“Hexaware Technologies Limited
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SPEAKERS:	**MR. R. SRIKRISHNA – CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR**
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MODERATOR:	**MR. RISHI JHUNJHUNWALA – IT SERVICES ANALYST, IIFL INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Hexaware Conference Call with CEO, hosted by IIFL Institutional Equities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishi Jhunjhunwala – IT Services Analyst at IIFL Institutional Equities. Thank you and over to you, sir.

Rishi Jhunjhunwala: Thank you, Rayomand. Good evening, everyone. Today we are hosting Mr. R. Srikrishna – CEO, and Mr. Vikash Jain – CFO of Hexaware Technologies Limited to give a business update in context of the COVID-19 outbreak. During the call, they will share their perspective on the likely impact of the outbreak, along with their assessment of the key trends which will influence this sector and the company going forward. After their remarks, we will open it up for Q&A. So, I will pass it on to Keech for his opening remarks. Thank you, Keech and Vikash for doing the call.

R. Srikrishna: Thanks, Rishi. Thank you all for joining. I hope you and your families are safe and stay that way. I do want to apologize for the long wait time some of you had to go through to join the call. But it seems to be a feature these days of any conference facility; long lines and low bandwidth.

We announced a COVID response team and a charter several weeks ago. We were actually quite quick off the block. Our charter had a three-pronged objective. The first objective was to ensure the safety and well-being of all our employees globally. The second was to ensure that we continue to deliver the fullest services, best services possible to customers through the crisis no matter what the scenario is. And the third is that, to the extent that we can contribute to society to help overcome the COVID challenge, we will do so. So that's the three-part objective we laid out to ourselves several weeks ago. And we are doing very well on all three fronts.

The first front that remains the most important is our employee safety and well-being. We went on a war footing. If you came to our campus a couple of weeks ago, we had like, thermal imaging, everybody's temperature was checked, we did everything that we could. And as a consequence, we don't have, at this point, a single known employee anywhere in the world that is infected. And we are working very hard to keep it that way, whatever we can do to keep it that way, we will.

The second is that, our customers' delivery is in really good shape. I am going to provide you more color on that, but at the highest level, it's in pretty good shape. Our work from home initiative was not done as a consequence of government action, it preceded that. And as a consequence, we are in pretty good shape. We are in much better shape in IT than in BPS but I will double click on that in a minute.

On contributing to society, we have taken that quite seriously. We have launched couple of free services right now. And we will launch more free services including launching an app next week that will help track and quarantine any affected person that can be used by employees, can be used by governments, it can be used for hospitals, insurance companies, whatever. So we are taking our social responsibility seriously. We want to help every community that we live and work in. And the best way for us to do that is by building technology that can help in this crisis.

So on service delivery and service continuity. Like I said, our work from home initiative was not driven as a consequence of government shutdown. It was something we had anticipated and at least five days before the government shutdown our IT work had moved substantially to work from home. At this point, about 99% of our offshore work in IT is work from home and 100% of work outside India is in work from home. A very small percentage that is not in work from home is because customers do not want it. There are some clients that said, "Okay, I am going to wait through the period of government shutdown, and you can restart after that, but our policies and regulation do not allow it."

On the BPO side we are at, from a revenue perspective, about 75% work from home. The number of people is lower, but the higher value and the more critical services are fully covered. That's why from a revenue perspective about 75% is work from home. Again, even in BPS, I am going to say about one to two weeks before government action we were knocking on customers' doors to ask them for permission to move to work from home. Clearly in BPS, those permissions were slower and less forthcoming because of multiple complexities. So our work from home numbers there are lagging. Some of it will catch up a little bit over the next few days, but some of it will stay there either because the work can't be done from home or because of regulation or a combination thereof. And some cases also demand has temporarily fallen off.

Now, the big sort of consequence of all of this, the fact that we started planning early and the fact that our move to work from home was not a response to government action, is that we are really kind of focused now on the second phase of this, which is keeping employee productivity and morale up. And we did a bunch of coaching to employees, even before we moved to work from home, because we had planned for it. We had given coaching on different types of work, for example, we are doing agile development, we are doing testing automation, we are doing monitoring. What do you do differently when you're in a work from home situation, what are the playbooks for that? So we had kind of created those coaching/ training modules for our employees before.

The best outcome of all this is that our customers are seeing the difference. Customers where we coexist with other service providers, and a lot of customers we coexist with other service providers have clearly seen the difference between what we brought to the table and what some of our competition has brought to table. And we think this crisis has helped us cement relationships with our customers, build better trust and credibility. And as a consequence, when the bounce happens post crisis, we think we will be in a solid position to gain market share. We have many number of clients that send mails to us on a daily basis about how good and robust our service delivery has been in a post work from home scenario.

So summary on supply is that we are as good as we can be on IT. We are again, as good as we can be on BPS, but that's not close to 100% because of a variety of issues that prevent us from working remotely. But also some demand side issues because of which we don't need those services at least for a period of time.

On the demand we started off the quarter quite well, but clearly in the last few weeks, demand has been impacted. We are seeing variety of patterns, don't show up on at our office, to let's not start new projects right now, to in some industries kind of pause on even current work. And we expect clearly that the demand impact will continue into Q2.

The first order impact is in industries that require footfall. And clearly Travel & Transportation is the biggest impacted, but there's also kind of other industries, for example, in our Healthcare business we have some fitness businesses that are impacted. In our Manufacturing & Consumer business we have education sector which is temporarily impacted, onboarding of new students, testing for students, both these are services that happen during the year, but usually it happens here and now and that's been postponed in many countries around the world. But the cumulative view is that we think that in many cases it would be a V-shaped recovery and demand could come back in the later part of Q2, certainly by Q3.

When the demand does come back, our focus is to make sure that we are very strongly positioned to gain market share. I know there is a little bit of a prevalent thesis that in downturns, companies of our size tend to get squeezed out. I think the exact reverse will happen. Because we have proven in the last two weeks, when a lot of companies have struggled, we have proven that we can deliver stellar services. And that builds credibility more than anything else can. And the second, I think that the relevance of our three-pronged strategy is even more true in a post COVID world than it ever was but with slightly different takes. I mean, automation has always been about robustness, but I think the cost savings aspect of automation will come more to the fore in the future. Cloud for us has meant multiple things, most importantly, innovation on the cloud. We think cloud journey will get only accelerated for a variety of reasons. Collaboration, you saw Microsoft announcing that their collaboration platform usage has gone up 70%-75%, but also because of continuity. Customers whose applications were on cloud, the move to work from home has been the most seamless. So we think the relevance of cloud will only increase in future.

And finally, and most importantly is the customer experience transformation aspect of our strategy. We think that expertise and focus is going to be huge. If you think of the post COVID world, we think there is going to be a move and a desire to keep things contactless. You can already see in a store, you can still go to a store in New Jersey, people don't hand their card, they put it on a tray. And so it's going to be contactless everything. And yet, how do you create immersive and proximus experiences in a contactless world, we think that’s going to be huge. We already have retail customers whose overall business is down, but their mobile ordering is up like 100%. And quick service restaurants (QSR), curbside pickup who doesn't have a strategy is going to want to have one very soon. And if you kind of look at our online activity, you'll see later this week, we have a webinar on how to get a very rapid strategy up and running on curbside delivery.

The other facet of demand is deal signings. Again, we started the quarter so well that it could have been perhaps our best quarter ever in terms of new deal bookings, at least. It was shaping up to be that, but activities dramatically paused in the last few weeks, and I think we think it will continue through to the end of Q2. However, there are existing clients who are seeing surge in pockets, that are coming back and asking us whether we can execute more work now. But also clients who are not seeing a surge in demand but are seeing other service providers being unable to do as robust a job as we have done to see if we can pick up some of the slack caused by other service providers.

I want to give you a little bit of sense by vertical. Clearly Travel & Transportation is the hardest hit. We think it will be V-shaped. A lot of our customers, airlines that are many ways systematically important to the economies and countries they are in, so we don't see long-term kind of issues of demand or stability in our clients. But there is a clear kind of drop-off and we think it will be V-shaped. The good news for us is this sector is just about 10% and it's not the most important driver of growth for us. But there will be an impact in Q2 and there will be potentially some spillover into Q3 as well. Manufacturing & Consumer, the only first order impact is in education, which I referred to earlier. We have very little exposure to high end retail, some but very little. We don't also have any material exposure to second order impact due to disruption in supply chain in the segment.

On BFS, kind of two things, first is unrelated to the COVID. We want to reiterate that the large client that we have had issues with is back on track to recovery. We said last call that we are now on a month on month increase. Even though there will be an overhang from Q4 to Q1. That situation continues, we are on a month on month increase in that client. Demand situation in BFS has currently not changed in any material way. In fact, going the past downturns, at least some sub segments of our business, we think will see a medium-term boost. The asset servicing companies that we work with, we see an upsurge in business for asset servicing companies. We also expect to see much higher volume of mortgage refinancing, which will have a second order impact on our clients in the mortgage space, but it's a positive second order impact.

In Healthcare and Insurance, there is some temporary demand issues due to the fitness sector, essentially being shut down in many parts of the world. But it's a short-term impact. High Tech & Professional Services, we don't see an impact. In fact, we see a potential positive long-term impact or even a medium-term impact coming out of COVID. One of the segments that our customers operate in is positively impacted by volume of transactions. We actually think that volume of transactions post COVID will go up quite a bit.

I did speak earlier about community initiatives. Like I said, it's something that we have taken seriously through this period. I spoke a little bit about what the company is doing, but our employees are engaged in ways that is only possible if there is lots of employees that want to get engaged. So our contribution will be beyond what the company does, many employees as individuals will also be contributing.

Final comment on dividend. We are on track to kind of pay out the dividend that we announced last quarter. With that, I am going to pause and answer any questions that you may have.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. The first question is from the line of Vimal Gohil from Union Asset Management Company. Please go ahead.

Vimal Gohil: Sir, you spoke about demand environment in some of the key verticals. Some of these seem to be sub-verticals, for example, education where we are not very clear about how much that contributes to your overall revenue. If you could just give us a one single number as to how much does education and other affected verticals together contribute to your revenue?

R. Srikrishna: Yes, we don't report on sub-vertical revenue. But I can tell you that both education and high-end retail are marginal. I am calling it out because there is an impact, but they are not substantial to that vertical.

Vimal Gohil: So would it be possible to give a total number over here? I am not asking for maybe a single specific detail on the exposure.

R. Srikrishna: I already told you what I can, that it's not substantial. There is an impact, but it is not substantial.

Vimal Gohil: Okay. And sir, could you just highlight how is the Mobiquity business going along? What is the update there?

R. Srikrishna: We think one of the big winners coming out of this will be digital and e-commerce. Change in user experience and e-commerce, these are two parallel investments we have made. If you recall, we spoke that one of the big organic investments we made was in commerce and content. And acquisition we made was in tying user experience to underlying engineering layers and commerce. We think it will be one of the big winners coming out of this. And I gave you examples, we have retail clients whose overall business volume is down, but ordering through the mobile apps we have built for them is through the roof.

Vimal Gohil: Okay. And sir, given the fact that this is probably at this point in time given the base case scenario if we take a two quarter phenomena, and maybe if said that there is going to be a V-shaped recovery, for the two quarters have we probably looked at initiatives where we can safeguard our operating profit margins to some extent, excluding the INR depreciation?

R. Srikrishna: There is going to be some headwinds and some levers we have, to manage cost through this period. I think for sure you are going to see that utilization is challenged for a period. And we are kind of okay with that, because what we want to do is to make sure that we are servicing customers well. And in fact, we are being aggressive with important customers so that we can be in a solid position when the demand comes back. So there will be some pressure from lower utilization, there will be some kind of short-term pricing pressure as customers look for relief for their businesses. And again, we want to be supportive of important customers that we see an opportunity to expand market share. And there is also clearly costs of dealing with the crisis itself and some currency headwinds, cross currency headwinds.

The tailwinds on the other hand, you already pointed out INR depreciation. But I think there are some natural cost saves, there is travel expenses, facilities are largely kind of usage is down materially, so utilities, transport cost, some of that has come down. One of the biggest cost drivers is replacement cost of our talented employees, that we think is naturally going to come down, attrition rates are going to come down. So, yes, I mean, we are going to focus. If you kind of want to summarize our strategy, our strategy is to be best positioned to kind of gain market share when the bounce happens. And in the period till such time, be very prudent about operations. And yet not give up an inch or make zero compromises on how well we service our customers through this period.

Vimal Gohil: Thank you for the details. Just last question from my end. If you could just highlight how is the IMS business shaping here? Are we seeing any delays out there? Because it is one of the important growth drivers for us.

R. Srikrishna: So, if you heard kind of our IMS 2.0 strategy, if you will, right, that there is a distinct kind of focus not just on outsourcing business but also on high-end projects and automation as a service. It's a three-pronged strategy outsourcing, high-end project/ consulting work and automation as a service. So, we think the whole kind of work from home is going to lead to a spike in future on the work from home services, which is the consulting project work in part of the infrastructure business. Cost pressures will also increase of outsourcing deal volumes. And finally, we definitely think there will be bigger focus on automation as a cost saving, as a sustainable cost saving lever. So, some of the free services we spoke about that we have launched, some of it is community oriented but others which are customer oriented. One of the free services we have launched for our customers is, we have said that are I think some 30-odd bots, work from home bots, and an automation platform that can execute those bots, we are giving free to customers for a year. I mean, this deals with common kind of work from home issues like, especially first-time work from home users, VPN access, things like that. We have built automated or semi-automated resolution for about 30 of these scenarios and we are offering it free.

Moderator: Thank you. We take the next question from the line of Mihir Manohar from CapGrow Capital. We seem to have lost the line for Mihir Manohar. We move to the next question. Next question is from Rahul Mehta from Bain Capital.

Rahul Mehta: Sir, I have a couple of questions. One was on, just how do you think about delivery? Currently it's running smoothly, but in case COVID sort of extends, how long do we sustain it and what are the shifts long-term when you think about delivery after the COVID world? And how do you think of business development and new business? Basically, new business development post COVID, given travel sort of will be a little low during the few months to come?

R. Srikrishna: So on the first one, I don't think there is a single person in Hexaware who is planning for our delivery model to change on April 16th. We are planning for this to be several weeks. So everything we are doing is with that horizon. If things kind of become better like before, great, but that's not our planning. Our planning is that it will be several weeks. So the focus, the singular focus is on a variety of things to keep employee morale up, keep productivity up, how do you alter your governance models on delivery to work well in work from home situations. Last week, I had a call with a client, CEO of a client. And this was kind of to review release of a major product that we are building for them. And it has a significant revenue impact for them, that's why I was on the call with their CEO. The interesting thing is that about a week prior to this call, we had moved to work from home. But that was a non-event in the call, it didn't even come up. Except towards the end where the CIO said, "I got to thank you guys, you have done a fabulous job on moving, it's been a non-event for us. Nobody has kind of noticed a difference." So I think that's our thinking, philosophy, planning horizon. To be sure there are challenges, but I think we have tried to stay a few steps ahead of the game.

Now on the selling cycle, part of the service pack that we want to take to market once this all settles. I spoke to about two potentially conflicting themes, right, contactless yet immersive. And how do you satisfy the need for proximity? How do you satisfy the need for immersive experiences? And do all this in a contactless manner? We think that's the new world of customer experience. And that also is true for how we sell. So I think that is a bunch of solutions around there, that we will use ourselves but also take to market.

Moderator: Thank you. The next question is from the line of Robert from Westwood International Advisors. Please go ahead.

Robert: I just wanted to understand a little bit more, if you could provide us with some color on if there is or do you expect to see significant demand pivot towards extending these collaborative solutions, making sort of a more permanent part of your solutions that you provide to clients or whether clients themselves? Do you feel a certain amount of their IT budget is going to be to support work from home, more collaborative contactless type of solutions that you can provide them? So that's my first question.

And secondly, during this downturn, if you do have utilization rates that have dropped, are you taking this opportunity to perhaps retrain some of your employees so that they are reskilled and ready for the bounce when that happens in a couple of quarters? Thank you.

R. Srikrishna: So on the first one, I think the answer is absolutely yes. It is going to, obviously, vary by type of service and the segment the customer is in. But we think there will be a permanent shift to a smaller or larger extent, depending on the context, but for sure there will be a permanent shift. On the second one, the answer is an absolute yes. We already had, I am going to say like, somewhat 50% to 60% of our employees on the Phase 1 retraining of digital journey, and another good chunk that were kind of close to completion, at least on Phase 1 of the journey. It is a continuous journey. We are certainly going to use any kind of downtime in this period to encourage our employees. The good news is that our training infrastructure is all digital, it has been for a while, so people can do it from anywhere in the world.

Moderator: Thank you. The next question is from the line of Mr. Rishi Jhunjhunwala from IIFL. Please go ahead.

Rishi Jhunjhunwala: Just one question. Can you give some more color around how the service line impact is going to pan out? And I just want to draw the context around Mobiquity as well, it's a front-end digital capability firm. So how does the digital versus traditional is going to change from a delivery perspective? And also in terms of some of your strategic clients like the two government companies in U.S. where there is largely onsite centric work. So just wanted to get some sense how the overall arrangement around these is going to change? Thank you.

R. Srikrishna: Alright. Let me answer the second one first, I think that's a quicker one. I already called out; we think the net impact of all of this in the medium-term is a bit of a positive. In that one of the things that is happening right now is that mortgage refinance rates have gone through the roof. So that will have a second order impact. At this point of time, both these clients are 100% work from home, they have been so for a period of time now, like more than two weeks, is working perfectly fine. So that’s on those. In addition, I added that one of them that we have seen a downturn, I reiterated that we are back on a path of growth there with that client, even though there is a Q4 to Q1 overhang, but month-on-month we are on growth.

Mobiquity, like I said in two or three different contexts till now. First off, our definition of digital encompasses automation, cloud and customer experience transformation. So, we kind of like to think of it in those dimensions. Automation and cloud ultimately could enable better customer experience. We think clearly, we spoke in the previous question - for those work from home, is that going to be a permanent shift? The answer is, yes. That I think is aided by cloud, it will be aided by automation. But there is also going to be a permanent shift in customer behavior. Like I said, we think people will want contactless more. Voice as a contactless interface, we think will become more mainstream in the enterprise world. Till now it's been on pure consumer type usage and applications. Yet, it is going to be married with the need for immersive experiences with the feeling of proximity. So we think solutions that can deliver that intersection of contactless and yet highly personalized and immersive experiences will be winner, and I think we are very well positioned with the combination of our capabilities from Mobiquity, but also the capabilities on content and commerce we have built to deliver to those new requirements.

Moderator: Thank you. The next question is from the line of Surya Narayanan from DSP Investment Managers. Please go ahead.

Surya Narayanan: So, I just had a question on your guidance that you started the year off with. How do you think about that? Do you think it's still relevant or would you want to revise it? I mean, how do you think about that? Or should we have to wait till your Q1 results to hear more about that?

R. Srikrishna: I think we need to wait till Q1 results or maybe even a little later to have a full assessment.

Moderator: Thank you. The next question is from the line of Sandeep Shah from CGS CIMB India. Please go ahead.

Sandeep Shah: Thanks for having this call, despite fragile times. The first question, just wanted to understand that in this challenging time if we think from a client perspective, I think the first priority is to keep the critical business on and may postpone some of the discretionary project base or maybe some digital initiatives as a whole, because it's first to keep the lights on; and second, to conserve cash because of the difficult situation. So any client has come across in terms of such kind of a discussion where you believe even working from home could be 99% or 90% possible, but at the same time some of the services may be at a pause?

R. Srikrishna: Yes, I think it's more so, or almost entirely at this point in those sectors that I had called down, right, which is travel & transportation, education - not because they are pausing work but because universities are shut. And fitness, again, because those places physical locations are shut, these are industries that depend on a footfall. Yes, so in the travel industry, yes, there is certainly kind of, I need to pause demand right now that could take multiple forms. It could take the form of a stop some work for a period of time or give me a discount for a period of time or a combination thereof. What I think will happen, is that, coming out of the crisis, it's not going to stop, I think there will be some rethinking and reprioritization of what could be important. We think some newer themes that we spoke about today could end up taking higher priority. On the other hand, we are also seeing, interestingly, some converse, that we have clients even in that industry, who are saying, "Hey, let's use the natural kind of low volume period to bring some releases forward. Now, we had planned for some major releases, and they had to be kind of timed and planned carefully to ensure no business disruption. But you know what, there is no business for the next two months, so there's no disruption, let's go ahead and bring those releases forward." So we have pockets where there is more work happening in this period to take advantage of a natural downtime in business.

Sandeep Shah: And just your comments to the travel, transportation, so I think you were saying most of your clients are big logos. So is it fair to say that most of your airline customers or the other travel customers, it's largely a large logos where sustainability may not be an issue? And another question is in terms of BPO, which is close to 8.4% of your revenue. What percentage of that BPO you believe work from home may not be possible as of now?

R. Srikrishna: Okay. On the first question, we do have some tail clients, but a substantial portion of our revenue in that segment is from businesses and logos that we think are systematically important. So we don't see a risk with those businesses. In fact, we see them being aggressive investors in technology on the bounce back.

On the BPS, I already said today, we are at about, from a revenue perspective about 75% work from home. Some of that shortfall is caused by supply, and supply actually can have, again, two buckets. One, work can't be delivered work from home; the other is, the customer doesn't want it delivered work from home. Both of those aspects will kind of comeback whenever our supply situation resumes. I think what the industry body is working towards, is "Hey, if the shutdown goes on for longer then I think kind of the Phase 2 must allow a little more work to be done from campuses". And I think that's a direction that is possible. I don't know if it's likely but it's possible. So I think some of that supply situation may improve as a consequence of that.

Then there is some demand, and the demand is in those pockets that I called out earlier, travel related, or we have literally customers for whom we do massive at scale enrollment in universities during this period. So demand is kind of going to get postponed, it's not like kids won't go to college this year.

Sandeep Shah: Okay. And just last question if I can squeeze in. You said deals wins, this could have been one of the best quarters, but it got impacted in the last few weeks of March. So is it fair to say that maybe till first week of March it's been positively surprised on the deal closure?

R. Srikrishna: Well, it's kind of not just closure until that point, but also what we were expecting to close based on the pipeline and the stage of the deal. But there are clients who - I don't know when they will pull the trigger on this, right, it could be late in the year, could be several months down the line. It's just not kind of the highest priority right now for most customers. So, yes, I mean, it is closures till initial part of March but also then what we were expecting to close; between those aggregate we were looking at a really nice quarter. I have been speaking with the fact that we have cranked up the U.S. hunting engine quite a bit. VC took over leadership of that business as well about a year ago and he's since been retooling it quite a bit. And we are beginning to see that in the results. So, I think you would have seen first good evidence of it this quarter, but that is not to be now.

Moderator: Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: Thanks for organizing this call. My first question is around pricing. What kind of conversations you are having with clients on your existing business? I mean, should we be seeing discounts across the board or within the affected verticals or not really, how should we kind of be thinking about that in this environment?

R. Srikrishna: They will be some in the affected verticals. And we have kind of got to be judicious about where we use them or where we offer them or we don't, I mean, clearly, we have to recognize long-term strength to the client, long-term demand potential from a client, ability to gain market share, all of those factors go into us determining what we do. But they will be - I think overall arsenal we will have discounts for some customers for a period of time.

Prashant Kothari: Okay. And should we expect that more in the legacy kind of business? I mean, run the business or we are expecting it in more kind of digital services?

R. Srikrishna: I don't think it will be, I am not sure the primary axis of differentiating that will be by service line, I think it will be more of a vertical. I think we are going to see that predominantly in the affected verticals.

Prashant Kothari: Okay. And secondly just on the commentary that at the quarter end we have seen the commentary from a peer also coming out yesterday where they are saying that this quarter was not really affected. I am just trying to understand why there is difference in the commentary, is it just because of the affected vertical exposures that you have got? Or are you seeing more broad-based kind of a slowdown in even like non-travel verticals?

R. Srikrishna: No, I think our impact has been entirely restricted to travel and a couple of other minor pockets which I called out. It's not broader than that. So, yes, difference in commentary, I couldn't explain that. But I can tell you where we are at, our impact is solely just to those and to the last few weeks of the quarter.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from SBICAP Securities. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. I have a couple of questions. Just first on the work from home, whether because of the arrangement now of work from home, whether we take any financial risk and liability if something goes wrong, either data or privacy side? That is question one. Our second question is about whether clients – because they are facing some difficulty, asking for some credit term relaxation and which can have some implication about our working capital and cash generation? So, if you can provide some perspective? And the last question is on the Mobiquity. Now, Mobiquity we have some deferred payment in two tranches, in January and October. So, if you can help us understand what happened with January, whether it was as scheduled, or we are seeing some lower amount because of performance as well?

R. Srikrishna: Okay, the last one is easy. The payment to Mobiquity was as per schedule in Jan, which means the performance was as per expectations. On the work from home, other kind of additional risks, in a sense no, I mean, it's the same standards of privacy and confidentiality that we are used to, that we are held to, whether we work from office or work from home. So it's not incremental risks, contractually. So, that's why it's the same. What we have to do at office we also have to do in the work from home. On credit, again, I think there are shallow pocket of customers and industries, I think we will see all kind of stress, right. Discounts and stoppage of work short-term and potentially some, "Hey, can I pay you a few days later?", I think all of that could happen. But very, very, very few customers. And again like I said, we are going to be very judicious about where we apply our arsenal and where we don't. So it is on what we see as long-term strength of those customers.

Dipesh Mehta: Just from the work from home and that related risk, now in the office environment it would be relatively more controlled environment compared to work from home. Do you think any incremental risk, or you think is not material incremental risk from risk management perspective?

R. Srikrishna: Well, you answered the question already. So I am not sure what I can add to it. Yes, I mean, the fact that we have potentially a more controlled environment in office makes it easier to manage those risks. And it's less systematic to do so in a work from home situation.

Moderator: Thank you. The next question is from the line of Rishit Parikh from Nomura. Please go ahead.

Rajat Parikh: First of all, thanks for arranging this call. I know it's a difficult time. Just one question from my side, right. Given where the new business is likely to get impacted given the current situation, just wanted to understand what proportion of growth or what proportion of revenues will that new business will be? And anything to call out from the top-20 client perspective where there could be a chance to for a material pain? Thank you.

R. Srikrishna: A material pain? Okay. So I think kind of our travel & transportation is the most impacted industry, that should be no surprise to any of you, that is just about 10% of our overall revenues. It's reasonably diversified, it's not like one or two clients on that vertical. Most of those are we think kind of solid, long-term brands. They are not at risk, there are some tiny ones, but those are smaller revenue ones. So we see kind of no necessarily long-term risk in that portfolio. There will be a short-term impact, and we have already said there is and there will be.

Rajat Parikh: And on the new business, then what proportion will be, let's say, the newer projects which contribute to revenue as well?

R. Srikrishna: I mean, we are going to differentiate a new business from existing customers and new business from new clients. New business from new clients are a very modest portion of business on a given year. It does kind of tend to have a little more impact in subsequent years, but for that year the impact is marginal. We don't think kind of the full year impact maybe that much, I mean, our fiscal year is Jan to December, so if things kind of are back to normal even by end of Q2, which is three months ahead of us, we have a lot of time to catch up on deals. Same for growth in business from existing customers. So, our performance does depend for a given year a lot more on growth from existing customers. And I think kind of organic growth in many pockets continues to happen through this period. We are still hiring; net hiring. So, there is growth happening in existing customers. Where I think it will get paused or postponed - where there is some material kind of new project or some deal being shifted from someone else to us, those kind of things may take a pause, but a lot of adjacent and organic growth continues to happen through this period.

Moderator: Thank you. The next question is from the line of Ritesh Rathod from Nippon Mutual Fund. Please go ahead.

Ritesh Rathod: Keech, can you just help us understand if this thing gets elongated for long, would there be second order impact on your BFS and Healthcare vertical?

R. Srikrishna: Yes. I mean, there could be, we don't know that.

Ritesh Rathod: But right now you are not seeing any pain points in Healthcare or BFS?

R. Srikrishna: No. Healthcare in a very small pocket, I told you your fitness business, closed facilities, but that's a short-term impact.

Ritesh Rathod: And when you see pricing behavior in the form of discount and when you compare to 2008, particularly in those troubled verticals, is it more severe than what we saw in 2008?

R. Srikrishna: I must say that I was not involved in a broad vertical business, across multiple verticals in 2008. So, my view from that time to now is a little more limited.

Ritesh Rathod: But when you compare Hexaware portfolio you will be aware of in 2008, 2009 and in three quarters there was a pricing dipped by 5%, 6% at the company level.

R. Srikrishna: I think kind of all indications are that right now whatever you are seeing, feels like more short term than the last time, clearly feels like it's more kind of we have a challenge for Q2, we have challenge for a few months. Those are the conversations that are happening. As opposed to, I think 2008 the conversations were a little more longer term.

Ritesh Rathod: And in your top 10 clients, are there any clients from the troubled verticals?

R. Srikrishna: Yes. We have one, but as I said, the overall revenue from that vertical is about 10%. But we have one in that top 10.

Moderator: Thank you. We will be able to take one last question. We take the last question from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: Thanks for your detailed comments. I just had one question geographically. Are you seeing any difference in demand patterns from the U.S. and Europe? So are you seeing bigger push outs in the U.S. or in Europe or is that more or less equal across the world? Thank you.

R. Srikrishna: I think it has kind of moved from east to west. The initial impacts were in APAC, then Europe and now in the U.S., so I think it is moving west, much like the virus has.

Parag Gupta: And so given that the lockdowns in Europe have been a lot more severe, do you think the impact on Mobiquity happens to be a lot more than what you are seeing in the U.S. right now?

R. Srikrishna: So, I think the Mobiquity business, you seem to be assuming that it's predominantly Europe. I think there is a good chunk of Europe in it, but it's not predominantly Europe. And the good news on the Mobiquity from the supply side perspective is that a vast majority of the work we were anyway doing remotely even before. So, from a supply side perspective, there is minimal impact on the Mobiquity side of the business, actually on virtually all IT business. But in Mobiquity's case, even before all this started, it was all kind of worked remotely. So there will be no, whether it's in Europe or in the U.S., no impact on account of the lockdowns. Like I said, from a demand perspective, while there may be some short-term pauses, postponements, we see it to be a big winner coming out of this.

Parag Gupta: Got it. And just one last question, Keech. While I know that it's early days, but do you think that there could be some changes in your wage hike cycles, or your hiring cycles, if you could just give us some sense on that?

R. Srikrishna: So hiring, you know, I think there was an earlier question on utilization, I said it is going to take a bit of a dip. And doesn't concern us, I think they are concerned about ensuring we service our customers well and position ourselves for a strong rebound and gaining market share through the rebound. That will mean some low utilization for a period of time, but we think we will catch up in Q3, and later half of the year we think we can catch up quite a bit on the utilization. I apologize but you had another part to your question.

Parag Gupta: Yes. My other question was wage hikes. Do you see any changes in wage hike cycles or the quantum?

R. Srikrishna: Yes. Like I said, our strategy is two pronged, right, that till the bounce happens manage things as efficiently as you can, while not compromising an inch on how we deliver to clients, and then prepare yourself for gaining market share, be aggressive when the bounce happens. So yes, to the extent that we need to be efficient about our cost, we will look at wage hikes at a later date. The good news for us is, they are not due till kind of sometime in Q3, the big cycle. So we have time to make that decision.

Parag Gupta: Right. And Keech, if I can clarify, you have talked about a possible recovery in Q2, early Q3. I just wanted to clarify, this is assuming that the virus outbreak kind of peaks out in April, May and then starts returning to normalcy thereafter, right? Is that your base case scenario for that?

R. Srikrishna: Correct.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Rishi Jhunjhunwala.

Rishi Jhunjhunwala: Thanks, Rayomand. A full disclaimer regarding any forward-looking statements made on this call is available on Hexaware's website. With that, I would like to thank Keech and pass it on to him for any closing remarks. Thank you.

R. Srikrishna: Thanks, Rishi. Thank you all for your patience. Stay safe. Difficult times, but I am discovering some new fun stuff to do at home from the time I save on commute, I am sure all of you will. So have fun and stay safe.

Moderator: Thank you very much. With that we conclude today's conference. Thank you for joining us, ladies and gentlemen. You may now disconnect the lines.

(This document has been edited to improve readability)