

DIVIDEND INTIMATION

December 1, 2017

Dear Shareholder,

I am pleased to share with you this business update on HGS' performance and unaudited financial results of the second quarter (Q2) and first half (H1) of FY2018.

Q2 FY2018 was a strong quarter for HGS, sustaining a good balance between driving topline growth and delivering stable margins. The improvement on these metrics was driven by growth from our top 20 clients and new logos won in the previous quarter, and demand across verticals and geographies. Below are some highlights of the second quarter -

- Net Sales grew by 4.1% Year on Year (YoY) to Rs. 9,426 million; In constant currency terms, growth was 6.5% YoY
- EBITDA was Rs. 1,038 million with margins of 11%
- PAT was Rs. 534 million, a YoY growth of 42.7% and sequential growth of 28.6%. PAT margins stood at 5.7%
- Capex was Rs. 433 million
- Gross debt reduction of Rs. 247 million over Q1 FY2018 and gross debt reduction of Rs. 1,750 million in the last four quarters
- Healthcare & Insurance vertical posted 12.2% YoY growth in Q2
- 187 BPM clients and 628 payroll processing & HRO/ F&A clients

Q2's strong numbers helped strengthen HGS' performance for H1 FY2018. Below are some financial highlights of H1 -

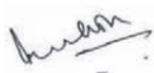
- Net Sales was Rs. 18,698 million, a YoY revenue growth of 3.1%; in constant currency, growth was 6.4% YoY
- EBITDA was Rs. 2,040 million with margins of 10.9%
- PAT was Rs. 948 million; PAT margins stood at 5.1%

The Board of Directors of HGS, at its meeting held on November 8, 2017, has declared a second interim dividend of Rs. 2.50 per equity share of Rs. 10/- each for FY2018. The Record Date for interim dividend entitlement will be November 20, 2017 and the dividend payment date is December 6, 2017.

Looking ahead, we continue to invest in sales and account mining as well as technology-led solutions such as HGS RPA (Robotic Process Automation), DigiCX and Analytics. Our focused approach is yielding results, especially with the Top 20 clients and new logos. Based on the demand scenario, including the Open Enrolment season in the US and the festive season in retail vertical in the third quarter, we expect the second half to be better for HGS than the first half of FY2018.

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

Yours sincerely,



Partha DeSarkar
Chief Executive Officer

[PTO]

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BUSINESS HIGHLIGHTS FROM THE QUARTER

- New Business:
 - Signed four new clients across Consumer Products, Transportation and Telecom & Media verticals till date
 - Expanded engagements with 15 existing clients
 - Won two DigiCX deals and two RPA-led contracts
- Delivery centers: Opened a new center in Bangalore while consolidating two small centers into one large center in Durgapur. Currently, HGS has 69 global delivery centers across seven countries.
- Total headcount stood at 45,926 as on September 30, 2017, a net addition of 1,049 people in Q2

AWARDS & RECOGNITION

- Recognised by NASSCOM with the Customer Service Excellence Award 2017 in transformation category
- Stevie Awards for Sales & Customer Service for Contact Center Solutions
- Gold winner of Golden Bridge Awards for Customer Service Team of the Year
- Named in the HfS BPO Top 50 service provider list
- Named in “Everest Group BPS Top 50 list 2017” for third year in a row
- CIO Review recognized HGS in its 20 Most Promising Customer Experience Management Solution Providers 2017