

Issue Details		
Issue Opens	12 th Feb, 2025	
Issue Closes	14 th Feb, 2025	
Issue Size (Rs. Crs)	8,750	
Issue Size –OFS (Rs Crs)	8,750	
Issued, Subscribed and Paid Up Sh. Pre offer	60,76,94,668	
Offer For Sale (No. Of Shares)	12,35,87,570	
Face Value	1.00	
Lot Size (Sh)	21	
Price Band	Rs 674 – Rs 708	
Employee Discount	Rs 67	
Issue Type	Book Built Issue IPO	
Book Value (in Rs.)(9MCY24)	87.00	
BRLMs	Kotak Mahindra Capital, Citigroup Global Markets, JP Morgan India, HSBC Securities & IIFL Capital	
Registrar	KFin Technologies Ltd	
Listing Venue	NSE , BSE	
Finalization of Allotment	17/02/2025	
Initiation of refund	18/02/2025	
Credit to Demat Account	18/02/2025	
Listing	19/02/2025	
Issue Structure		
Categories	Allocation	
QIBs	>=50%	
Non-Institutional	<=15%	
Retail Portion	<=35%	
Total	100%	
Shareholding %		
Categories	Pre issue	Post Issue
Promoter	95.05	74.71%
Public	4.95	25.29%
Recommendation		
SUBSCRIBE		

Company Background

Hexaware Technologies Ltd (HTL) is a global digital and technology services company with artificial intelligence (“AI”) at its core. The company uses technology to offer innovative solutions, integrating AI to help customers adapt, innovate, and improve in the AI-driven world.

Objects of the Issue

- Offer For Sale of 12,35,87,570 (12.35 Cr) shares of FV Re 1 each aggregating to Rs 8,750 Cr.
- HTL shall not receive any proceeds from the Offer.
- Achieve the benefits of listing.

Key Points

- HTL has major offshore delivery centers in India (Chennai, Pune, Bengaluru, Noida, etc.) and Sri Lanka. It plans expansion into Tier 2 cities and aims to open new centers in Ahmedabad.
- As of September 30, 2024, the company has a global delivery presence with 39 centers and 16 offices across the Americas, Europe, and APAC.
- HTL provides services in its operating segments across six industries Financial Services, Healthcare, Insurance, Manufacturing, Consumer, Hi-Tech, Professional Services, Banking, and Travel & and Transportation.
- The company offers services through AI-powered platforms like RapidX for digital transformation, Tensai for automation, and Amaze for cloud adoption, serving customers globally across multiple regions.
- As on date, HTL has 20 patents granted and 119 trademarks registered in many countries, two copyrights registered in India, and 49 domain names registered worldwide. The 119 trademarks comprise of 9 product marks and 98 service marks, with certain trademarks being registered as product marks as well as service marks. Further HTL has filed applications for 45 patents and 23 trademarks, comprising 6 product marks and 14 service marks, with some trademarks being applied for as product marks as well as service marks, in many countries.
- HTL has a diverse range of customers, including 31 of the Fortune 500 organizations. In Financial Year 2023, HTL derived approximately 62% and nearly 83% of its revenue from operations from customers with over US\$5,000 million revenues and over US\$1,000 million revenues, respectively.
- HTL has global delivery presence, which allows it to provide innovative solutions to its customers in a flexible and cost-effective manner, by leveraging platforms through the talent pool and an efficient onshore-offshore service delivery mix.

Recommendation –

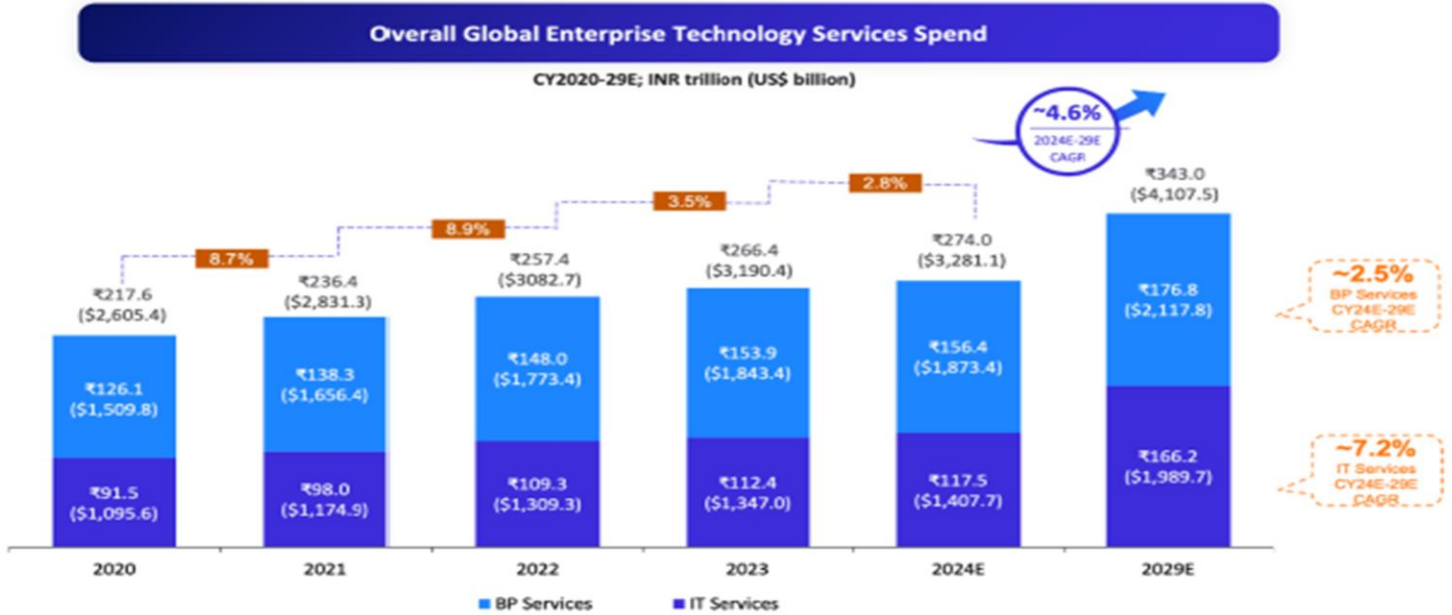
The global Artificial Intelligence (AI) market is projected to grow at a CAGR of 7.5%, reaching Rs 24.3-25.1 trillion by 2029. This growth is driven by increased demand for digital services, which will help HTL to expand its cloud-based offerings and cater to evolving market needs. Catering to diverse verticals as Manufacturing, Banking, Healthcare etc enables it to offer tailor made services to its customers and thus it makes HTL a preferred partner for them. It's Go To Market strategy for new client acquisitions and strategic partnerships continue to pay rich dividends. Considering all the above factors, we would recommend a “SUBSCRIBE” to the issue.

Consolidated Financials In INR Crs	9MCY24	CY23	CY22	FY22
Revenue from Operations	8,820.00	10,380.30	9,199.60	7,177.70
Profit Before Interest, Depreciation & Tax (PBIDT)	1,391.10	1,594.00	1,404.90	1,202.80
Profit Before Tax (PBT)	1,143.30	1,268.50	1,123.00	941.20
Profit After Tax (PAT)	853.30	997.60	884.20	748.80
EPS	14.06	16.41	14.53	12.32
Book Value Per Share	87.00	76.36	67.92	62.40

Source: Company's RHP, ACE Equity, AUM Research

Industry Overview

Global Enterprise Technology Services Market Overview



Source: Company's RHP, AUM Research

- **Overview:-** The global enterprise technology spend (which includes IT services, business process services, software and hardware) is expected to grow at a CAGR of approximately 7.3% during the period CY2024-29E to account for a total market size of approximately ₹630.7 trillion (US\$7,552.7 billion),
- **IT Services:-** This category includes services such as enterprise application services, custom application development, cloud services, cybersecurity services, and data, analytics, and AI services.
- **Business Process Services (BPS):-** This includes spend related to business process management services such as contact center operations, procurement, data-driven marketing, and other outsourced business functions

Position of India

India accounts for approximately 2.3% of the global outsourced services spend, accounting for almost Rs 1.9 trillion (US\$ 22.6 billion) in CY2024. The adoption in this region is driven by the following factors:-

- **Government initiatives:-** Initiatives like IndiaAI and India-US Initiative on Critical and Emerging Technology (iCET) aims to improve the nation's understanding and usage of AI and other emerging technologies, while BharatNet focuses on providing broadband connectivity to rural areas, bridging the digital divide.
- **Innovation in financial services:-** The financial services sector in India has seen exponential growth, driven by the Unified Payments Interface (UPI), which facilitates seamless digital transactions. Initiatives like Jan Dhan Yojana and Aadhaar have further accelerated the adoption of digital banking and financial services.
- **Expanding internet penetration:-** With over 700 million internet users, India has one of the largest online populations in the world. The rapid proliferation of affordable smartphones and data plans has significantly increased internet accessibility, driving the adoption of digital services, e-commerce, and online education platforms. Enterprises are seeking to engage with providers to be able to cater to the evolving needs of an increasingly tech-savvy consumer base and enhance service delivery via digital channels and markets.
- **Cost-effective:-** A major reason companies choose to outsource to India is the lower labor costs compared to developed countries, allowing for cost-efficient operations
- **Skilled workforce:-** India boasts a large pool of skilled IT professionals with expertise in various technologies, making it attractive for diverse outsourcing needs.
- **Infrastructure development:-** India has invested significantly in IT infrastructure and communication networks, facilitating smooth delivery of outsourced services.
- **Exports:-** India's IT exports are likely to be \$210 billion in the 2024-25 financial year, which is 18% of total global IT outsourcing spending. As per a recent study by industry body Nasscom, India continues to be the preferred destination for global businesses aiming to build and expand their digital services portfolio.

Company Overview

Operating segments	Financial Services 22.2%	Healthcare and Insurance 21.7%	Manufacturing and Consumer 17.9%	Hi-Tech and Professional Services 11.0%	Banking 2.1%	Travel and Transportation 0.1%
Geography	Americas			Europe		Asia Pacific
Service Lines	Design & Build Digital Strategy <i>New products</i> Digital Agency & Experience Design <i>Core transformation</i> Digital Software Engineering <i>Time to market</i> Creative, Content & Commerce <i>Developer productivity</i>					Cloud Services
	Secure & Run Cybersecurity & Resiliency <i>Security</i> DevSecOps & Continuous testing <i>Agility</i> Workplace and Employee experience <i>Employee Experience</i> Hybrid Cloud Operations <i>Efficiency</i> IT Service Management and Consulting <i>Assurance</i>					
	Data & AI Data Strategy & Advisory <i>Agility</i> Data Engineering <i>Trust in data</i> Data Management <i>Business Outcomes</i> AI Powered Business Solutions					
	Optimize Industry-specific Operations <i>Experience</i> Digital Customer Experience <i>Efficiency</i> Digital Content <i>Throughput</i> Finance & Accounting Operations <i>Process Standardization</i> HR Operators					
Digital Platforms	rapidX™			tensai®		amaze®

Customers

Revenue from operations bracket	Number of customers					
	For the twelve months ended September 30,		For the Financial Year			
	2024	2023	2023	2022	2021	
>US\$75 million	3	2	2	2	2	1
>US\$50 million	3	3	3	3	3	3
>US\$20 million	15	11	11	9	9	6
>US\$10 million	31	27	29	28	28	19
>US\$5 million	59	55	54	51	51	43
>US\$1 million	186	172	171	170	170	141

Source: Company's RHP, AUM Research

- Global presence:-** HTL has a global delivery presence comprising 39 delivery centers supported by 16 offices spread across the USA, Europe and APAC as of September 30, 2024. As of September 30, 2024, it has a team of 32,536 employees in 28 countries. It serves a diverse range of customers, including 31 of the Fortune 500 organizations. The company serves prominent enterprises across the industries in which it operates. Its customer-centric approach has enabled it to build strong relationships with customers and continually expand customer base.
- Services:-** HTL embed AI into every aspect of solutions and has created a suite of platforms and tools that allow customers to adapt, innovate and optimize in this AI-first era. It manages business through six operating segments based on the industries it serves: Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation. Its offerings encompass five broad services: Design & Build, Secure & Run, Data & AI, Optimize, and Cloud Services, which form the foundation for offerings.
- Attributes to growth:-** HTL's business has evolved over the last decade, with a growing set of offerings, larger and diversified customer base, wider global delivery footprint and increased focus on innovation and technology. This evolution has been guided by its business strategy, which has adapted to service customers' needs, from 'shrink IT, grow digital' strategy prior to 2018, to 'automate, cloudify and transform customer experience' strategy between 2018 and 2021, to 'AI-first cloud-powered' approach between 2022 and 2023.
- Financial Performance:-** HTL has (on a consolidated basis) posted a total income/net profit of Rs. 7244.60 cr. / Rs. 748.80 cr. (CY21), Rs. 9378.80 cr. / Rs. 884.20 cr. (CY22), Rs. 10389.10 cr. / Rs. 997.60 cr. (CY23). For 9M of CY24 ended on September 30, 2024, it earned a net profit of Rs. 853.30 cr. on a total income of Rs. 8871.30 cr.

Rationale for Investment

1) Deep domain expertise delivered through comprehensive solutions across industries

- **Diversified customer base:-**HTL provides comprehensive services and solutions to customers across six industries (each of which is an operating segment): Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation.
- **Adoption of right digital transformation strategy:-** HTL leverages its deep expertise across its comprehensive portfolio of services, in-depth domain knowledge, and understanding of customer requirements to contextualize the use of different technologies and to help its customers develop and deploy their digital transformation strategies.

2) Diversified service base

- **Financial Services:-** In the Financial Services operating segment, HTL's sub-verticals include mortgage and lending, asset management and servicing, trade finance, exchanges, private equity firms and global benchmarks and data providers.
- **Healthcare and Insurance:-** In the Healthcare and Insurance operating segment, the sub-verticals include property and casualty insurance, life insurance, brokerage, reinsurance and diversified, life sciences, health insurance or payer and provider.
- **Manufacturing and Consumer:-** In the Manufacturing and Consumer operating segment, sub-verticals include manufacturing, retail and consumer, education, energy, telecom and utilities.
- **Hi-Tech and Professional Services:-** In the Hi-Tech and Professional Services operating segment, sub-verticals include independent software vendors, platforms and products, hyperscalers, tax, audit and accounting, legal risk and compliance, and advertising and marketing.
- **Banking:-** In the Banking operating segment, the sub-verticals include digital banking, payments, cards and consumer banking.
- **Travel and Transportation:-** In the Travel and Transportation operating segment, sub-verticals include airlines and airports, travel technology, logistics and transportation, hotels and the entertainment industry.

3) AI-led digital capabilities and platforms built in-house with innovation as a strategic pillar

- **Domain expertise:-** HTL leverages its domain expertise to develop three AI-enabled digital platforms that create value for its customers across its service offerings: (1) RapidX, for digital transformation, (2) Tensai, for AI-powered automation and (3) Amaze, for cloud adoption.
- **Innovative strategies:-** HTL has prioritized innovation by building its intellectual property portfolio, enhancing its technological expertise and investing in next-generation technologies. As on date, HTL has 20 patents granted and 119 trademarks registered in many countries, two copyrights registered in India, and 49 domain names registered worldwide. The 119 trademarks comprise of 9 product marks and 98 service marks, with certain trademarks being registered as product marks as well as service marks. Further, it has filed applications for 45 patents and 23 trademarks, comprising 6 product marks and 14 service marks, with some trademarks being applied for as product marks as well as service marks, in many countries.

4) Long-term and embedded relationships with diversified blue-chip customer base

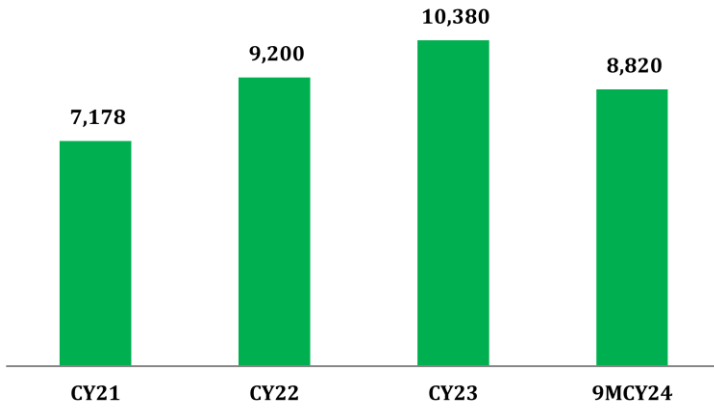
- **Diversified range of customers:-** HTL derived approximately 62% and nearly 83% of its revenue from operations from customers with over US\$5,000 million revenues and over US\$1,000 million revenues, respectively.
- **Geographical presence:-** HTL has diversified presence across geographies: the USA, Europe and APAC regions which also include the Middle East, Africa and Latin America, and across the diversified operating verticals.

5) Go-to-market strategy focused on customer acquisition and expansion

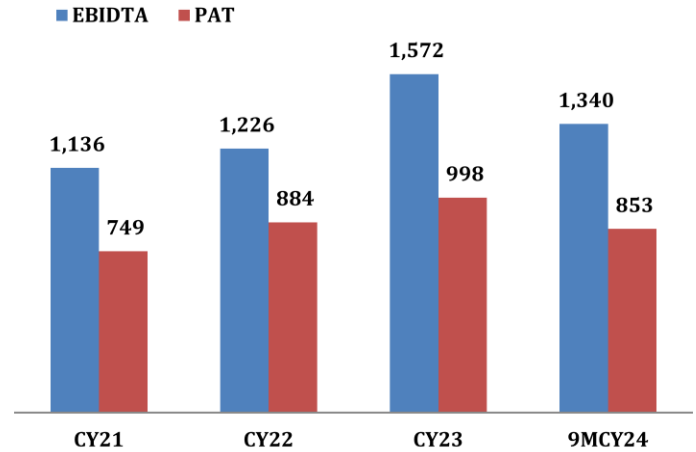
- **New Customer Acquisition and Account Management:-** In the USA and Europe, HTL develops relationships with potential new customers through its New Customer Acquisition team. Once a customer is acquired, its Account Management team further develops the relationship by overseeing the service delivery and identifying additional or adjacent customer needs.
- **Hybrid Sales:-** In APAC, HTL's Hybrid Sales team focuses on both new customer acquisition and growing existing customer relationships.
- **Overlay Sales:-** HTL's Overlay Sales team supports its New Customer Acquisition, Account Management and Hybrid Sales teams across regions. The Overlay Sales team brings specialized knowledge of their service lines to build deeper and stickier relationships with customers. The Overlay Sales team also identifies opportunities for cross-selling and up-selling, thereby enhancing overall revenue potential from existing customers.
- **Strategic Partnerships:-** HTL's Strategic Partnerships team focuses on generating demand in collaboration with its industry partners, such as cloud service, platform, and technology providers. In the past three years, HTL has added dedicated resellers to strengthen its Strategic Partnerships team.
- **On shore / Off shore mix:-** HTL's offshore IT services accounted for 43.6% of its revenue from IT services for the nine months ended September 30, 2024. It aims to increase its offshore delivery services, as increasing the share of revenue from operations contributed by its offshore delivery may help increase the margins.

Financial Overview

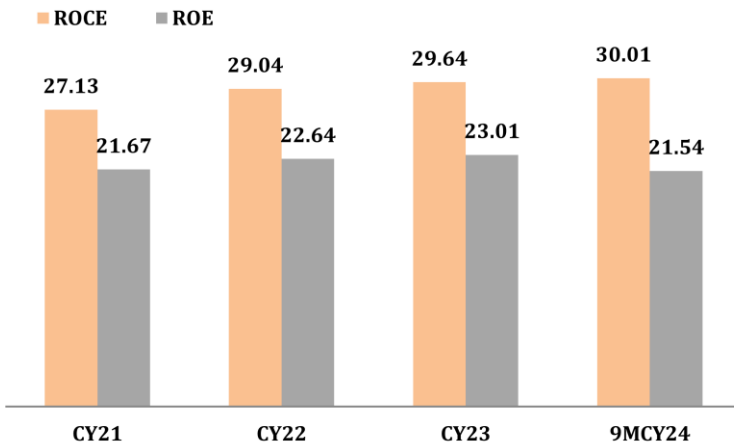
Operating Income In INR Cr



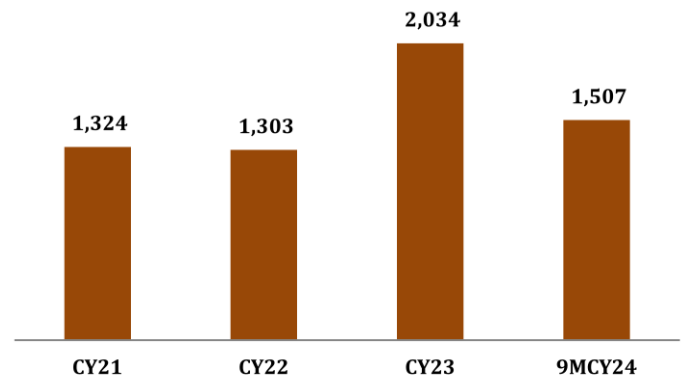
EBIDTA & PAT In INR Cr



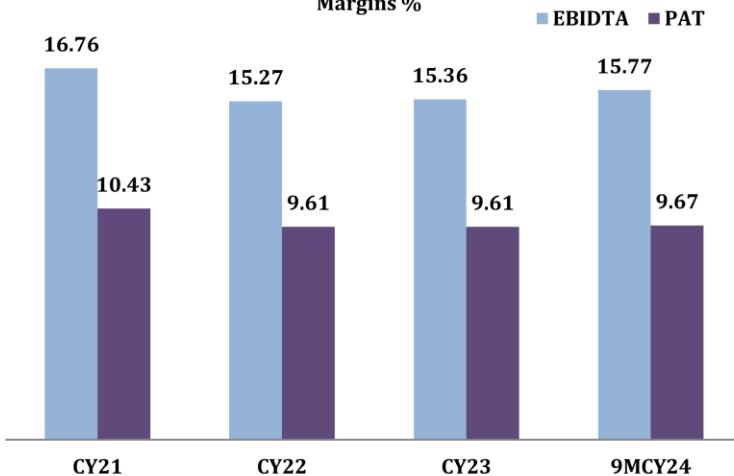
Return Ratios %



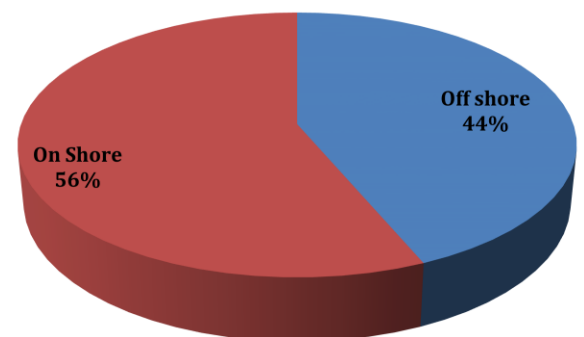
Cash & Liquid Investments In INR Cr



Margins %



Off Shore / On Shore Revenue Mix



Consolidated Financials In INR Cr

DESCRIPTION	CY23	CY22	CY21
Operating Income	10,380.30	9,199.60	7,177.70
Power & Fuel Cost	28.00	25.60	12.30
Employee Cost	6,128.20	5,558.20	4,277.20
Cost of Software developments	1,889.70	1,709.80	1,280.50
Operating Expenses	187.00	202.40	141.80
General and Administration Expenses	394.90	365.20	230.00
Selling and Marketing Expenses	91.60	80.00	48.30
Miscellaneous Expenses	89.30	32.70	51.70
Total Expenditure	8,808.70	7,973.90	6,041.80
Operating Profit (Excluding Other Income)	1,571.60	1,225.70	1,135.90
Other Income	22.40	179.20	66.90
Operating Profit	1,594.00	1,404.90	1,202.80
Interest	41.90	37.50	37.50
PBDT	1,552.10	1,367.40	1,165.30
Depreciation	283.60	244.40	224.10
Profit Before Taxation	1,268.50	1,123.00	941.20
Provision For Tax	270.90	238.80	192.40
Profit After Tax	997.60	884.20	748.80
EPS	16.41	14.53	12.32

H1FY25 Performance In INR Cr

Particulars	9MCY24	9MCY23	YoY %
Operating Income	8,820.00	7,764.30	13.60%
Employee Expenses	5,145.30	4,555.70	12.94%
Other Expenses	2,334.90	1,958.60	19.21%
EBIDTA	1,339.80	1,250.00	7.18%
Other Income	51.30	-1.20	-
PBIDT	1,391.10	1,248.80	11.39%
Depreciation	202.50	189.70	6.75%
PBIT	1,188.60	1,059.10	12.23%
Interest	45.30	30.60	48.04%
Profit Before Tax	1,143.30	1,028.50	11.16%
Tax	290.00	223.70	29.64%
Profit After Tax	853.30	804.80	6.03%
EPS	14.06	13.24	6.19%

Balance Sheet (Consolidated In INR Cr)

DESCRIPTION	CY23	CY22	CY21
Share Capital	60.70	60.40	60.30
Share Warrants Out.	20.20	67.40	31.80
Total Reserves	4,554.30	3,995.20	3,695.80
Shareholder's Funds	4,635.20	4,123.00	3,787.90
Deferred Tax Asst / Liab	-272.70	-260.30	-210.50
Other Long Term Liabilities	331.70	370.00	329.20
Long Term Provisions	79.40	66.30	103.60
Total Non-Current Liab	138.40	176.00	222.30
Current Liabilities			
Trade Payables	659.50	535.70	387.70
Other Current Liabilities	1,090.10	1,022.60	812.60
Short Term Borrowings	-	82.70	-
Short Term Provisions	406.20	313.70	252.50
Total Current Liabilities	2,155.80	1,954.70	1,452.80
Total Liabilities	6,929.40	6,253.70	5,463.00
Gross Block	3,876.40	3,771.50	3,316.80
Less: Accum Depreciation	1,422.90	1,184.00	925.50
Net Block	2,453.50	2,587.50	2,391.30
Capital WIP	55.20	6.30	12.10
Non Current Investments	0.40	0.30	0.30
Long Term Loans & Adv	138.80	127.80	91.80
Other Non Current Assets	79.80	79.90	35.20
Total Non-Current Assets	2,727.70	2,801.80	2,530.70
Current Investments	250.60	-	122.40
Sundry Debtors	1,845.80	1,881.80	1,366.90
Cash and Bank	1,783.70	1,302.80	1,201.10
Other Current Assets	156.30	137.90	137.70
Short Term Loans and Adv	165.30	129.40	104.20
Total Current Assets	4,201.70	3,451.90	2,932.30
Net CA (Incl Current Invest)	2,045.90	1,497.20	1,479.50
Total CA (Exc Current Invest)	3,951.10	3,451.90	2,809.90
Total Assets	6,929.40	6,253.70	5,463.00

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