

# IPO Note: Hexaware Technologies Ltd.

Industry: Information Technology

Date: February 10, 2025

Issue Snapshot		Issue Break up		
Company Name	Hexaware Technologies Ltd.	QIB ex Anchor	20%	2,44,63,277
Issue Opens	February 12, 2025 to February 14, 2025	Anchor Investor	30%	3,66,94,915
Price Band	Rs. 674 to Rs. 708	HNI<Rs. 10 Lakhs	5%	61,15,819
Bid Lot	21 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10%	1,22,31,638
The Offer	Public issue of 12,35,87,571 Equity shares of Face value Rs. 1 each, (Comprising of Offer for Sale by Selling Shareholder).	RII	35%	4,28,10,734
Issue Size	Rs. 8,750 Crore	<b>Total Public</b>	<b>100%</b>	<b>12,23,16,384</b>
IPO Process	100% Book Building	Employee Reservation		12,71,186
Face Value	Rs. 1.00	<b>Total</b>		<b>12,35,87,571</b>
Exchanges	NSE & BSE			
BRLM	Kotak Mahindra Capital Co. Ltd., Citigroup Global Markets India Pvt. Ltd., J.P. Morgan India Pvt. Ltd., HSBC Securities and Capital Markets (India) Pvt. Ltd., IIFL Capital Services Ltd.	Equity Share Pre Issue (Nos. Cr.)		60.8
Registrar	KFin Technologies Ltd.	OFS Share (Nos. Cr.)		12.4
		Equity Share Post Issue (Nos. Cr.)		60.8
		Market Cap (Rs. Cr.)		43,024.8
		Stake Sale by OFS		20.3%

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to Rs. 8750 crore by CA Magnum Holdings)

## Company Highlights

- Hexaware Technologies Ltd. (HTL) is a global digital and technology services company with artificial intelligence (AI) at its core. It leverages technology to deliver innovative solutions that help customers in their digital transformation journey and subsequent operations. The company 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.
- HTL 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.
- Hexaware delivers services through its AI-enabled digital platforms such as RapidX™ for digital transformation, Tensai® for AI-powered automation and Amaze® for cloud adoption. The company serves customers across the Americas, Europe and Asia-Pacific (including India and Middle East) ("APAC").
- Hexaware capabilities are strengthened by wide ecosystem of partnerships with enterprises which broaden its customer offerings and marketing reach. 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.
- HTL has a global delivery presence comprising 39 delivery centers supported by 16 offices spread across the Americas, Europe and APAC as of September 30, 2024. As of September 30, 2024, it had a team of 32536 employees in 28 countries. Its presence is spread across major countries, nationalities, languages, time zones and regulatory zones.

- 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.
- HTL expertise is further complemented by a mix of strategic and industry-focused partners, such as ServiceNow, which offers AI-powered solutions for various business functions such as human resources, IT, customer service, security and finance, and Backbase, a banking financial technology company in the Netherlands.

## View

- Hexaware Technologies offers comprehensive services across six industries: Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation. The company's deep expertise and in-depth domain knowledge enables it to help customers develop and implement their digital transformation strategies, addressing the unique needs of various sub-verticals within each segment.
- The company leveraged its domain expertise to develop three AI-enabled digital platforms that create value for the customers across the service offerings: (1) RapidX™, for digital transformation, (2) Tensai®, for AI-powered automation and (3) Amaze®, for cloud adoption. The company plan to continue to enhance its existing offerings and platforms to further expand its capabilities and addressable market. The company intend to continue investing in differentiated platforms and build add-on service capabilities in areas such as product engineering, security, data and analytics and emerging technologies.
- The company has a global delivery presence across India, UAE, USA, Mexico, Europe and South East Asia that enables the company to offer innovative and cost-effective solutions to its customers. By leveraging talent pool and a mix of onshore and offshore services, the company can quickly respond to changing customer needs. The company is dedicated to delivery excellence and prioritize training the workforce in AI and Generative AI.
- With its comprehensive services and solutions and an expected increase in the adoption of digital transformation programs leveraging Gen AI, the company see an opportunity to add new customers across its operating segments. The company focus on acquiring large customers, typically with annual revenues of over US\$2,000 million. It serves a diversified blue chip customer base, including 31 of the Fortune 500 organizations.
- The company market and distribute its solutions across North America, Europe and APAC, with core markets in the United States and the United Kingdom. The company intend to further expand into certain geographies, including Canada, continental Europe, the Middle East and Australia. The company grew its business in Germany and Belgium by acquiring new customers and expanding existing customer relations.
- The company has a global delivery presence, which allows it to provide innovative solutions to its customers in a flexible and cost-effective manner, by leveraging platforms through its talent pool and an efficient onshore-offshore service delivery mix. Proximity to customers, in particular, enables it to address changing customer needs in a timely manner. The company continue to focus on delivery excellence by building on the expertise of its workforce. The company prioritize training entire workforce in AI and Gen AI skills. The company invest in talent development programs through HexaVarsity and Mavericks Learning Program, which prepares campus graduates for workforce and helps ensure a sustainable supply of talented employees that are well-equipped for its business needs.
- Revenue from operations grew at a CAGR of 20.3% from Rs. 7178 crore in CY21 to Rs. 10380 crore in CY23. Operating EBITDA increased at a CAGR of 18.1% from Rs. 1133 crore in CY21 to Rs. 1581 crore in CY23, while Profit After Tax rose at a CAGR of 15.4% to Rs. 998 crore in CY23. Operating EBITDA margins remained at ~15%, with PAT margins remained at ~10%.
- In terms of the valuations, on the higher price band, HTL demands P/E multiple of 37.8x post issue 9MCY24 annualized EPS.

## Key Performance Indicators

Particulars (In Rs. Cr. Unless Stated)	CY21	CY22	CY23	9MCY23	9MCY24
Revenue from Operations (in \$ million)	971.2	1165.0	1256.4	942.3	1056.6
Revenue from Operations (Rs. crore)	7177.7	9199.6	10380.3	7764.3	8820.0
Revenue from Operations growth (%)	-	28.2%	12.8%	-	13.6%
<b>Revenue from Geography</b>					
Americas (%)	70.1%	73.0%	71.5%	71.2%	73.4%
Europe (%)	20.5%	20.3%	22.1%	22.3%	20.5%
Asia Pacific (%)	9.4%	6.7%	6.4%	6.5%	6.1%
<b>Revenues from Verticals</b>					
Financial Services (%)	29.5%	28.9%	27.2%	27.1%	28.3%
Healthcare and Insurance (%)	21.6%	22.6%	21.7%	21.8%	21.2%
Manufacturing and Consumer (%)	18.2%	17.8%	17.9%	17.9%	17.0%
Hi-Tech and Professional Services (%)	15.1%	16.4%	16.0%	16.1%	16.9%
Banking (%)	8.7%	7.3%	9.1%	9.1%	8.5%
Travel and Transportation (%)	6.9%	7.0%	8.1%	8.0%	8.1%
<b>Revenue by IT and BPS and others</b>					
IT services (Rs. crore)	6326.0	7961.1	8826.1	6589.6	7444.6
BPS (Rs. crore)	716.5	1081.6	1309.1	972.9	1096.0
Other (Rs. crore)	135.2	156.9	245.1	201.8	279.4
<b>Revenue by onshore, offshore IT services</b>					
Onshore IT Services (%)	59.1%	58.1%	56.9%	57.0%	56.4%
Offshore IT Services (%)	40.9%	41.9%	43.1%	43.0%	43.6%
<b>Revenue by Customer Group</b>					
Top 5 customers (%)	29.5%	26.5%	25.0%	25.2%	25.8%
Top 10 customers (%)	38.4%	36.6%	35.5%	35.7%	35.7%
Top 20 customers (%)	51.3%	48.4%	48.7%	48.3%	49.4%
<b>Client Pyramid (number of active clients)</b>					
\$75 million+ (numbers)	1	2	2	2	3
\$50 million+ (numbers)	3	3	3	3	3
\$20 million+ (numbers)	6	9	11	11	15
\$10 million+ (numbers)	19	28	29	27	31
\$5 million+ (numbers)	43	51	54	55	59
\$1 million+ (numbers)	141	170	171	172	186
<b>EBITDA and Profit Metrics</b>					
EBITDA (Rs. crore)	1199.8	1400.9	1589.9	1248.8	1391.1
EBITDA Margin (%)	16.7%	15.2%	15.3%	16.1%	15.8%
Adjusted EBITDA (Rs. crore)	1363.7	1466.4	1685.2	1280.7	1538.5
Adjusted EBITDA Margin (%)	19.0%	15.9%	16.2%	16.5%	17.4%
Profit for the period (Rs. crore)	748.8	884.2	997.6	804.8	853.3
Profit Margin (%)	10.4%	9.6%	9.6%	10.4%	9.7%
Adjusted Profit for the period (Rs. crore)	828.2	954.5	1132.6	858.8	1017.7
Adjusted Profit Margin (%)	11.5%	10.4%	10.9%	11.1%	11.5%
<b>Operational Metrics</b>					
Total number of employees (headcount) (numbers)	24166	28608	28,292	28146	32,536
Utilization rate for IT (%)	80.5%	79.0%	79.7%	79.1%	82.6%
Attrition rate for IT service line (%)	22.1%	23.2%	14.7%	16.1%	11.3%
Days Sales Outstanding (number of days)	52	55	49	54	42

## Financial Statement

(In Rs. Cr)	CY21	CY22	CY23	9MCY23	9MCY24
Share Capital	60.3	60.4	60.7	60.7	60.7
Net Worth	3787.9	4123.0	4635.2	4684.5	5277.0
Long Term Borrowings	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities	432.8	436.3	411.1	429.1	698.7
Short-term borrowings	0.0	82.7	0.0	0.0	0.0
Other Current Liabilities	1452.8	1872.0	2155.8	1907.6	2618.5
Fixed Assets	2403.4	2593.8	2508.7	2517.8	3788.0
Non Current Assets	2571.5	468.3	491.7	492.7	563.1
Current Assets	2932.3	3451.9	4201.7	4010.7	4243.1
Total Assets	5673.5	6514.0	7202.1	7021.2	8594.2
Revenue from Operations	7177.7	9199.6	10380.3	7764.3	8820.0
Revenue Growth (%)		28.2	12.8		13.6
EBITDA	1132.9	1221.7	1581.1	1250.0	1339.8
EBITDA Margin (%)	15.8	13.3	15.2	16.1	15.2
Net Profit	748.8	884.2	997.6	804.8	853.3
Net Profit Margin (%)	10.4	9.6	9.6	10.4	9.7
Earnings Per Share (Rs.)	12.3	14.5	16.4	13.2	14.1
Return on Networth (%)	21.4	23.4	23.6	18.7	17.6
Net Asset Value per Share (Rs.)	57.7	62.1	69.6	70.6	79.9

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	CY21	CY22	CY23	9MCY23	9MCY24
Cash flow from Operations Activities	979.8	820.6	1515.6	763.1	702.5
Cash flow from Investing Activities	(224.6)	(15.1)	(299.6)	(288.3)	(785.0)
Cash flow from Financing Activities	(602.0)	(721.1)	(750.1)	(461.7)	(374.1)
Net increase/(decrease) in cash and cash equivalents	153.2	84.4	465.9	13.1	(456.6)
Cash and cash equivalents at the beginning of the year	1011.4	1178.7	1291.6	1291.6	1773.4
Cash and cash equivalents at the end of the year	1178.7	1291.6	1773.4	1308.2	1335.7

Source: RHP

## Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Hexaware Technologies Ltd.	10380.3	15.2	0.0	31.3	21.5	37.8	8.1	15.6	2.4	43024.8
LTIMindtree Ltd.	35517.0	20.0	0.0	34.1	25.6	39.0	8.1	23.9	4.8	178432.0
Persistent Systems Ltd.	9821.6	18.4	0.0	31.3	25.9	72.2	16.1	45.5	8.4	95344.6
Coforge Ltd.	9179.0	16.2	0.1	31.3	25.4	73.4	9.1	33.3	5.1	56858.5
Mphasis Ltd.	13278.5	19.9	0.2	24.1	19.1	32.7	5.9	19.0	3.9	53980.8

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