Hexaware Q3CY26 Earnings Call
October 29, 2026

Moderator

Ladies and gentlemen, good day. Welcome to Hexaware Technologies Limited's conference call for the Q3CY26 earnings call. We'll begin today's session with a presentation from the Hexaware management team, followed by a Q&A segment. To ask a question during Q&A, please use the raise hand feature located at the bottom of your Zoom interface. This will place you in the virtual queue. I will now hand the conference over to Mr. Ajay Joshi, Head of Investor Relations. Thank you. Over to you, Mr. Ajay.

Ajay Joshi

Thank you. Hello, everyone. Welcome to Hexaware Technologies' Q3 CY26 earnings call. In the call today, we have with us our CEO, Mr. Vivek Jetley, and our CFO, Mr. Vikash Kumar Jain. In the course of this call, we may make certain statements which are forward-looking and may involve a number of risks and uncertainties. All forward-looking statements made herein are based on information presently available to the management.
And the company does not undertake to update any forward-looking statements that may be made in the course of this call. In this regard, there is a full disclosure which has been included in the investor presentation and the press release. We consider that as read.

With this, I hand over the call to Vivek. Over to you, Vivek.

Vivek Jetley

Thank you, Ajay, and good morning, everyone. Thank you for joining us. It is a privilege for me to be speaking with you today on my first earnings call as the CEO of Hexaware. Before I proceed, I wanted to acknowledge Keech and the extraordinary contribution that he has made to Hexaware. For the last 12 years, he has led this business through significant changes and has grown our revenue fourfold. That is a substantial achievement. His legacy goes beyond numbers. It is in the client's relationships, the capabilities, and in Hexaware's culture. He leaves a very strong foundation for us and a great base for us to build upon. On a personal note, I am grateful for his generosity, for his openness, and keen insight. I have benefited immensely from his support through this transition, and I'm glad that we will continue to benefit from his experience and counsel as a senior advisor. I also wanted to acknowledge the broader Hexaware team. What has stood out for me through this transition is their commitment to our clients and to the work that we do every day. Client centricity is core to our DNA, and I want us to carry that commitment forward with clear priorities, accountability, and a relentless focus on delivery.

Now, many of you are hearing from me for the first time, so I'll start with a little bit about me,

what brought me to Hexaware, and how I see the opportunity in front of us. I will then turn to the quarter before handing it over to Vikash for our financials. I've spent about 25 years working at the intersection of data, AI, and enterprise transformation. Most recently, I was at EXL, where I was the president of insurance, healthcare, and life sciences businesses. Before that, I led EXL's analytics business, where we built and scaled an industry-leading advanced analytics, AI services, and data engineering capabilities. Over that time, I have seen several technology cycles up close. Data becoming strategic, cloud reshaping enterprise technology, and more recently, the AI adoption supercycle. Each shift created real opportunity, and each one needed new capabilities, fresh thinking, and the willingness to disrupt and build anew. We are now at the most pivotal moment with enterprise adoption of AI and the massive opportunity that it represents.

So why Hexaware? Why Hexaware at this moment? Because the ideal partner for AI adoption requires a combination of technology, data, AI, and business specialization that can be leveraged in a flexible and fast manner. AI is democratizing technology. Models, tools, and code are increasingly available to everyone. But the ability to deploy, to scale, to govern, and to produce business outcomes, that is still very scarce. AI can change the way companies operate. It can change how an insurer underwrites risk, how a bank services its customers, and how a healthcare provider ensures healthier patient outcomes. The services companies that will win the AI mandate will need to combine technology, data, and AI skills with deep business knowledge and the ability to execute, and that combination is a combination that Hexaware provides along with the scale, our deep roots in key verticals—a technology vertical that is growing really rapidly—clients that have trusted us for decades—and a fast-moving culture. I came on board because I believe that Hexaware has the ingredients to help define the next cycle, and I want to be a part of building that.

Now, at Hexaware, our AI strategy is built on three pillars. You heard a little bit about that on our AI day, and I wanted to reiterate that. Our first pillar is AI for IT. We are embedding AI across the technology lifecycle. Earlier this year, we launched Zero Friction Enterprise to help clients modernize their legacy systems, reduce technical debt, improve software quality, strengthen the cyber resilience, automate operations, and overall accelerate application delivery. Offerings such as zero tech debt, zero vulnerability, zero backlog, zero defects, and zero tickets help clients move forward towards a zero-friction technology environment. Zero license, which is a part of our zero-friction enterprise, helps enterprises move from managed subscriptions to owned assets and to gain traction. Since its launch earlier this year, eight customers have already moved workloads to our AI native or cloud native environments, saving them millions in terms of workload costs. And we're seeing a lot of interest, which is kind of expanding our pipeline for these offerings.

Just as an example, recently we helped a leading secondary mortgage enterprise replace its low-code, no-code workflow platform with a cloud-native solution. It helped them save more than $10 million in license costs.

Now, AI is only as effective as the context that it understands. So at the heart of Zero Friction Enterprise is Zerovity, our enterprise AI platform, and a first-of-its-kind approach to enterprise technology intelligence. It connects the context, the relationships, and dependencies across an enterprise technology landscape, revealing how systems interact, where risks and inefficiencies exist, and where transformation can deliver the greatest value. This is something that's going to be one of our big featured offerings going forward.

The second pillar for us is AI for business. This is where I believe the greatest value will ultimately emerge. The opportunity goes beyond incremental efficiency. It's about really reimagining how businesses are run. Now, this requires business knowledge, a clear understanding of the end-to-end workflow, the economics, and the client's desired outcome. As adoption grows, we see significant opportunities to embed AI in core business operations, driving faster growth, better customer outcomes, and stronger competitive differentiations.
Two recent projects illustrate our work. Number one, we're helping a bank that specializes in cross-border payments use digital twins and autonomous AI agents to replace the static and rule-based routing. And we're replacing that with real-time orchestrated global commerce. Effectively, we are building out the agentic infrastructure and the agents for individual outcomes for them.

Second, we're helping a semiconductor company deploy AI agents for root cause analysis and governed digital employees in a high-tech factory operations reducing mean time for resolution for them by about 90 plus percent. These examples are just a couple of the examples that we're working on in the AI for business arena, and we hope to do a lot more of these as we go forward.

The third pillar for us is AI foundation. Now, this is about helping enterprises build the capabilities to accelerate AI adoption for them, and more importantly, for them to realize a return on that investment. We help them build trust in the AI outcomes by helping them prepare their enterprise data, establish strong security, compliance, and governance through a harness, and we build and manage their AI infrastructure. Supported by a growing cadre of certified FTEs, these services help clients deploy and scale AI seamlessly as an example, we are helping a frontier model provider expand their AI model into global markets by helping them with pre-training, validation and reinforcement learning from human feedback, and in this particular case, we are doing that across multiple global languages and dialects.

Our expanded partnership with Anthropic, which we announced earlier in this quarter, is another concrete step in our shift towards data and AI. As a preferred partner in the cloud partner network, one of only a handful of India-based tech services partners, we will power our platforms with Anthropic's models, gain early visibility into their roadmap and starter kits, and access their new capabilities. Our FTE team, which includes a large Anthropic certified pool, will focus on cloud deployment services. We're also establishing an Anthropic unit to deepen the strategic client engagement, which will help our clients define and execute their AI priorities. Already about 1,200 Hexawarians are Anthropic certified. We remain on track to

meet our previously stated goal of 250 FTEs and 1,000 AI architects by the middle of next year.

Now, the strength of these offerings is reflected in certain recent industry recognitions. Gartner positioned Hexaware as a visionary in custom software development services, while ISG named us a leader in AI-powered business transformation with AWS. This recognition is an encouraging validation of the capabilities that we have already built.

Now, let me turn to Q3, and I wanted to just start off with some of the numbers. Revenue for the quarter was $412 million. It was up 1.6% sequentially. Now, this was below our expectations, and it reflects the softness in one of our GSE clients and slower than anticipated progress in selected large deals. Overall, our performance was encouraging with a lot of our verticals actually growing sequentially. Growth was led by Banking and by TPP, our Technology Products and Platforms business. On a geo basis, Europe and APAC are big drivers of our growth. And our adjusted EBIT margin was about 13.8%, excluding one-off costs related to the restructuring of our Netherlands operations.

Vikash will take you through the financials in detail. As I step into the role, my priority is to develop a clear assessment of our client commitments, the quality of our pipeline, and the assumptions that underpin our growth expectations. I'm also going to review our sales to revenue realization process and forecasting. Now, as we transition into the role, and as I'm starting off this quarter, we will not be providing an outlook for the current quarter, Q4CY26. We will ensure that our team and I can confidently stand behind our next outlook and that our process improves both the rigor and the accuracy of our forecasts.

I recognize the importance of visibility and consistency for our stakeholders. When we report our full year results, I will share our priorities for the year ahead and the key assumptions behind it. My objective is straightforward. It is to set clear expectations and build confidence through consistent performance against those expectations. Now, over the next 90 days, I will focus on three priorities. Number one, I will spend time with our strategic clients to understand where the business is heading, how their priorities are changing, and where they need more from Hexaware. These conversations will help us identify where we have earned the right to do more and where we need to improve.

Number two are people and execution. I want to understand what our best teams do exceptionally well and how we can make that a standard across the business. That means consistent high-quality delivery, faster decisions and effectively removing the obstacles that are getting in the way of serving our clients. Our team is central to the value we deliver and investing in the team is fundamental to the business we want to build.

Third, our capabilities and investment choices. We will access where deeper industry expertise, differentiated solutions and AI led offerings can create the greatest value for our clients. We will continue to invest in talent, platforms and partnerships with a clear line of sight from investment to client adoption and commercial results. I will share our strategic plan once that the assessment is complete. We will set out where we intend to compete. The choices we are

making and how we will measure our progress. Our ambition is to accelerate growth and our focus will be on growing our business and strengthening our execution. What you should expect from us is clarity on our priorities, discipline in our commitment and candor about our performance including where we fall short and what we are doing about it. We will set clear expectations, report transparently on our progress and hold ourselves accountable for that delivery. Before I close let me return to why I joined Hexaware. I believe in this business, in our people and what we can build together. My focus now is on working with our team to realize that potential and to convert it into sustainable performance. With that let me hand it over to Vikash who will take you through the financials. Vikash over to you.

Vikash Jain

Thank you, Vivek and welcome to Hexaware. Day one for you. Good morning, everyone.

I will take you through the financial performance for the quarter, the movement across our business segments, the key offerings and the cash flow metrics.

On the Deal Wins, let me add color to the deal wins in addition to what Vivek highlighted. The wins in the current quarter span across legacy modernization, data modernization, enterprise applications, customer experience and regulated industry transformation. Now what the portfolio reflects is a healthy mix of existing client expansion and new logos across industries and Geos.

In TPP vertical, we have been selected by a smart home and property technology platform to deliver AI meeting customer experience that would help improve revenue and operations for the end client. The commercial model is a reflection of what we are moving towards which is completely outcome-based pricing.

At a leading ANZ bank which is from our Asia Pacific region's banking vertical. We are delivering on a zero-license offering , saving the client millions of dollars in license costs every year.

In a global pharmaceutical player, we are delivering on an AI Application and Agentic Development. In this client, in addition to the current deal we are pursuing a separate large IT cost optimization opportunity.

In the manufacturing vertical we have been selected by a global data storage company to build on an agentic AI factory.

In a UK utility company, our engagement focuses on modernizing legacy applications using Power Apps and digitizing the regulatory and operational processes.

Bottom line is, we are seeing AI getting embedded into Application development,

modernization, data platform, customer operations and helping us gain market share both in existing clients and opening us new logos across the Geos.

In terms of our financial performance, revenue for the quarter came in $411.9 million. This represented sequential growth of 1.6% and YoY growth of 4.3%. In constant currency terms, revenue grew over 1.7% sequentially and 4.5% YoY. In Rupee terms, revenue was INR 39,331 million up 2.3% sequentially and 12.9% YoY. In Dollar terms, the sequential growth of 7 million revenue was driven by a combination of volume, better seasonality, partially offset by lower license revenues.

On margins, reported EBIT for the quarter was at 12.2%. This quarter included 160 bps of items that we have adjusted for, resulting in an adjusted EBIT margin of 13.8%. On an adjusted basis, margins improved by 17 bps sequentially.

The sequential improvement was supported by calendar and foreign exchange. This was partly offset by continued investments in capabilities and growth as well as increase in onshore revenue mix. The reported PAT was at 10.9% while the adjusted PAT was lower than the reported PAT at 9.4%.

Now let me explain the one timers in the current quarter. First is towards acquisitions. When restructuring M&As, we design the earnouts in a way that we pay for performance. Now when acquired businesses deliver as was with the large majority of the SMC earn out, we paid. When targets are not met, the contingent payment is reversed and the customer intangibles are amortized.

Now this quarter is a good example of that mechanism which is working on both ways and you would see that. We recognized a 530 bps earnouts reversal on SMC, while the performance of Cybersolve led to an additional 110 bps earnout charge. In other words when performance supports a higher payout, we recognize the additional cost and where the targets are not achieved, the liability is reversed. The net impact was 420 bps credit in other income, partly offset by 140 bps of intangible amortization.

Second, is the leadership transition. This quarter we saw a leadership transition at the CEO level that had a net impact of 20 bps in the P&L and that's a one-time charge.

Third, as part of aligning our cost structure with the needs of the business, we have restructured our Netherlands operations during the quarter. Now there is a one-off cost of close to $6 Mn, which we took in the quarter and the restructuring is expected to improve the profitability of our business on go forward basis.

The restructuring costs include an one-time severance, legal and lease closure effects that had an impact of around 150 bps at PBT level. On a go forward basis, we expect this to improve our annual Operating margins by 40 bps every year.

EBIT Level only has impact of amortization of intangibles in leadership transition. While at a PAT level there are impacts associated with EBIT Level plus impact of restructuring of our Netherlands entity, reversal of acquisition earnouts and the related tax effects.
From a margin perspective YTD Q3 our EBIT Margins have been at 13.6%. Now Q4 we know is a seasonally weak quarter for margins. Next quarter margins would have headwinds from seasonality and merit increase partially offset from tailwinds from better realization and operational improvements including the uplift from the Netherlands entity closure that I spoke about earlier.

We announced our merit increases yesterday to the organization, and the merit increases are going to be effective from the first of October. This is one of the first decision that Vivek has made immediately after joining. The merit increase impact is close to 100 bps.

For CY26, we continue to expect adjusted EBIT margins to be within the communicated range we had given earlier. However, given that we have one quarter left, we are narrowing the full year margin range to be in the range of 13 to 13.5%.

A bit of the color on the units. YoY growth was broad-based with 6 of the 7 verticals delivering YoY growth. Banking, TPP, PS, H&I delivered healthy YoY growth. On sequential basis growth was led by FS, Banking and TPP.

Financial services grew 3.0% sequentially and 2.4% YoY. Now within this vertical one GSE client is gaining traction following a vendor consolidation exercise that we completed in the current year. The other GSE client where we had benefited from consolidation last year is now going through a cost-optimization exercise. Now we continue to maintain market share and not losing it to any competitor, however there is a headwind coming in from the cost optimization exercise that the client is undertaking. This affected Q3 and will continue to have an impact in Q4.Absorbing this headwind, we expect FS to grow full year though it will be below the company average.

Healthcare and Insurance declined 40 bps sequentially but grew 6.3% YoY. The sequential softness was mainly due to lower asset revenue offset by volume and calendar benefits. The underlying business remains very healthy supported by rampups and broad based growth in our Europe portfolio.

Healthcare and Insurance will be one of our strongest YoY drivers for the company on a full year basis.

Manufacturing and Consumer – Deal closures as we have called out earlier have started converting into revenues and the vertical grew 1.8% sequentially and 3% YoY. Growth was broad-based across accounts, sub sectors and geos with contribution from both existing clients and new logos. This is the 5th quarter of continuous YoY growth for M&C.

Professional Services was broadly stable sequentially and grew at 7.8% YoY. Now the sequential performance reflects normal seasonality after a stronger prior quarter for the largest client in this vertical. You would recall the largest client in this vertical follows a fiscal year which is from July to June so Q2 for us which is Apr to Jun, turns out to be very strong for this vertical.

Banking – Delivered another strong quarter growing 6.6% sequentially and 13.5% YoY. Growth has been secular for the last few quarters and we expect the last quarter to be strong for the full year. YoY growth is faster than the company average and has contributed from all the three geos.

Travel and Transportation – Declined 3.5% sequentially and 8.5% YoY reflecting softness in the end client demand and the ongoing conflict in the Middle East. We expect this vertical to remain soft for the full year.

TPP – grew 7.2% sequentially and 9.7% YoY. This vertical, which we began reporting separately this year, is showing good traction though on a smaller base.

By geos, Americas grew 1.5% sequentially and 1.1% YoY. Performance as I had called out earlier was affected due to the softness in one of the GSE clients and the high-water mark based included a large asset transaction in the HNI vertical. The YoY growth is led by professional services and banking. Adjusted for the large asset deal, H&I's growth in North America has been material and significantly outpaces the region and company average.

FS, which is the largest vertical in Americas has been growing slower on the back of the GSE client which we spoke about earlier.

Europe, grew 3.1% Sequentially and 12.8% YoY supported by account rampups both in existing clients and new logos. Europe's YoY growth is broad based across the verticals. H&I, which is the largest vertical in Europe, has been the primary driver of growth on the back of continuing wins across new clients and wallet share gains in existing clients.

Asia Pacific delivered healthy YoY growth at 20%. Vertical growth is broad based with FS Banking and M&C driving growth. As I called out earlier, GTT has shown material softness in APAC due to the ongoing macro situation in the Middle East.

On client metrics, our client portfolio continues to broaden. We now have 32 clients with an annual revenue greater than 10 million compared to 30 a year ago. The number of clients above 20 million increased to 17 from 15.

Turning to our operating metrics, total headcount closed at 35,887, with a net addition of 1,381 during the quarter. IT additions was 386, the larger addition was in BPS, which was

towards fulfilling seasonal demand in Q3 and Q4. Our onshore mix increased to 53.1%, this reflects the impact of rebadge-led engagements and recent ramps. We will continue to manage delivery mix as these programs mature.

Voluntary attrition - In IT, it remains stable at 11.1%. Utilization was 84.9%, broadly unchanged sequentially and healthy by historical standards. We expect utilization to remain range bound as we balance delivery efficiency with capacity for future growth.

Our closing cash and investment balance was close to $200 million, an increase of $23 million sequentially, mainly driven by operating cash generation. We continue to be debt-free.

DSO came in at 77 days, one of the best in the industry compared to 78 days in the prior quarter. We again expect DSO to remain range-bound by year-end.

Cash conversion continues to remain strong. The last 12 months operating cash flow is close to 110% of reported profit. Effective tax rate for the quarter came in lower at 21%. The lower rate is because of the earn-out reversals, which are not taxable, partly offset by the write-off of deferred tax assets associated with the Netherlands restructuring. Our normalized full-year effective tax rate expectations remains between 25 to 26%.

EPS for the quarter was 7.06, up 30.7% sequentially and 16.1% year-on-year. The sequential increase was supported by the earn-out reversal, which increased reported PAT relative to adjusted PAT. This quarter also included approximately 3 million of hedge and translation losses. Based on the current hedge book and September-end exchange rates, we estimate losses of approximately 4 million and 3 million over the next two quarters respectively.

To summarize ,Q3 delivered sequential revenue growth, a modest improvement in industry adjusted operating margins and healthy operating metrics and strong cash conversion. Growth was led by FS, Banking, and TPP. While the principal headwinds came from the GSE client, travel and transportation, and lower asset revenue.

We remain focused on disciplined execution, protecting margins, while continuing to invest in the capabilities required for growth.

With that, we will open the call for questions.

Moderator

Thank you very much. We will now begin the question-and-answer segment. To ask a question, please click on the raised hand button at the bottom of your Zoom interface to enter the queue. Once announced, kindly unmute yourself, state your name and organization, and proceed with your question. If your query is answered before your turn, you may press the lower hand

button to exit the queue. We'll pause briefly to allow the team to assemble the list of participants.

Your first question comes from Anmol Garg. Please unmute your audio and ask your question.

Anmol Garg

Yeah, thanks for the opportunity. I had a couple of things that I wanted to understand. Firstly, Vivek congratulations on the new role. I wanted to understand from you as your strategy going ahead, do you wish to add or double down on any service lines or any particular vertical that you may see traction right now in the market? As well as, do you want to change something in the sales team, particularly on the incentive side of things?

Vivek Jaitley

Yeah, so first of all, thank you, Anmol, and look forward to meeting you in person sometime soon. So what we are going to do over the next 90 days is actually do a full review of our strategy. Now, this is going to include thinking through where are the areas that we want to double down in. So where do we want to play? It's going to include a review of what it is that we want to kind of compete with. So what do we do? And then also an aspect of how do we make that happen both in terms of sales—so what do we do with large deals, what do we do with the go-to-market—and then also in terms of delivery, which is how do we bring more focus into the delivery. Finally, we're going to look at our investments and take a look at which are the areas we want to invest in where we want to grow. So the sum total of all of that is going to basically be our strategy plan, which we will hopefully bring back to you, the next time that we meet. From that point on as I said earlier, we'll set out the roadmap and the expectations, and you'll see us kind of follow through against the execution on that and also give you a line of sight to certain metrics around the execution. So, this is day one for me, but that's essentially the plan that we'll put together over the next weeks and couple of months and then come back and show you that.

Vikash Jain

Just to add to that, just to add to that on the second part of your question with respect to the sales incentive plan: If you recall on our AI day, Shantanu presented that very recently we transitioned for our hunting team from a quota-based plan to a commission-based plan. And that's something which we expect is going to work out well but as Vivek mentioned, I think everything is going to be reviewed with a lens of what can help us in terms of increasing the velocity of the deals both from a demand generation and from a demand capture perspective. But just wanted to call out that hey, there's something we recently changed in the current year from a sales incentive perspective.

Anmol Garg

Understood. My second question is on the guidance. So, I know we haven't given guidance this time, but last time our guidance was around six to seven percent. So now, after 1.7 percent growth in this quarter, to achieve the guidance, the ask rate required for the fourth quarter remains quite high in the range of 4 to 5%. So do you see any sort of traction in the fourth quarter this time and what could lead to meeting our guidance?

Vikash Jain

You know, as Vivek mentioned in his opening remarks, revenue for the quarter was below our expectations. And that reflected the softness in one of our GSE clients and slower than anticipated progress in some of the large deals. Now, these ones continue to have impact even in Q4. So while we are not sharing a specific number for the quarter, what I would like to call out is we expect Q4 to follow the seasonal pattern you have seen from us in previous years. And in previous years, Q4 basically has the usual effect of furloughs and fewer working days leading to a sequential decline. So I just wanted to reiterate that: hey, we are not giving specific guidance per se, but what we are calling out is Q4 is expected to have the same seasonal pattern what you have seen in previous years.

Anmol Garg

I had one more question. So we had, you know, liquidated Mobiquity Netherlands this quarter. So any kind of revenue impact in the coming quarters, Vikash, that you can sort of indicate over there?

Vikash Jain

No, so I mean, I want to reiterate one thing that Mobiquity for us has worked out to be a great acquisition in terms of building our capability from a product development perspective and did this acquisition back in 2019. Now, Netherlands operations came in along with that. A lot of the customers have what COVID taught and this acquisition we did before COVID, what COVID enabled the customers to see is a lot of the work, which was getting done from an on-site perspective, similar quality of work can be done from an offshore perspective at a much reduced price point. So the clients actually transitioned a lot of the work toward their operations and other offshore locations or low-cost locations. So from a revenue perspective, it has marginal impact. Being a complex labor law country, while the revenue declined, we could not optimize in terms of our costs in line with that revenue. And hence, we had to make this decision in terms of restructuring our operations. So, a long answer to your question, but the short one-word answer for that is we don't see a material impact in terms of revenues because the revenues were already transitioned to offshore locations.

Anmol Garg

Thanks, guys. I'll join back in the queue.

Moderator

Your next question will come from Gaurav Rateria with Morgan Stanley. Please unmute your audio and ask your question.

Gaurav Rateria

Hi, thanks for giving us this opportunity. Many congratulations on your exciting new role.

My question is with respect to the business momentum that we had built over the last several quarters, which was supposed to help us exit this year with a very strong rate and give us momentum for the next year. Now, I understand that we are in the middle of this transition that is taking place. But if I were to break down the entire outlook into two parts, which is one part is the existing momentum in the business that we had built over the last several quarters, along with the macro and client-specific things that are going on, versus the transition that we have seen in the senior management team. And because of those transitions, some things kind of getting here and there in terms of the plans. So I just want to understand: I agree with the transition part. I understand that we'll come back in 90 days and come out with a refresh on the strategy. And I totally support on that. But what about the existing momentum in the business that we had built? How should we think about that?

Vivek Jetley

Sure, sure. So I can take a stab at this and then I think Vikash will also pitch in with some specifics. So I want to be clear, absolutely clear about one thing, which is as far as the company is concerned, as far as Hexaware and these employees, there has been no slacking off. There has been no kind of taking the eye off the ball in terms of business. The kind of motion that we had under Keech and the kind of cadence that we had in terms of chasing up after clients, that stayed through in this transition period and you'll actually see that stay through consistently over the next few months. So there's not really been any impact whatsoever in terms of the company. Now, the momentum that you're talking about, it actually still exists. When we look at our pipeline; all those opportunities are still there. The deals have progressed. What hasn't happened, and this is where the impact in Q3 came in, was we'd actually expected some of those deals to have already closed. And for various reasons, and client reasons, in certain cases, longer decision cycles, some of those deals have not closed at the same rate at which we expected. Now, we can actually see all of those close in Q4. We can see some of them close in Q1. The short answer is I didn't have enough information right now to be definitive about when they'll close and project that out. And that's why we're kind of stepping back and taking some time. But there's actually been no change at all in the underlying

business momentum. When we see our pipeline, when we see the deals in the pipeline, it's all looking very, very strong.

I want to close out with one other thing on that aspect which is you know we talked to you earlier about a lot of these client are kind of our vendor consolidation effort where they were coming back and asking about you know looking at vendor consolidation for rate saves. We've actually gone back and won most of those vendor consolidation initiatives. Of all the ones that we'd entered in, at this point in time, there's only one that is pending and only one where the result was negative for Hexaware. But everything else, Hexaware has actually come out as a winner.

So I think there's also a lot of momentum that's in the business from that. And we expect to see both those things play out. Vikash, anything to add to that?

Vikash Jain

No, Vivek, you covered it well.

Gaurav Ratra:

Thank you, and all the very best. Thanks.

Moderator

Your next question comes from Prateek Maheshwari with HSBC. Please unmute your audio and ask your question.

Prateek Maheshwari

Thank you for the opportunity. And Vivek, congratulations on the role.

My first question is to just understand. Basically, if you look at the performance versus guidance for the company, it has missed a few times over the last few quarters. As an early check, I just wanted to check from you, Vivek, what do you think preliminary should change? Is there a requirement for a process change, a stricter view of pipeline and conversion? Or do you think that things have been just unlucky also with the GSE client and the professional services client?

Vivek Jetley

Look, this is a tough question for me to answer, Prateek, because I'm still like day one. I don't have enough data points to tell you or do a root cause analysis for saying what happened, what didn't happen. I can tell you about Q3, and Q3 is really specific to those two factors. One is a

slowdown in one of the GSEs, and then the other aspect is like a delay in some of those deal closures. But I'll step back and tell you a little bit about, you know, at least my philosophy in terms of how we want to do this forecast. As I've said in my remarks earlier, there's going to be a very, very strong focus from me and from the management team in making sure that we set these commitments and then we make our utmost effort to actually beat and to exceed them. So I'm going to be looking at the process. I'm going to be looking at the inputs into the process, the timing of when it comes in, the quality of the information, and there's going to be a really, really high degree of effort in making sure that we kind of keep coming in, meeting and beating our commitments and keep raising that cadence as we go along. So you should hope to see that from us as we go forward. And that's something that I assign a huge amount of weightage to and a huge amount of focus in building up that credibility.

Prateek Maheshwari

Vivek, second question is where the financials are today for Hexaware. I see there's enough opportunities to improve both the growth rate for the company and also the margins. But from your perspective, where would you look at things from a near-to-mid-term basis? Would you want to accelerate the growth further or simultaneously would you try for expanding the margins as well?

Vivek Jetley

So our long-term ambition for the business is actually to make sure that we provide sustainable, high-quality growth rate over a period of time. Now, what that means is that we actually will have to focus on and will focus both on increasing our revenue growth rate and improving profitability and the margin that comes with it. So it's not an either or; it's going to be both. In terms of the mechanics of it, in the short term, does that mean more focus on deal closure to get up the growth rate and then use that extra growth rate and the wins to then focus on margin? Or does it mean focusing on both of them at the same point in time? That's actually one of those strategy questions that we'll come back to you and talk to you about later. But long term, the focus is going to be on both. It's not either or; it's an add.

Prateek Maheshwari

Thanks. Last one, probably to you and Vikash. So just trying to understand the earnout. So, I think expanding the India business and probably helping increase the setups through Hexaware for GCCs, that's been one of the strategic growth priorities for the business. So I just wanted to check—if you could share probably how the recent acquisitions are performing, and like—and I think earnout reversal in SMC seems to be that they've fallen short of your expectations so far. Could you expand on both the acquisitions and how they're performing? Yeah, that would be great.

Vikash Jain

So, regarding the SMC acquisition as you said, was from acquiring GCC capability. We have continued to maintain it as a separate business because clients see an IT service provider versus a GCC service provider very differently. When we acquired this business, obviously it was a capability acquisition and not a scale acquisition. The underlying business case assumptions was that it would deliver ambitious growth numbers, and that's how a large part of the earnouts were structured. In the first year of performance, they delivered on those numbers. And a material chunk of those amounts were actually paid out last year. In the second year, SMC is falling short of those ambitious targets. Some of this is also due to a bit of a change from an industry perspective. With the AI wave ,some clients are actually going slow in terms of setting up GCC because they are inducing AI in their current operations and getting to a newer baseline from a cost perspective before they decide on doing those setups. But I wouldn't call out much impact from a maro perspective, but there is some bit of an impact. Now, the ambitious targets we set for SMC from a year two perspective, SMC is coming short it , leading to a reversal.

On CyberSolve, which was the acquisition that we did in the security space, is performing really well compared to what we had estimated at the beginning of the transactions when we did the assumptions with respect to the enterprise valuation. The net impact of that is after we did their first earnout payments to them, we realized they are going to be blowing through their numbers so we had to go and restate the EV, and as a result of that you see a charge associated. It's a combination of two things: So we have an acquisition which is delivering shorter of the ambitious target we set for themselves from a year two perspective leading to a reversal, but at the same point in time, we have an acquisition which is delivering significantly better than what we had anticipated and hence there is an incremental charge. You pay for performance, and in capability acquisitions, you would see that because the capability acquisitions are small acquisitions, which are primarily predicated on the fact that this needs to help grow the organic business at a very different momentum from a revenue perspective.

Prateek Maheshwari

Fair, fair. Appreciate the color, Vikash. And thank you and all the best to the team. And congratulations once again. Thank you.

Moderator

Your next question comes from Dipesh Mehta with Emkay Global. Please unmute your audio and ask your question.

Dipesh Mehta

Yeah, thanks for the opportunity. Couple of questions. First, I just want to understand one of

the reasons which you attributed about weak Q3 compared to expectation was slow ramp-up of large deal as well as delay in deal closer on some of the deals. Whether it is broad-based or you are seeing specific verticals where some of these impacts are visible. Second question is about the Netherlands operation where we are doing restructuring. Now, as per your footnote, you mentioned it is likely to be complete by Q2CY27. Do you expect some of these charges to continue even in subsequent quarters? If yes, what would be the quantum of those charges? And last question is about this asset revenue or license revenue. Now it remains fairly volatile. How to understand that volatility going forward? And any thought, let's say, from strategy perspective on this business? Thank you.

Vikash Jain

Okay, I'll take all three of them. So first is with respect to specific verticals. So there was two aspects of it which we called out. We have two GSE clients as part of our top three clients. You'll recall that in one of the GSE clients, we gained a market share after the vendor consolidation exercise last year, and that account was growing pretty healthy last year and the beginning of this year. The other GSE client was going through a consolidation exercise in the current year, and it was a neutral outcome for us. The GSE client which went through a vendor consolidation exercise in the current year after the decision was made we have started growing back so even though I call it neutral, it's net positive but on a marginal basis. The GSE client where we had gained after the vendor consolidation exercise last year the client is curbing on some expenses and so it's a cost optimization from a client perspective that's a headwind so that's one of the reasons.

The second, from a deals perspective, I think we haven't lost the deals, but some of the decision making, as Vivek said, has been delayed because of changes at the client end, or they are taking more decisions in terms of figuring it out from their decision points perspective. Largely, they are centered around two verticals, one is in H&I, the other is in Travel and Transportation. Travel and Transportation also had some bit of an impact from a Middle East perspective, so this decision-making is in those areas too, given the war situation. Healthcare and insurance, even though the decision making has been delayed in some of this, we want to call it out that it's going to be one of the fastest growing verticals and the best performing vertical for us in the current year, so that color is important.

In terms of the second question, in terms of the Netherlands operations, as I called out in my opening remark, the labor laws in the Netherlands is that of one of a complex country. We have completed our consultations with the Works Council, and based on that, we are proceeding with the restructuring. All the charges associated with the restructuring has already been taken in. So effective next quarter, there will be no incremental charges associated with it, even though the complete restructuring will get over by Q2 of next year.

The third question was on asset revenues. Yes, asset revenues tend to be volatile on a

sequential basis, but that's the nature of the business. But the way to think about that business is on the overall company level, asset revenues contribute to 2% of the overall revenue. So that's from a full year perspective. And in a particular quarter, that number could be anywhere between one and a half to two and a half as a percentage of the quarterly revenue. So that's the range of variation what you can have from an asset revenue perspective. So two percent at a full year basis. On a quarterly basis, the ranges can be anywhere between 1.5 to 2.5. So I don't think we called out the miss in the current quarter was not on account of asset revenues. What we called out on a sequential basis was there was a bit of a headwind on account of asset revenues, but when we had considered our forecast or outlook, we had already factored in that.

Dipesh Mehta

Thanks for so my question was more about whether we have seen even revenue conversion delay in some of the already closed large deals.

Vikash Jain

In one account specific yes but not on the other accounts. In most of the accounts it's been in line. In one account , yes, there has been a bit of a delay in terms of the ramp up because it's a rebadging deal the client went slower in terms of the initial phase but it will ramp up.

Vivek Jetley

Yes, I guess the bigger question you're asking is, are we seeing any trend there or is there a systemic issue there, which is slowing the ramp-ups? I don't think there is. I think the example that Vikash was talking about is a one-off; it's very client specific. So, we're not seeing a slowdown across the business. In fact, we are quite happy with the way our ramp-ups are progressing across the board.

Dipesh Mehta

And maybe next quarter, if you can provide some sense, let's say overall portfolio level, where you find, let's say, Hexaware strength and where you think some of the changes are required, just to get an overall holistic perspective from maybe the next three years. So that would be very helpful.

Vivek Jetley

Absolutely. Because what we do is, like I said, we are going to spend time thinking about where we want to play, which is where our strengths are. What do we want to do? How do we want to execute against it? Where do we want to invest? So we'll have some visibility and some transparency for you across the board.

Dipesh Mehta

Thank you.

Moderator

Your next question comes from Rishi Jhunjhunwala with IIFL Capital. Please unmute your audio and ask your question.

Rishi Jhunjhunwala

Yes, thanks for the opportunity, and Vivek, welcome to the new role. I have one question, and probably this is not regarding the business, and since this is day one, you have mentioned you would not be able to comment too much about the state of the company. What would be good is to understand from you: You come from a company which is divide odds in the wake of , AI and raising guidance every quarter. You were leading a portfolio which was growing 15%. Just wanted to understand, at least from your experience from your previous company, what are the verticals or service lines or any go-to-market that you think are differentiated, which could potentially be brought to Hexaware and revive growth? I understand there is a difference in what they do versus what Hexaware does. But at least from things that have worked there very well, what do you think could potentially benefit Hexaware?

Vivek Jetley

Sure. So Rishi, I won't be able to speak about specifics because obviously, I don't want to talk about any company in a specific way. But what I will talk to you about is, you know, effectively what has worked for a lot of companies in this space is, you know, pivoting into data and AI-led offerings and using those data and AI-led offerings to kind of create a stronger growth momentum. Now, Hexaware is ideally suited for that because if you think about the three pillars that we talked about, when I talk about AI for IT, this is where the focus is on saying what is it that we can do to make the IT work with infusing AI into it more productive. We've actually created the zerovity platform. We've got the traction, the client traction. I think there's the intent in doubling down on that. And what that will help us do is grab more market share within that space and actually also improve our margins as we're bringing in more productivity.

On the AI for business side, I think that's where you know, the specific verticals where we can create very specific outcome-based interventions where we can start creating AI-led business outcomes. I think there's going to be a huge amount of focus at Hexaware on saying what is it that we can do in terms of building that out.

And then finally, the AI foundation piece. I think with the Anthropic partnership, with our

motion towards kind of building out FTE strengths, with our focus in terms of leveraging more partnerships for our data business, I think that's going to create the growth driver. Now, I've seen all of these different growth drivers work in various capacities. So there is the intent of saying we'll use some of that playbook. But honestly, the real answer is kind of looking at what do our clients need, how their needs are evolving, and making sure that Hexaware has the right solutions to be able to service that and win that market share.

But then that's the intent. And that's what you're going to hear from me when I come back to you and kind of present the strategic plan.

Rishi Jhunjhunwala

Thank you, Vivek. All the best looking forward.

Moderator

Your final question today comes from Vibor Singhal with Nuvama Equities. Please unmute your audio and ask your question.

Vibor Singhal

Yeah, hi. Thanks for taking my question. And I wish you all the best, Vivek, for your role at Hexaware. Just a couple of very small questions. I think most questions have been answered in the quite comprehensive call that we've had. So, Vikash, and probably Vivek, if you can chip in as well.

I mean, over the past seven quarters or last two years, we've seen these slow ramp up in deals and some clients' consolidation kind of impact our overall revenue growth, which had not historically been the case. For example, in this quarter, the GSE client impacted our growth. Earlier, the deals got prolonged and they were not close, so that impacted our growth. Generally, we were able to basically make up for these losses by growth from other accounts and elsewhere.

So is that also symptomatic of the overall weak demand environment that we are seeing, that while we see some unanticipated weaknesses, we are not able to tide them over by kind of new deal wins or new business that we can probably push through in a quarter or in some time to manage the growth? And a related question is on the competitive intensity. We've had a couple of peers mention this in their calls that not all but yeah, in pockets there are some peers which have been bidding aggressively and kind of spoiling the market if I can use the term overall, what's your take on that? Are we also seeing some aggressive bidding by some of the players, and how is that impacting the overall demand pipeline and its conversion?

Vikash Jain

Sure.

I think you're right in terms of saying that we have had situations where we have come short of what we had guided in terms of what our outlook would be. But I want to draw your attention to our last earnings call, where we did call out that vendor consolidation is natural part of how large enterprises manage their partnerships, and that's a structural feature of our industry, and has always been. It's not something which is new.

Now, clients want fewer partners who can understand their business, work across the technology stack, take accountability for outcomes, and that actually helps us. Now, over the past year or so, what we saw was a significant number of our large clients went through this process—close to 13, if you recall what we called out in our last earnings call. Now while they were underway, clients understandably paused their decisions, and that actually had an impact on our growth.

Now the good news is most of these outcomes have gone in our favor, and as a result of that, we expect that our role is going to expand in this clients. So I think that's been the case as far as vendor consolidation is concerned, and why it led to a bit of a slowdown in terms of our growth rates.

The second aspect in terms of which are very client-specific, so which Vivek called out, that it is not a usual trend that we are seeing, but it just so happened a bit of a luck factor is also there. That in some of our clients, there are changes at the client end—CIO is changing, a new CTO is coming, change in direction—and in many cases, not even a change in direction. They're thinking about hey we need to understand what my predecessor was doing before I make a call associated with it. So a bit of a luck factor is also there in terms of some of these deal decisions getting pushed out or deferred.

The good news is the deals are still active; it's a question of timing when it comes back in. Um, what's your next question? Sorry, remind me.

Vibhor Singhal

On the competitive intensity, are we seeing any players a bit aggressively and kind of spoil the market?

Vikash Jain

Yeah, but I'll tell you this. I mean, one aspect of it is that it's a buyer's market. The reason being, there are a lot of service providers who are willing to service the client. But in most of these

cases, the ones who tend to lose more are the incumbent rather than challengers. The reason being for an incumbent, the revenue goes from 100 to 70, but for a challenger it goes from zero to 70. So we, being challenger in many of our accounts, actually tend to gain because the growth for us continues to come both from hunting and from farming. So a lot of this actually helps us. If you see the margin profile, I think the investments continue to happen, a lot of the benefits which are getting passed on to the clients is also on the back of what AI is going to enable from a productivity perspective. So there could be a deep discount in the initial phase, but from a medium-to-long term perspective, you would expect the margins to pick up. So yes, is there a pricing pressure there? Definitely yes, but it balances out in the overall life cycle of the project.

Vibhor Singhal

Great. Thank you so much for taking my questions. I think we've held you back for quite a while. Thank you so much, Vivek and Vikash for answering your questions, and wish you all the best.

Vivek Jetley

Thank you.

Vikash Jain

Thank you.

Moderator

Thank you, ladies and gentlemen. That brings our Q&A session to a close. I will now hand the conference over to management for closing comments. Over to you.

Vivek Jetley

Thank you all for joining my day one and thank you for joining me on this conference call. I want to kind of reiterate the couple of commitments that we've made to you. So we're going to come back to you and as we kind of develop our strategic plan, we'll come back to you and talk to you about it. Like I said, we'll reiterate the areas that we want to play in, the offerings that we're going to take to market, how do we plan on winning, and also give you a line of sight on our thinking on investments. And second, I think we are going to tighten the process in terms of our entire end-to-end process of how we think about sales, how do we convert sales into pipeline, and then how do we project that pipeline into the forecasts and bring more rigor and accuracy to it. So I think the goal from this point forward is to make sure that on that process, we don't slip, even if it means kind of expanding the safety margins. But those are the two commitments that we'll make to you, and you'll start seeing that in action starting with

our next call. So thank you.