

## DIVIDEND INTIMATION

February 26, 2016

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 2016.

HGS continued its strong trajectory in topline growth in Q3, led by good performance in healthcare, consumer and public sector verticals and contribution from acquired business portfolio. However profitability was impacted primarily by increased investments in ramp-ups. Below are some highlights of the operating performance:

- Net Sales of ₹ 8,829 million, an increase of 20.5% y-o-y
- PAT was ₹ 171 million with a margin of 1.9%
- EBITDA of ₹ 780 million
- 188 active clients (excluding payroll processing clients)
- Total headcount was 38,747: 66.5% in India, 16.4% in Philippines, 7.5% in the US, 6.1% in Canada and 3.5% in Europe

The third quarter was a period of steady growth with expansion and ramp ups across all geographies - India, Philippines, Jamaica, UK and US. Our focus on new logos continued to see success... We signed contracts with seven new clients, including in segments we have recently forayed into.

Looking at the healthy sales pipeline, improved situation in Canada and aggressive growth in the acquired business portfolio, we are confident of sustaining a strong pace in topline growth. At the same time, we are taking requisite steps to help improve profitability and ensure long-term growth.

HGS' Board of Directors have declared a third interim dividend of ₹ 3.75 per share for the financial year 2015-16 at their meeting held on February 9, 2016, with February 19, 2016 as the Record Date for dividend entitlement. The Dividend payment date is February 29, 2016.

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

Yours sincerely,



Partha DeSarkar  
Chief Executive Officer, HGS

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## BUSINESS HIGHLIGHTS FROM THE QUARTER

- Won seven new logos in the quarter; Added several new lines of business from existing clients
  - o A leading audio equipment supplier signed HGS to provide a technical help desk solution to answer product inquiries including audio, home theatre and accessories from our Manila center.
  - o An online and mobile food ordering firm in the US awarded a contract to HGS to provide 24/7 customer service for all its orders across 900+ US locations.
  - o A large media company in India has engaged HGS to support their customer service communications across multi-channels, including social media, email and voice services from Mumbai. This is our first win in the Unified Customer Experience segment in India.
  - o Won a contract from a healthcare insurance major for providing international claims-related support from India. The program is expected to go live in Q1 FY2017 with about 40-50 FTEs.
- Increase in ramp-ups and addition of capacity due to recent large wins, especially in healthcare and public sector verticals
  - o Added 100 FTEs in our El Paso site in the US for a not-for-profit health plan provider
  - o Large ramp completed for new client in the Public Sector vertical in UK
  - o Started the ramp-up of a recently signed public sector client in Canada to 120 FTEs
  - o Began support for new lines of businesses from existing clients in health insurance and consumer electronics verticals in Philippines
  - o Ramping up from 100+ headcount to over 400 FTEs for a leading ecommerce company in Indore, India
- In advanced stage of closing a contract with an existing client in Canada. New terms expected to improve performance going forward
- Performance in the acquired business portfolio from Mphasis continued to trend upwards
- Automation and Digital solutions such as Digital Natural Assist (DNA) gaining traction with clients
- As of December 31, 2015, share of revenues from the Healthcare vertical was 40.8%, Telecom & Technology 29.1%, Consumer Electronics 12.9%, Banking & Financial Services 7.1%, Media 1.9%, Chemicals & Biotech 1.8% and 6.4% from other verticals.

## RECOGNITION

HGS was recognized by several leading external organizations and analyst & advisor community in the quarter.

- HGS USA President Kathy Hamburger won the Silver Stevie<sup>®</sup> Award in “Female Executive of the Year” category at the 12<sup>th</sup> Annual Stevie Awards for Women in Business 2015.
- HGS Canada was honored with the Gold Stevie<sup>®</sup> Award for the “Customer Service Department of the Year” at the 12<sup>th</sup> Annual International Business Awards.
- At the 2015 Contact Center World (CCW) Awards - Global Finals, HGS was recognized with:
  - o Best Large Center: Gold - HGS Preston UK
  - o Best Customer Service for Small Center: Gold - HGS Chiswick UK
  - o Best Medium Outsourced Contact Center: Silver - HGS Canada
  - o Best Outsourcing Partnership: Silver - HGS USA
- HGS was recognized as a Leader in the NelsonHall Vendor Evaluation and Assessment Tool for Customer Management Services for High Tech Sector in the Cost Reduction Market Segment.
- HGS has been included in Everest Group’s list of Top 50 BPO Service Providers.
- HGS has been included for the first time as a Breakthrough Sourcing Standout Top 10 vendors by ISG.