

Hexaware Technologies Ltd.

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IPO Note | 11th February 2025**Sector: IT****Price Range: ₹674 - ₹708**

An AI-Enabled digital solutions provider....

Hexaware Technologies Ltd. (HTL) is a global IT services company based in Navi Mumbai, India. They provide a wide range of technology solutions, including digital transformation, cloud services, data and AI, and IT operations. HTL provide both onshore and offshore IT services, which account for 57% and 43% in CY23. It has a global delivery presence spread across the Americas (71.5% revenue in CY23), Europe (22.1%) and APAC (6.4%). Hexaware helps businesses across various industries like financial services, healthcare, and manufacturing to improve their operations and customer experiences.

- ◆ The IT Services and Business Process Services (BPS) market is projected to reach ~₹343.0 trillion by CY29, with IT Services expanding at a CAGR of about 7.2% and BPS at around 2.5% over the CY2024-29E period.
- ◆ Hexaware's revenue increased from ₹7,177.7cr in CY21 to ₹10,380.3cr in CY23, recording a CAGR of 20.3%. This growth was largely attributed to a rise in the number of customers and higher revenue generation from existing clients.
- ◆ The company's EBITDA increased from ₹1,132.9cr in CY21 to ₹1,581.1cr in CY23, achieving a CAGR of 18.1%. Meanwhile, PAT rose to ₹997.6cr, registering a CAGR of 15.4% over the CY21-23 period.
- ◆ Hexaware leverages AI-based platforms such as RapidX for digital transformation, Tensai for AI automation, and Amaze for cloud adoption, positioning itself to capitalize on future IT spending trends and digital transformation initiatives across industries.
- ◆ Hexaware has established strategic partnerships with Adobe, AWS, Backbase, Data-Robot, Microsoft, Oracle, etc.
- ◆ At the upper price band of ₹708, Hexaware is available at a P/E of 43.1x(CY23), which is fairly valued compared to its listed peers. The government support for outsourced services and India's well-established IT infrastructure, bolstered by strong telecommunications and innovative facilities, improves the company's delivery capabilities.
- ◆ With a consistent financial performance featuring better margins, the company is well-positioned for future success. We recommend subscribing to this issue for long-term investment.

Purpose of IPO

The issue is primarily an Offer for Sale (OFS) of up to 12,358,757 equity shares totaling Rs. 8,750 cr by the Promoter CA Magnum Holdings. The objective of the issue is to achieve the benefits of listing the equity shares on the stock exchanges.

Key Risks

- ◆ Vulnerable to cyber-attacks, computer viruses, ransomware and electronic break-ins, which could disrupt the operations.
- ◆ Business is subject to evolving privacy and data protection laws.
- ◆ The company's shares were delisted in 2020 to gain control and reduce costs.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Hexaware	43,025	10,380	15.23	9.6	16.4	21.5	43.1	27.5	9.3	4.1	708
Persistent Systems Limited	97,484	9,822	17.1	11.10	69.7	24.5	88.7	36.1	19.2	9.9	6,189
Coforge Limited	57,057	9,179	15.6	8.80	129.6	24.1	65.6	24.2	15.9	6.2	8,502
LTI Mindtree Limited	175,770	35,517	18	12.9	146.7	25	41.1	21.7	8.9	4.9	6,025
Mphasis Limited	53,603	13,278.5	18.2	11.7	76.5	18.6	37.2	18.2	6.1	4.0	2,842

Source: Geojit Research, Bloomberg; Valuations of Hexaware are based on upper end of the price band (post issue), Financials as per CY23 consolidated.

Issue Details	
Date of opening	February 12, 2025
Date of closing	February 14, 2025
Total No. of shares offered (cr.)	12.36
Post Issue No. of shares (cr)	60.77
Face Value	₹1
Bid Lot	21 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,868
Maximum application for retail (upper price band for 13 lot)	₹ 1,93,284
Listing	BSE,NSE
Employee Discount	Rs.67
Lead Managers	Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited, J.P. Morgan India Private Limited, Hsbc Securities & Capital Markets Pvt Ltd, Iifi Securities Ltd
Registrar	Kfin Technologies Limited

Issue size (upper price)	Rs.cr
Fresh Issue	0.0
OFS	8,750.0
Total Issue	8,750.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	95.0	75.0
Public & others	5.0	25.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	3,031.0
Non-Institutional	15	1,299
QIB	50	4,330
Emp. Reservation	-	90
Total	100	8,750

Y.E March (Rs cr) Consol.	CY22	CY23	9MCY24
Sales	9,199.6	10,380.3	8,820
Growth YoY(%)	28.2	12.8	113.6
EBITDA	1,221.7	1,581.1	1,339.8
Margin(%)	13.3	15.2	15.2
PAT Adj.	884.2	997.6	853.3
Growth (%)	18.1	12.8	6
EPS	14.6	16.4	14
P/E (x)	48.7	43.1	50.4
EV/EBITDA (x)	35.6	27.5	32.5
P/BV(x)	10.4	9.3	8.2

Business Description:

Hexaware Technologies Ltd. is a global IT consulting and services company that provides a wide range of technology solutions to various industries. Hexaware serve customers through IT (85% of revenue in CY23) and BPS services(12.6%). Company offer Design & Build, Secure & Run, and Data & AI services through IT business, and Optimize services through BPS business. HTL offer cloud services across both IT and BPS businesses. Hexaware deliver services through AI-enabled digital platforms such as RapidX™ for digital transformation, Tensai® for AI-powered automation and Amaze® for cloud adoption. Company serve customers across the Americas, Europe and Asia-Pacific (including India and Middle East). Hexaware provide comprehensive services and solutions to customers across six industries : Financial Services, Healthcare and Insurance, Manufacturing and Consumer, Hi-Tech and Professional Services, Banking, and Travel and Transportation.

- ◆ **Financial Services:** In the Financial Services operating segment, the company'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 company's 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, the company's sub-verticals include manufacturing, retail and consumer, education, energy, telecom and utilities.
- ◆ **Hi-Tech and Professional Services:** This 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 include digital banking, payments, cards and consumer banking.
- ◆ **Travel and Transportation:** In the Travel and Transportation operating segment include airlines and airports, travel technology, logistics and transportation, hotels and the entertainment industry.

The following tables set forth revenue from operations from various operating segments

(₹ in million, except percentages)

Operating Segment	For the Financial Year								
	2023			2022			2021		
	Revenue from operations	% of revenue from operations	Period-over-period growth	Revenue from operations	% of revenue from operations	Period-over-period growth	Revenue from operations	% of revenue from operations	
Financial Services	28,264	27.2%	6.2%	26,617	28.9%	25.5%	21,204	29.5%	
Healthcare and Insurance	22,516	21.7%	8.3%	20,795	22.6%	34.4%	15,478	21.6%	
Manufacturing and Consumer	18,548	17.9%	13.1%	16,401	17.8%	25.3%	13,089	18.2%	
Hi-Tech and Professional Services	16,638	16.0%	10.3%	15,085	16.4%	39.3%	10,831	15.1%	
Banking	9,445	9.1%	40.7%	6,713	7.3%	7.5%	6,243	8.7%	
Travel and Transportation	8,392	8.1%	31.4%	6,385	7.0%	29.5%	4,932	6.9%	
Total revenue from operations	103,803	100.0%	12.8%	91,996	100.0%	28.2%	71,777	100.0%	

Onshore/offshore mix

Hexaware has a global delivery presence, which allows it to provide innovative solutions to customers in a flexible and cost-effective manner by leveraging platforms through a talent pool and an efficient onshore-offshore service delivery mix. The offshore IT services accounted for 43.6% of the revenue from IT services for the nine months ended September 30, 2024. The company aims to increase offshore delivery services, as increasing the share of revenue from operations contributed by offshore delivery may help increase margins. Major offshore delivery centers are spread across India in Chennai in Tamil Nadu; Pune, Nagpur, and Navi Mumbai in Maharashtra; Bengaluru in Karnataka; and Noida in Uttar Pradesh. Major onshore delivery centers are located in Alpharetta, Gainesville, and Reston in the US; Monterrey and Saltillo in Mexico; Buenos Aires in Argentina; Birmingham in the UK; Amsterdam in the Netherlands; Berlin in Germany; Brussels in Belgium; Wroclaw in Poland; Dubai in the UAE; Singapore; and the Philippines.

The following table set forth the revenue by IT services derived from offshore and onshore capabilities

(₹ in millions, except percentages)

	For the nine months ended September 30				For the Financial Year					
	2024		2023		2023		2022		2021	
Revenue by Offshore IT services	32,447	43.6%	28,339	43.0%	38,081	43.1%	33,331	41.9%	25,866	40.9%
Revenue by Onshore IT services	41,999	56.4%	37,557	57.0%	50,180	56.9%	46,280	58.1%	37,394	59.1%

Note: Revenue by Offshore IT services refers to IT revenue delivered from India and Mexico and Revenue by Onshore IT services refers to IT revenue delivered from any other location.

Source: RHP, Geojit Research

Key strengths:

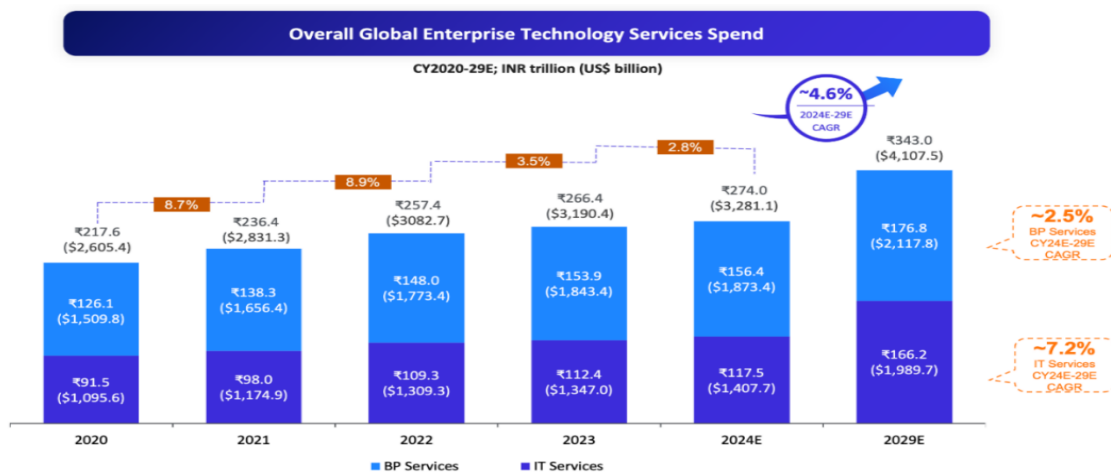
- ◆ Deep domain expertise delivered through comprehensive solutions across industries
- ◆ AI-led digital capabilities and platforms built in-house with innovation as a strategic pillar
- ◆ Long-term and embedded relationships with diversified blue-chip customer base.

Key strategies:

- ◆ Acquire new customers with focus on large customers to tap high value opportunities.
- ◆ Strategically expand into untapped geographies and industries
- ◆ Create and develop advanced talent and optimize cost of delivery

Industry Outlook

The IT services and Business Process Services (“BPS”) market is projected to reach approximately ₹343.0 trillion (₹343,000,000 million) in CY2029, with IT services growing at a CAGR of approximately 7.2% and BPS growing at a CAGR of approximately 2.5% for the period CY2024-29E. Factors driving such growth include increased adoption of cloud, data and AI solutions, heightened cybersecurity needs and cost optimization. Digital is an overarching theme across all major technology segments in today’s market, with overall digital services spend set to reach approximately ₹152.7 trillion (₹152,700,000 million) by CY2029 (Source: Everest Report).



Source: RHP, Geojit Research

Promoter and promoter group

The Promoter of the company is CA Magnum Holdings is a private limited company engaged in investment holding activities.

Brief Biographies of directors

- **Joseph McLaren Quinlan** is the Non-Executive Independent Director and Chairman of the Company.
- **Srikrishna Ramakarthikeyan** is a Whole-time Director and the Chief Executive Officer of the Company. He has over 30 years of experience.
- **Neeraj Bharadwaj** is the Non-Executive Director of the Company. He has several years of experience in private equity.
- **Sandra Joy Horbach** is a Non-Executive Non-Independent Director of the Company.
- **Julius Michael Genachowski** is a Non-Executive Non-Independent Director of the Company.
- **Lucia De Fatima Soares** is a Non-Executive Non-Independent Director of the Company.
- **Kapil Modi** is a Non-Executive Non-Independent Director of the Company.
- **Shawn Albert Devilla** is a Non-Executive Non-Independent Director of the Company.
- **Milind Shripad Sarwate** is a Non-Executive Independent Director of the Company.
- **Vivek Sharma** is a Non-Executive Independent Director of the Company.
- **Sukanya Kripalu** is a Non-Executive Independent Director of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	CY22	CY23	9MCY24
Sales	9199.6	10,380.3	8,820
% change	28.2%	12.8%	13.6
EBITDA	1,221.7	1,581.1	1,339.8
% change	8%	29%	7.2%
Depreciation	244.4	283.6	202.5
EBIT	977.3	1,297.5	1,137.3
Interest	33.5	37.8	45.3
Other Income	179.2	8.8	51.3
Exceptional items	-	-	-
PBT	1,123	1,268.5	1,143.3
% change	19%	13%	11%
Tax	238.8	270.9	290
Tax Rate (%)	21%	21%	25%
Reported PAT	884.2	997.6	853.3
Adj	-	-	-
Adj. PAT	884.2	997.6	853.3
% change	18.1%	12.8%	6%
Post issue No. of shares (cr)	60.8	60.8	60.8
Adj EPS (Rs)	14.6	16.4	14
% change	18.1%	12.8%	6%

CASH FLOW

Y.E March (Rs cr)	CY22	CY23	9MCY24
PBT Adj.	1,123	1,268.50	1,143.30
<i>Non-operating & non cash</i>	<i>323.5</i>	<i>382.7</i>	<i>263.8</i>
Changes in W.C	-382.4	122.3	-482
C.F. Operating	820.6	1,515.6	703
Capital expenditure	-119.2	-64.3	-90
Change in investment	-780	-620.1	-1705
Sale of investment	905.4	377.8	1,808.50
Other invest.CF	-21.3	7.0	-798.70
C.F - investing	-15.1	-299.6	-785
Issue of equity	0.1	0.3	-
Issue/repay debt	80.60	-83.7	-
Dividends paid	-663.7	-530.8	-258
Other finance.CF	-138.1	-135.9	-116.1
C.F - Financing	-721.1	-750.10	-374.1
Change. in cash	84.4	465.9	-456.6
Opening Cash	1,207.2	1,307.5	1,792.30
Closing cash	1,291.6	1,773.4	1,335.7

BALANCE SHEET

Y.E March (Rs cr)	CY22	CY23	9MCY24
Cash	1302.8	1783.7	1346.1
Accounts Receivable	1881.8	1845.8	2193.4
Inventories	-	-	-
Other Cur. Assets	267.3	321.6	542.6
Investments	0.3	251	161.4
Deff. Tax Assets	260.3	272.7	303.2
Net Fixed Assets	598.5	525.7	485.5
CWIP	6.3	55.2	110.6
Intangible Assets	1,989	1,927.8	3,191.9
Other Assets	207.7	218.6	259.5
Total Assets	6,514	7,202	8,594
Current Liabilities	859.6	992.2	1080.9
Provisions	311.6	324.7	542.2
Debt Funds	456.5	393.6	517.5
Other Fin. Liabilities	631.7	678.9	932.9
Deferred Tax liability	131.6	177.5	243.7
Equity Capital	4,123	4,635.2	5,277
Reserves & Surplus	-	-	-
Shareholder's Fund	4,123	4,635.2	5,277
Total Liabilities	6,514	7,202	8,594
BVPS (Rs)	67.8	76.3	86.8

RATIOS

Y.E March	CY22	CY23	9MCY24
Profitab. & Return			
EBITDA margin (%)	13.3	15.2	15.2
EBIT margin (%)	10.6	12.5	12.9
Net profit mgn.(%)	9.6	9.6	9.7
ROE (%)	21.4	21.5	16.2
ROCE (%)	20.8	21.4	16.3
W.C & Liquidity			
Receivables (days)	64	66	22
Inventory (days)	-	-	-
Payables (days)	21	23	8
Current ratio (x)	2.9	3.2	2.6
Quick ratio (x)	3.7	3.7	3.3
Turnover & Levq.			
Net asset T.O (x)	15.4	18.5	18.2
Total asset T.O (x)	1.5	1.5	1.1
Int. covge. ratio (x)	29.2	34.3	25.1
Adj. debt/equity (x)	0.1	0.1	0.1
Valuation ratios			
EV/Sales (x)	4.7	4.2	4.9
EV/EBITDA (x)	35.6	27.5	32.5
P/E (x)	48.7	43.1	50.4
P/BV (x)	10.4	9.3	8.2



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