

DIVIDEND INTIMATION

February 24, 2017

Dear Shareholder,

I am pleased to share with you this business update on HGS' performance and unaudited financial results of the third quarter (Q3) of FY 2017.

HGS continued its strong momentum of growth in Q3 FY 2017, underlying the turnaround seen by the company this fiscal. Topline grew 8.3% and Profit After Tax grew 136.4% on Year on Year (YoY) basis. This strong financial performance has been led by robust growth in Healthcare vertical and offshore/ nearshore business. The numbers reflect traditional trends seen at HGS, where the second half of the fiscal has always been better compared to the first half. Below are some highlights of Q3 operating performance:

- Net Sales of Rs. 9,563 million, an increase of 8.3% y-o-y
- EBITDA of Rs. 1,145 million with margins of 12.0%
- PAT of Rs. 472 million with margins of 4.9%
- 185 BPM clients and 607 HRO/ F&A clients
- Total headcount stood at 43,750 as on 31st December, 2016; India: 65% (India Offshore 21% and India Domestic 44%), Philippines: 18%, US: 9%, Canada: 5% and Europe: 3%.

Growth was led by strong volume growth from our top 10 clients, gains from Open Enrollment in the healthcare sector, new logos in verticals such as healthcare and consumer products, and significant improvement in seat utilization to 88.2% in Q3 from 85% in the previous quarter.

Looking ahead, as compared to FY 2016, we expect to close FY 2017 with improvements in revenues and profitability. Led by demand for our services from clients, we continue to focus on making investments - in centers, solutions and people - to drive growth across our geographies.

HGS' Board of Directors have declared a third interim dividend of Rs. 2.50 per share of Rs. 10/- for FY 2017 at their meeting held on February 8, 2017, with February 24, 2017 as the Record Date for dividend entitlement. The dividend payment date is March 3, 2017.

I thank you for your invaluable support and look forward to the same in future as well.

Yours sincerely,



Partha DeSarkar
Chief Executive Officer

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BUSINESS HIGHLIGHTS FROM THE QUARTER

- New Business:
 - Signed six new logos in Q3
 - New multi-million-dollar contract from a major Canadian telecom client to support video legacy customer care
 - Onshore business from a leading US payer to support Medicare and Consumer business calls
 - Additional business from existing healthcare client to be serviced from new center opened in Kingston, Jamaica
 - HGS' digital arm, HGS Interactive, won a contract from a leading US Jewelry brand for support in digital production, search marketing and social marketing
- Delivery Centers: Currently, HGS has 66 global delivery centers across seven countries.
- New Solutions:
 - Leveraging mobility and collaboration trends, HGS launched a new business delivery model - **W@Home** - in Canada in December 2016. This initiative is expected to break the brick & mortar land lock and multiply the employable labor market available exponentially.
 - HGS Robotic Process Automation (RPA) solution gains traction; Currently working on eight client engagements including three provider companies.

RECOGNITION

- Received Frost & Sullivan's 2016 North American Contact Center Outsourcing New Product Innovation Award for HGS DigiCX suite of solutions
- Won two awards at the Contact Center World Awards in Las Vegas -
 - A Silver in the category of Self-Service Technology - Enhancing The Customer Experience; for a self-help solution deployed for an Electronics client
 - A bronze in the category of Making Outsourcing Work - Developing a Win:Win Partnership
- Recognized as "High Performer" in HfS Research Blueprint Report - Digital Marketing Operations 2016, December 2016
- Recognized as "Leader" in NelsonHall CMS Analytics NEAT 2016 for "Customer Experience capability" and "Cost Optimization capability", November 2016
- Achieved Americas Top 15 status in the Breakthrough Sourcing Standouts in ISG Outsourcing Index Global 3Q 2016, October 2016