this one, so there are two, one is the JSE and the other is, I'll come to the second one. In the first one we are involved in 80% of their transformation programs. Everything that is very core to their business, pricing, underwriting, securitization, forecasting, all of their core systems, we are involved in. Their data, we are the number one, right? In many of these, we are the number one.

So in this client, again, I said it a few times, they took a peanut butter spread approach for cuts on day one. They haven't had time to sort through programs, deliver the excellence, criticality, any of that. But they're doing that now. They've started an RFI process that will lead them there, for consolidation that will lead them there. So, that's client one.

The client two, we essentially built and finished for them, handed to them what will be the future of their company. It's a platform with four different brands. We did a new architecture to bring these brands and platforms together that'll help reduce development effort and materially improve velocity. So that's the work we did, which we delivered, like I said, usually it'd have continued to additional work, but they are not doing well so they stopped.

Abhishek Gupta:

Got it, sir. That answered my question. Thank you so much.

Moderator:

We have a last question coming from Gaurav Rateria from Morgan Stanley. Please unmute your line and ask your question.

Gaurav Rateria:

Hi. Congrats on good execution in an uncertain environment. Keech, I just wanted to understand for the deals where you're using your platforms, how are the contracts structured in those cases? Are there different outcome-based models which are being explored versus the effort-based business model that we have always dealt with in the past? Are there any new billing models that are in the works, especially with the advent of generative AI? Just trying to understand how the business model will evolve.

R Srikrishna:

So the old platforms like Tenzai is very kind of managed services. The construct hasn't changed. I think incrementally there is generic benefits into those kind of deals and contracts. On the newest, which is RapidX, I think it's evolutionary. We are going to experiment with different models. We're still in early phases. Remember we only brought it to beta at Q4 last year. So, it's early stages. Clearly our attempt is to see what's the best mechanism that will bring us value for the platform beyond the human effort.

Gaurav Rateria:

All right, thank you.

Moderator:

That brings our Q&A session to a close. I will now hand back to Mr. Srikrishna for closing remarks.

R Srikrishna:

Thank you. Thanks, Dinesh. We actually, like I said in the beginning, in the light of everything that is happening, we had a surprisingly normal quarter. We had actually a number of wins that make us feel good. We have uncertainties around two clients. I think we now know what the bad is, and that's in the books. There's potential significant upsides even with those clients going forward. And otherwise we are in play for a number of very large deals that can change trajectory of growth of a company quite a bit. Even without all of those happening, we will still have a solid Q2. We'd have had a great Q2, but we'll have a solid Q2 and a great Q3.

So with that, I look forward to speaking to you again, and like I said in the beginning, I will also provide you an update on our strategic initiatives every quarter. Look forward to the next quarter and look forward to meeting some you offline as well. Thank you.

Moderator:

This concludes our conference call. Thank you all for attending.