



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day Update @ Dalal&Broacha

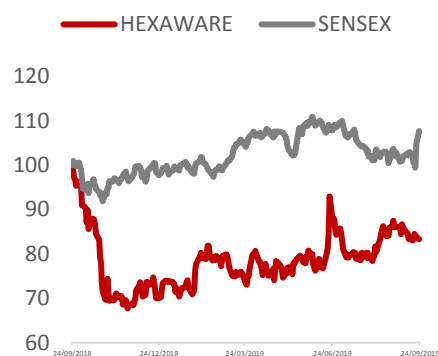
Not Rated

Current Price	379
52 Week Range	460/294

Key Share Data

Market Cap (Rs.Bn)	114.8
Market Cap (US\$ Mn)	1640
No of o/s shares (Mn)	298
Face Value	2
Monthly Avg.	
Vol(BSE+NSE) '000	922
BSE Code	532129
NSE Code	HEXAWARE
Bloomberg	HEXW:IN

Price performance



% Shareholding	June-19	Mar-19
Promoters	62.52	62.59
Public	28.64	28.41
Others	8.84	9.00
Total	100	100

Key Takeaways from Investor Day 2019 Meet:

- The company remains confident of delivering an organic top-line CAGR of 12 – 12.5% over a 5-year period, while inorganic growth should be in the range of 2-3%.
- The growth under BFSI segment (39.5% of revenue) remained soft (grew 4% YoY in H1CY19). The H2CY19 growth would be similar to that of H1 despite the client specific challenges.
- The guided range of organic growth is adjusted against the gradual decline in top-client revenue concentration and ramped down in volume for two of its major clients. The stress accounts are expected to bottomed out by Q4CY19
- The company highlighted some of the challenges under BFSI:**
 - Delay in decision making and deal closures
 - One of the top accounts is undergoing a severe stress, which started impacting in Q2CY19 and will see maximum impact in Q3 through Q4 and expected to bottom out by the end of Q4.
 - Altering outsourcing ratio from 70% to 30%
 - Financial institutes are expected to spend \$20m - \$200m to operationalize the change.
- Manufacturing and Consumer (M&C) (16% of topline) is expected to continue its growth momentum (19% YoY H1CY19) through high-end service deliveries: design engineering, cloud and user experience.
- Professional Service (PS) (14.9% of revenue), has re-gained its momentum (30% YoY H1CY19), post loss of big chunk of business in H1CY17, on the back of ramp up from Mexico delivery center coupled with push towards digital deals. Additionally, the company acquired new client under Tax & Audit.
- The Enterprise Service (9.4% of topline) growth remained flat yoy in H1CY19. The company is mining new source of business growth through investments in digital process automation (BPM), transforming its offerings from bank-end to client facing services and partnering with product companies such as Pega, Appian, WD, SAP and Workday for implementation. Additionally, the company is widening its market reach in EU and APAC regions.
- Mobiquity acquisition provides new opportunities in the Consumer Experience Designing space. The acquisition has many clients in the Banking space and will enable Hexaware in expanding focus from Financial Services space to Banking.

Valuation & Outlook

The company is trading at 17.4x/15.7x CY19e and CY20e EPS respectively. Given that Hexaware has reported industry leading bottom-line CAGR of 11.5% between H1CY14-H1CY19 and top-line growth of 13.3%, we believe that the company's valuations are justified at current levels. We are especially positive about the Mobiquity Acquisition and we will continue to monitor the performance of the company for any further upticks / triggers which can expand valuations.

Consolidated Financials (In INR Mn)

Year	Net Sales	Growth	EBITDA	OPM%	PAT	% Growth	EPS	PE(x)	ROE(%)	ROCE(%)
CY 17	39420	12%	4799	12%	5000	19%	16.83	22.52	27%	26%
CY 18	46478	18%	6688	14%	5834	17%	19.62	19.32	27%	26%
CY 19E*	55928	20%	7738	14%	7916	36%	21.756	17.42	25%	25%
CY 20E*	65553	17%	8775	13%	9499	20%	24.109	15.72	25%	24%
CY 21E*	72574	11%	9500	13%	10934	15%	26.17	14.48	24%	24%

*As Per Bloomberg estimates



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day Update @ Dalal&Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CIN U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed

**DALAL & BROACHA**
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day Update @ Dalal&Broacha

to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. AbhilashaSatale	abhilasha.satale@dalal-broacha.com	022 67141135	Mid cap
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141149	BFSI
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	I.T,Media,Telecom
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021. Tel: 91-22- 2282 2992, 2287 6173,Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com