



# Investor Presentation

November 17, 2015

Certain statements in this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in the BPM industry including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-timeframe contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the Companies in which Hinduja Global has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Hinduja Global may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.



# HGS Overview



## HISTORY

- Part of the Hinduja Group, in the BPM business since 2000
- Erstwhile HTMT, IT & BPM business demerged October 1, 2006
- Rebranded as HGS in 2008

## SNAPSHOT

- FY 15 Revenues – INR **28,076 mn** (US **\$458 mn**)
- FY 15 EBITDA – INR **3,172 mn** (US **\$52 mn**)
- Presence in **11** countries ,across **65** centers
- **39,500 +** employees (as on 30<sup>th</sup> Sept 2015)
- **181** active clients for the BPM business  
(additionally over 500 clients for HRO Business)

## VALUE PROPOSITION

- Fastest growing company in the peer group - CAGR of **26%** over last 5 years
- Strong balance sheet with low Debt/Equity ratio of **0.69x**
- Track record of consistent dividends

## Almost all HGS day to day activities relate to consumer transactions and interactions

### Healthcare/ Insurance



- **58** Million transactions, **10** Million calls, **2.7** Million emails per annum
- Annual claim payout of **\$11.5** billion USD and **\$1.3** billion USD recoveries initiated for 4 of the Top 10 healthcare payers and several large hospitals/health systems in the US

### Financial Services



- Only credit card issuer to win the **J.D. Power Award for customer experience 6 consecutive years** driven by HGS's best in class NPS customer service - supporting all aspects of consumer financial transactions

### Telecommunications



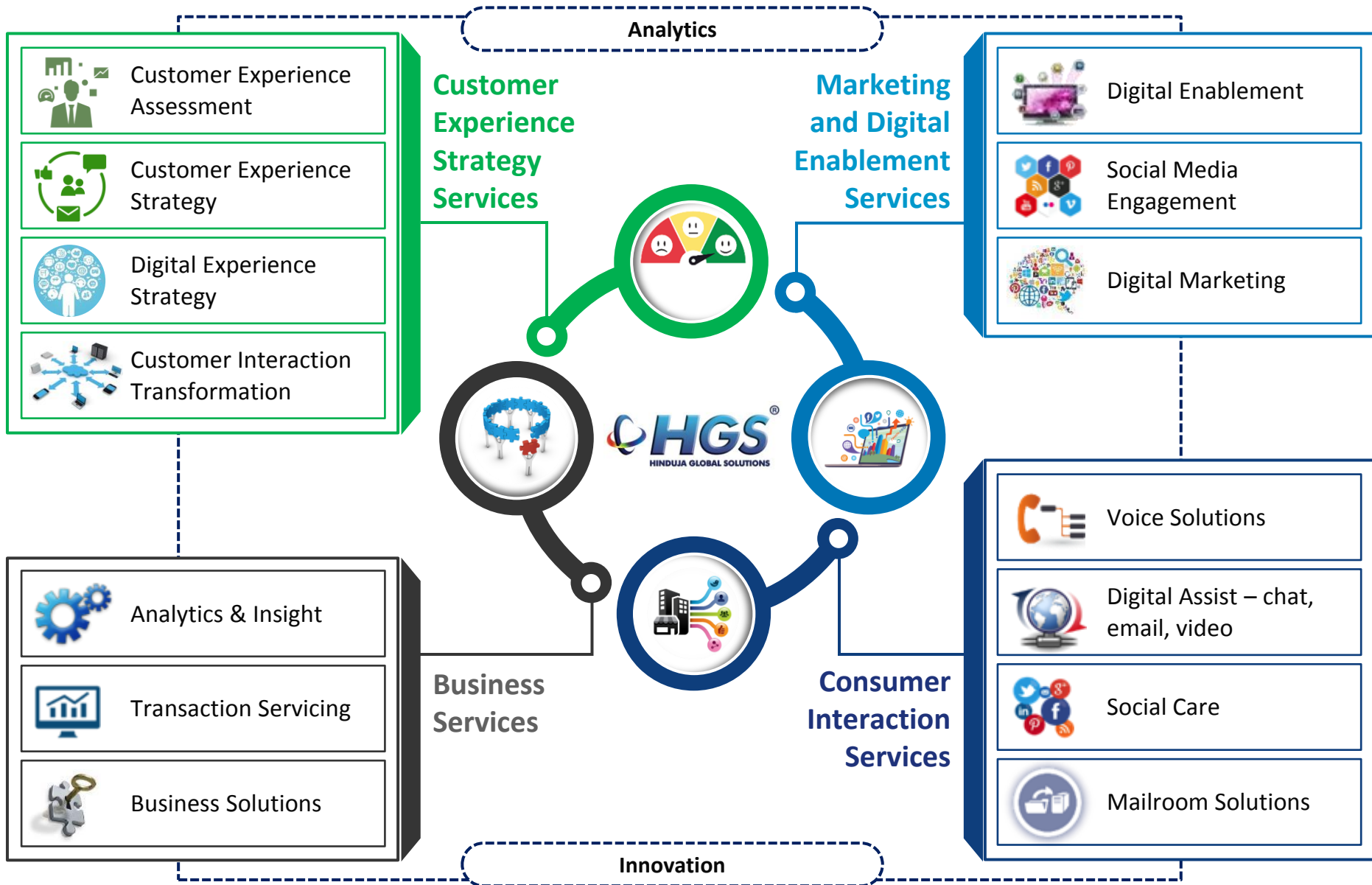
- Providing extensive consumer support for land lines, wireless, satellite, IPTV, hi-speed internet – from supporting the consumer from the point of purchase to end of service
- HGS provides the best service across all partners and internal centers consistently; while another clients operation recently won **“best mid sized call center worldwide”**

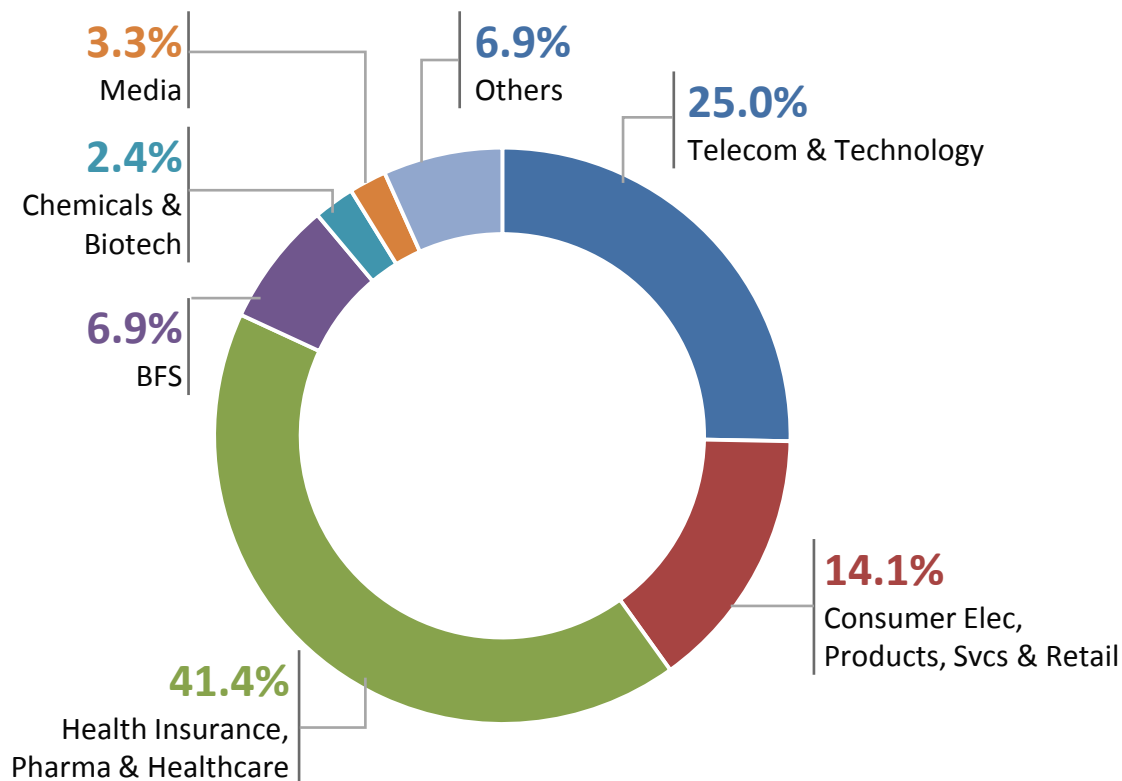
### Consumer Products



- National technical support organization for industry leading tablets and smartphones
- Supporting many consumer electronics manufacturers and distributors from purchase support to post warranty servicing
- Support over **3000** consumer branded products for **8** European countries for client enquires include telephone, paper, email and social media

# HGS Core Capabilities to Enable the Unified Customer Experience

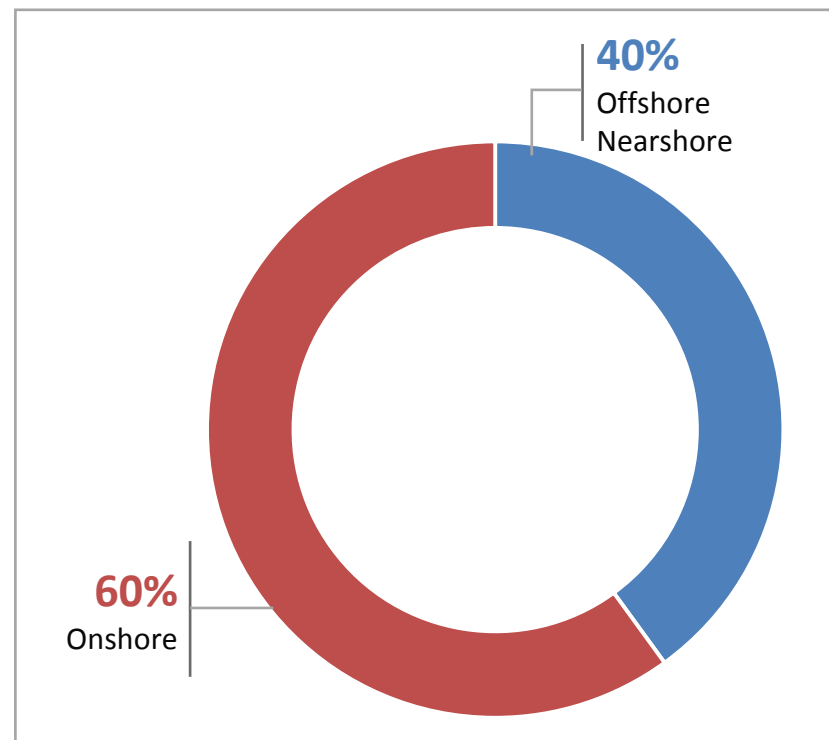
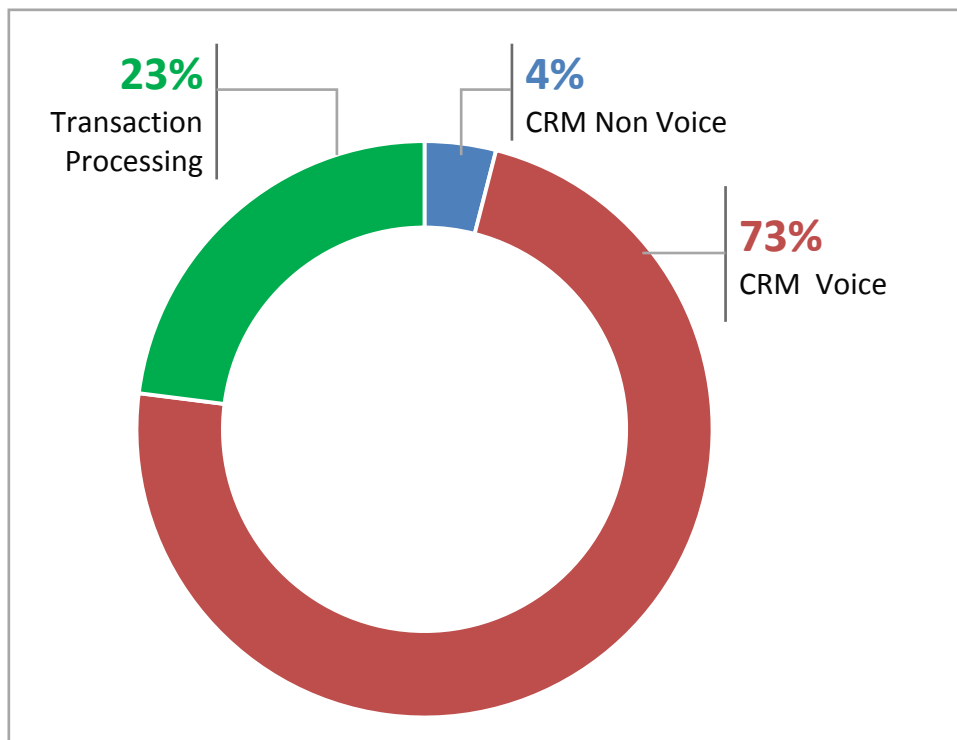




***Continued Growth in the Healthcare Sector***

***\* Based on H1 FY 16 Financials***

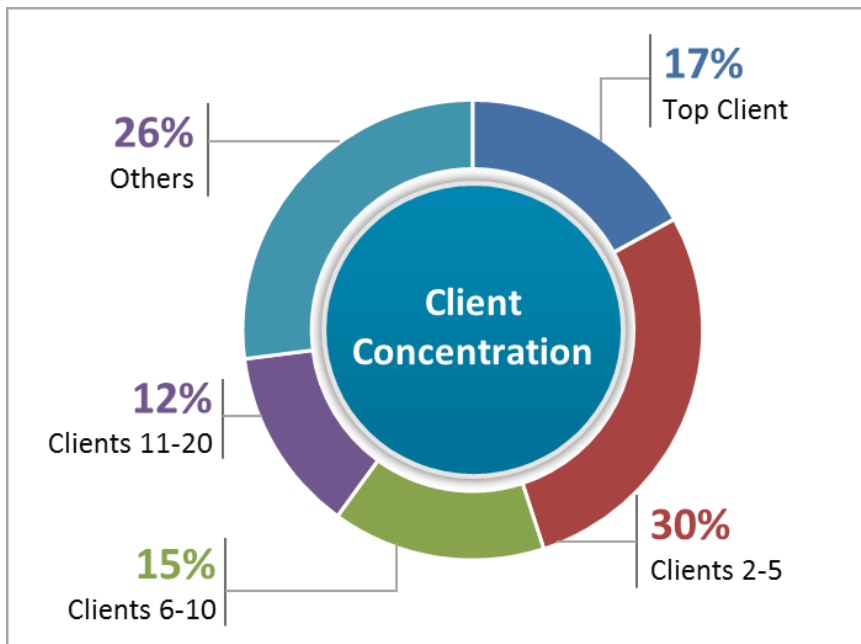
# What we do – Our Service offering Mix and delivery model



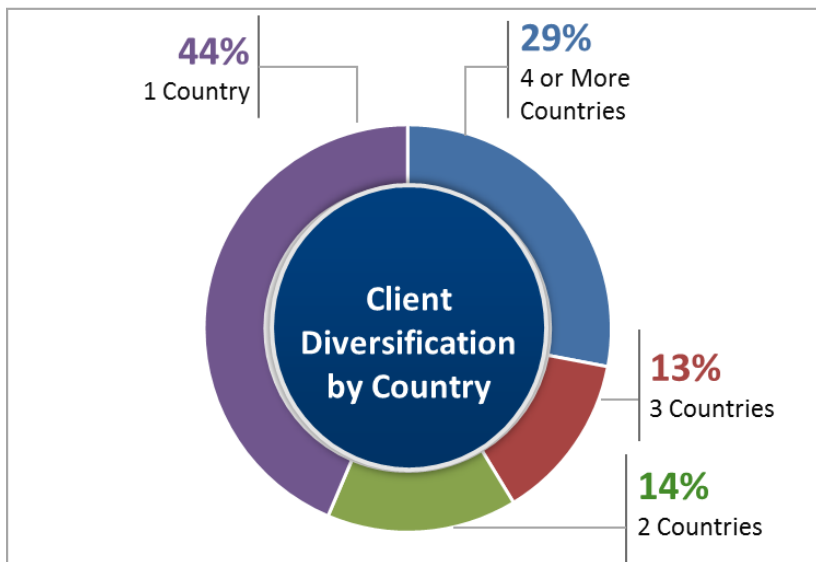
*HGS leveraging the onshore presence has been able to grow the Offshore/Nearshore business in the last 2 years (from 34% to 40% of total revenue)*



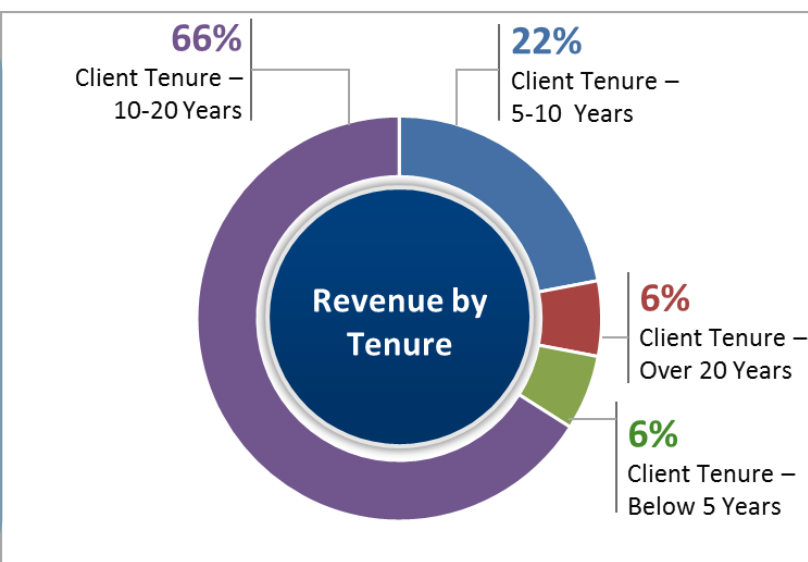
# Strong and Tenured Client Relationships



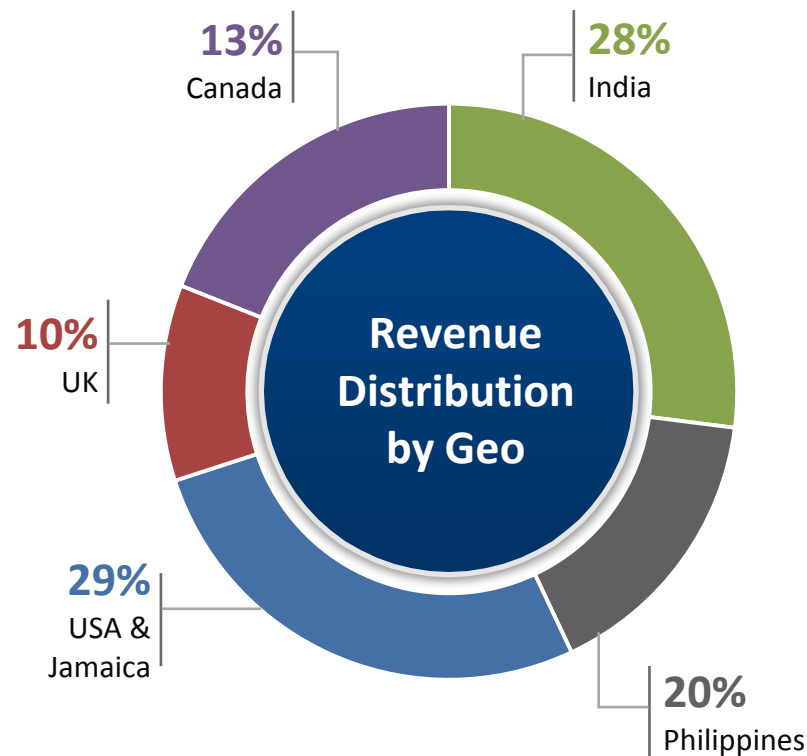
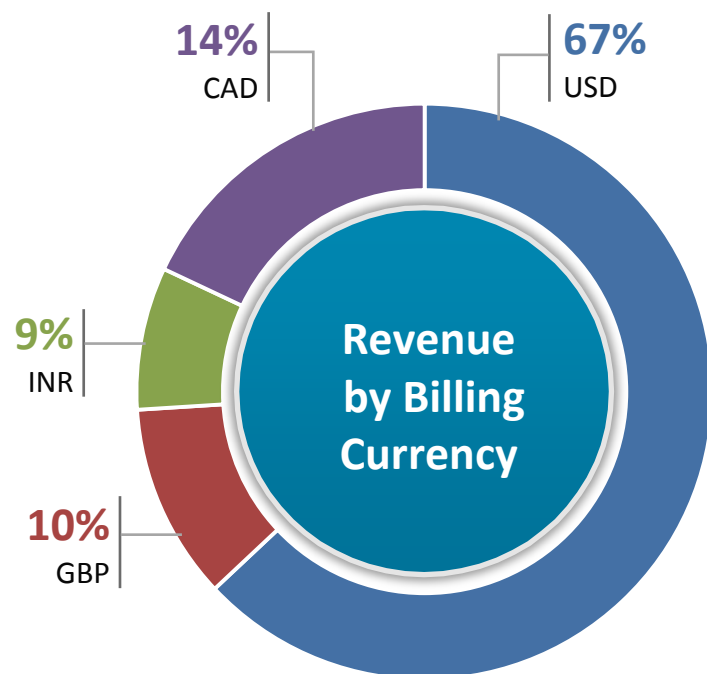
Top 20 clients contribute 74% of the Total Revenue



Strong Client relationships demonstrated by tenured and multi-geography engagements

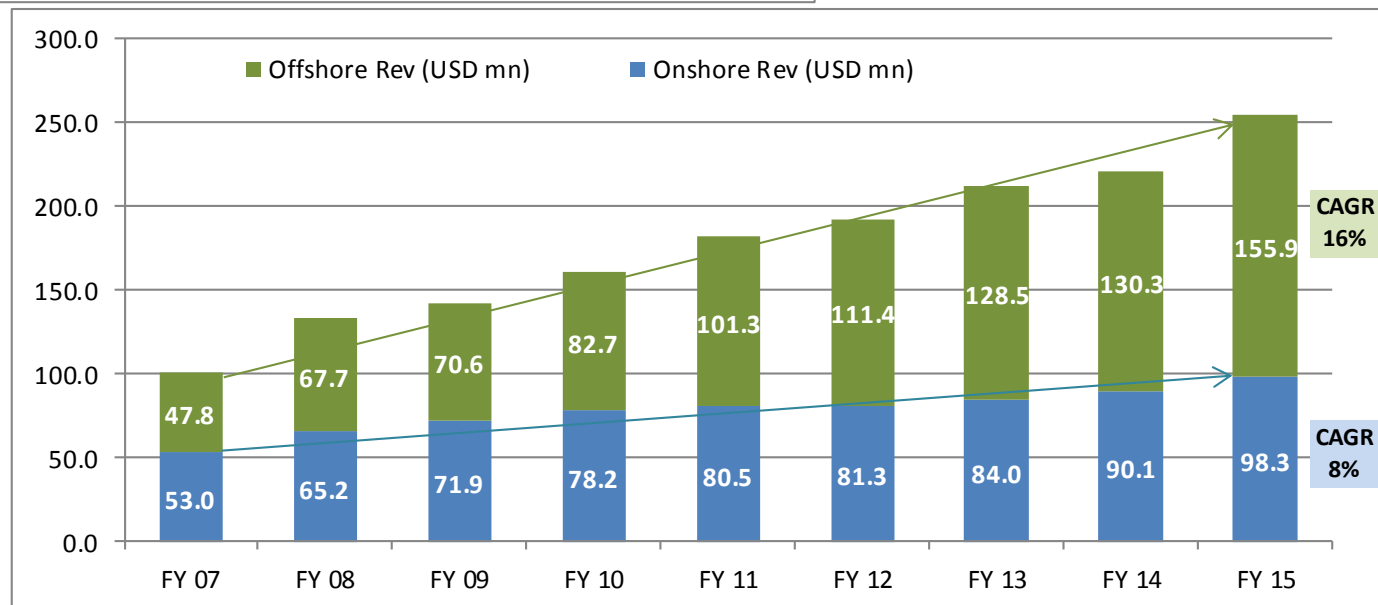
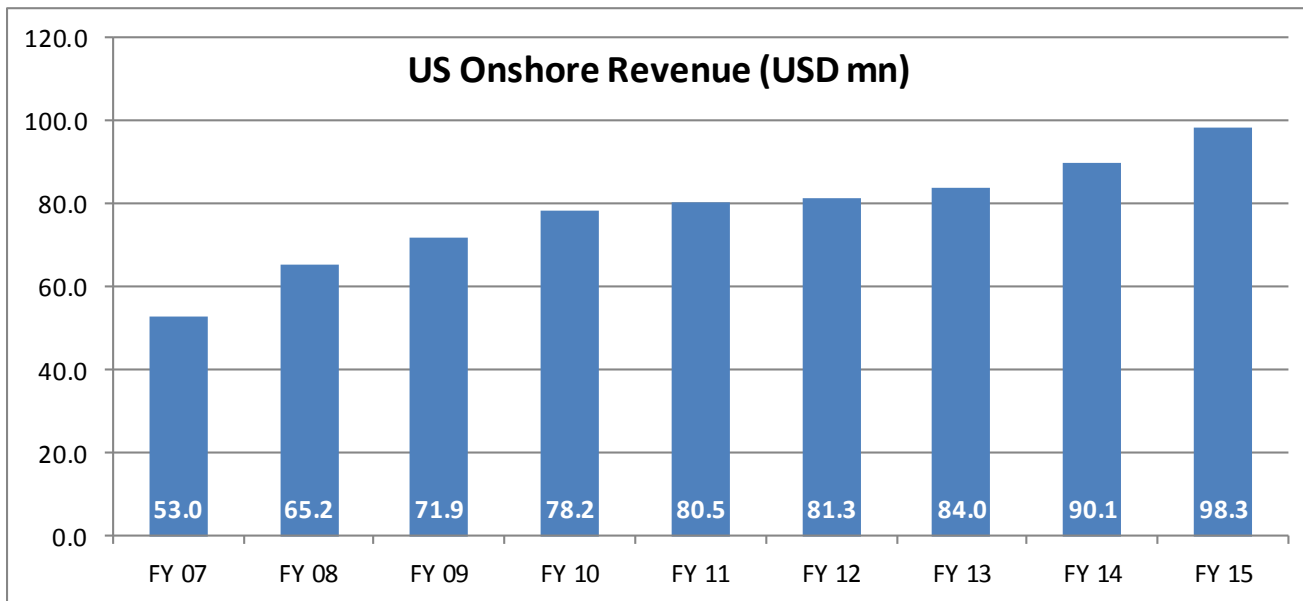


# 40% of revenues originated have offshore / near shore delivery



\* Based on H1 FY 16 Financials

# Onshore Presence Drives Offshore Growth



## ■ Pricing Models

- **FTE Based Pricing:** Traditional engagement model in which billing is based on number of employees (FTEs) engaged – HGS UK primarily has FTE based pricing
- **Transaction Based Pricing:** Billing based on Transactions (Calls, Email, Chat, Claims etc.) – Most of the HGS business is based on this model
- **Outcome based Pricing:** Based on successful achievements of outcomes – Applicable for Collections (EBOS), Outbound sales (Telecom, NGOs)
- **Hybrid Pricing models:** A combination of more than one of above business models
- **Nonlinear Business Models:** Platform play through Colibrium, leveraging of resources/investments across multiple engagements/clients (HRO Business)

## ■ Other Terms of Engagement

- **Forex and COLA adjustments:** To protect the margins against Inflation and Forex
- **Multi Year Contract Tenures:** HGS engagements are mostly multi year (over 70% of the contracts) and a substantial number (over 20%) have a perpetual term
- **Minimum Guarantee:** Safety net for protection against the volume fluctuations (mostly applicable for Transaction and Outcome based pricing models)



- HGS dominated the **EMEA finals of the Contact Center World Awards - 2015**
  - **Best Large Contact Centre (Gold)**
  - **Best in Customer Service (Gold)**
  - **Best Outsourcing Partnership (Silver)** along with a host of individual recognitions for employees across UK
- 2015 - One of the Top 20 Most Promising BPM Solution Providers, as recognized by *CIO Review*, a leading technology magazine in North America
- 2015 - HGS was a finalist at the 9th International ICT Awards, Philippines
- 2015 - SMART Training and Recruitment, one of UK's leading training providers for Apprenticeship and Workplace Learning programs awarded HGS the 'UK Employer of the Year' title

## As recognized by International Association of Outsourcing Professionals (IAOP):

- Best 10 Leaders Healthcare
- Best 20 Leaders Retail & Consumer Goods
- Best 20 Leaders – Telecommunications
- Best 20 Companies – Healthcare
- Best 20 Leaders – Transaction Processing Services
- Best 20 Leaders – Customer Relationship Management Services
- Best 10 Leaders in Southeast Asia
- Best 20 Companies in Canada
- Best Under A Billion – Forbes Asia

## Marketplace Dynamics

- Total BPM market is over \$160 billion
- In-house BPM 4 times the size of the outsourced BPM market
- Next 5 year CAGR for BPM expected to be 5.9% (Gartner Q1, 2013 forecast)
- Billion Dollar Plus players in this are still only a handful, who grew between 5% to 20%
- Essentially a large, fragmented but growing market, enough for everybody to play in

## Demand Environment

- Strong U.S recovery driving organic volume growth, both onshore and offshore
- Canada is an under-penetrated market for both outsourcing and offshoring
- Strong growth in UK
- Offshoring momentum strong
- Wait and Watch approach for India Domestic Business

Source: Gartner

## Operational Excellence

- Only company in the world to have **eSCM – SP 4** certification across 3 geo's simultaneously
- Significant client tenure; with some clients of more than 3 decades!
- Strong client relationships – Around 94% of the revenues from the clients with tenure over 5 years

## Domain Expertise

- Technology / Media / Telecom
- Healthcare, Insurance, BFS
- Consumer Electronics & Packaged Goods
- Other Verticals: Government, Publishing, Energy & Utilities, Transportation & Logistics

1

2

## Easy to do Business

- The hallmark of our success has always been the flexibility and agility with which we approach our customer's dynamic needs, designing solutions to create long-term value
- Classified as a **“major contender”** in the BPM space by Everest Group<sup>1</sup>

4

Success at  
HGS has  
4 distinct  
cornerstones

3

## Globally Local

- Presence in India, USA, Canada, UK, Europe, Philippines, and Jamaica
- Philosophy of **“Right Sourcing”**: Getting the onshore-offshore mix right for round-the-clock productivity, shorter lead-times, faster response times and cost benefits to clients

<sup>1</sup> As per Everest Group's PEAK Matrix 2014 classification model

## Investments in Growth

- Revenue CAGR of over 25% in the last 5 years
- Significant Investments in sales and marketing
- Impressive track record of mining and growing tenured client relationships

## M&A for new markets and competencies

- Entry into Philippines, US, UK and Canada through acquisitions to achieve speed of market entry
- Entry in Healthcare Provider Market through EBOS and Payroll through HCCA
- Emerging interest in Latin America and Middle East.
- Healthcare platform play through the acquisition of Colibrum

## Innovation and New Product Development

- Developing offerings in New Age Customer Interaction Management Services like self-service, web, social media and analytics
- In-house IT teams deliver proprietary workflow and process automation platforms, interactive services, animation, learning and knowledge management systems

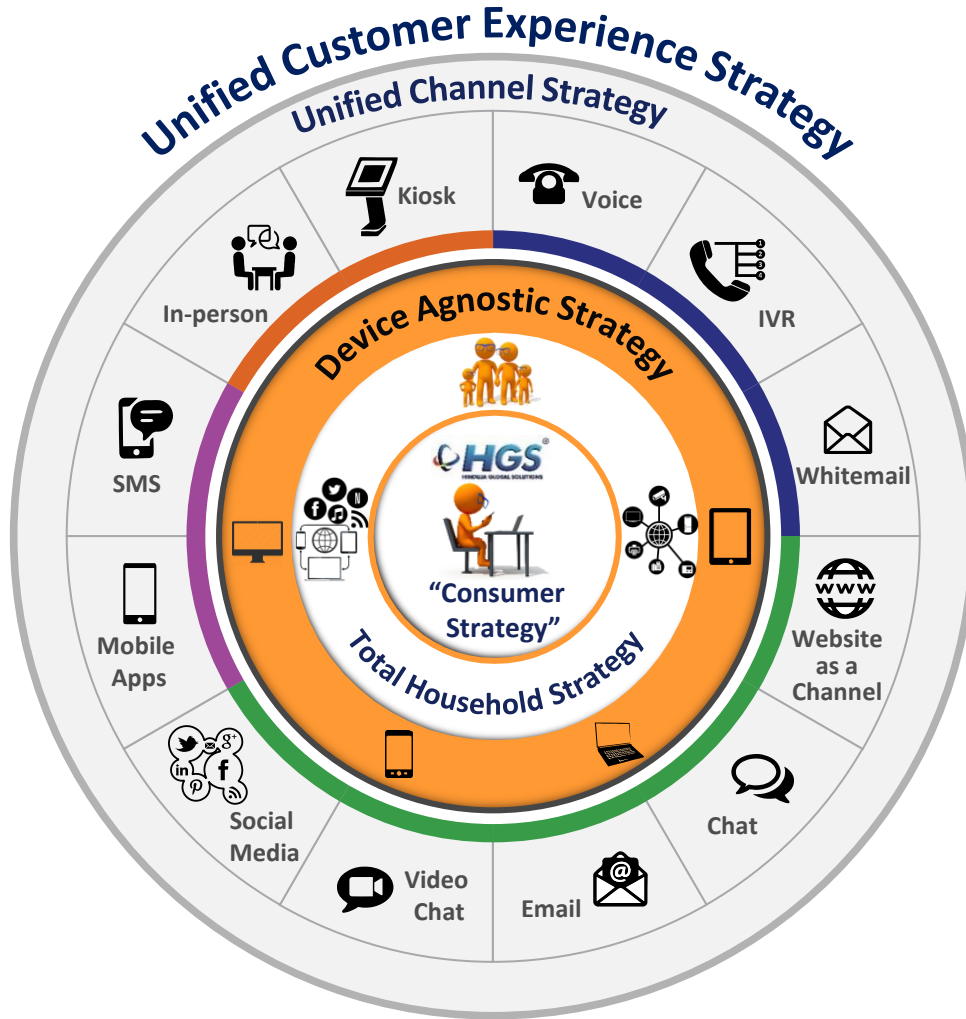
## Robust Talent Management

- Good mix of tenured leadership and new talent from the industry
- From the top management institutes in India and Abroad
- Strong career development and performance management processes
- Attractive career paths, job enhancements, ESOPs and profit share plans
- Track record of attracting and retaining high performers

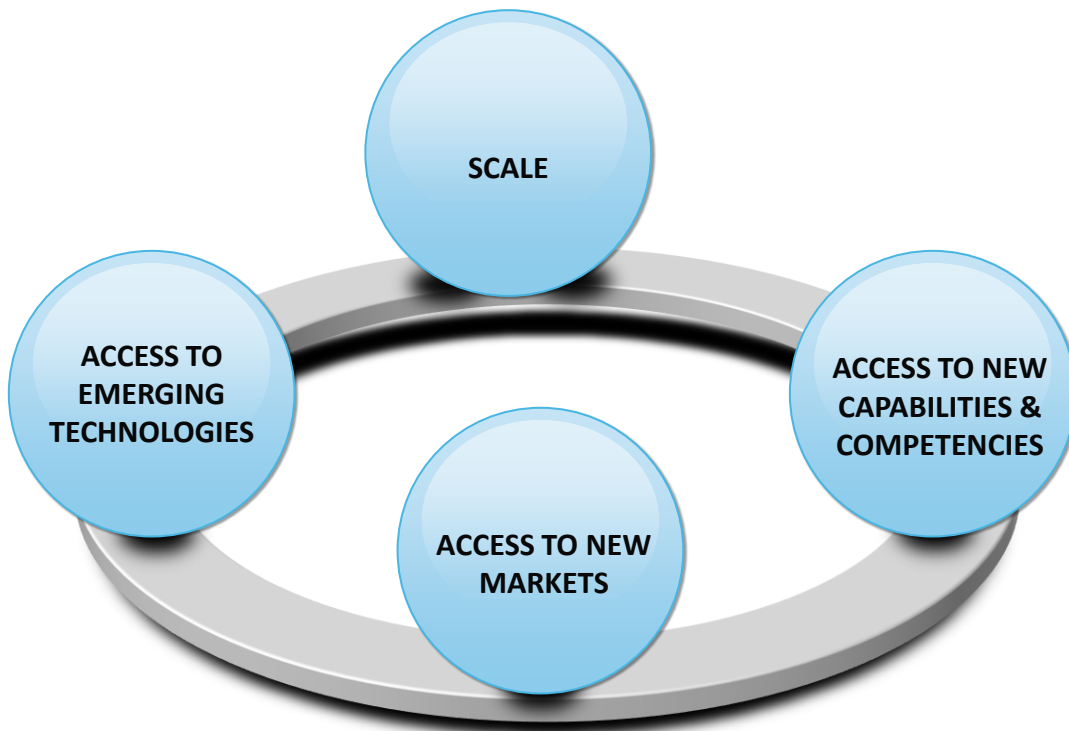


# HGS is developing industry leading Digital Customer Experience solutions, creating value for our clients, and their customers

## Enabling the Optimized Consumer Journey... with clear objectives in mind

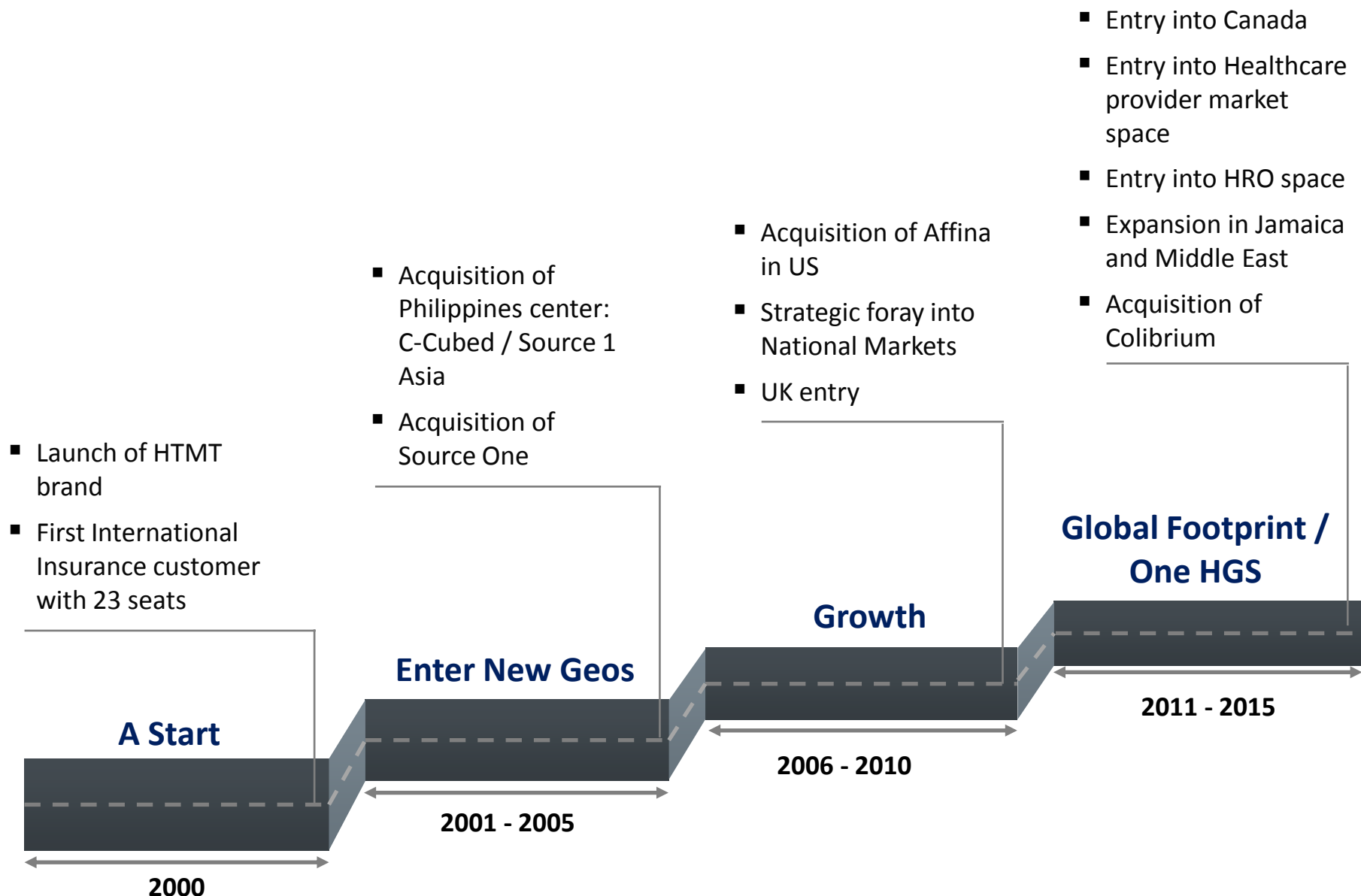


- ↑ Revenue generation and optimization
- ↑ Customer Experience – with NPS/RTF measure of loyalty
- ↑ Availability – Always open
- ↑ Ease of doing business – How the customer prefers
- ↑ Brand management across consumer channels
- ↓ Business and cost transformation



- Right valuations and strict Payback norms
- Avoid auctions; private, off-market deals
- Right size, business and cultural fit
- Take time to integrate; single brand in the market
- Retain leadership

# Milestones in our growth story



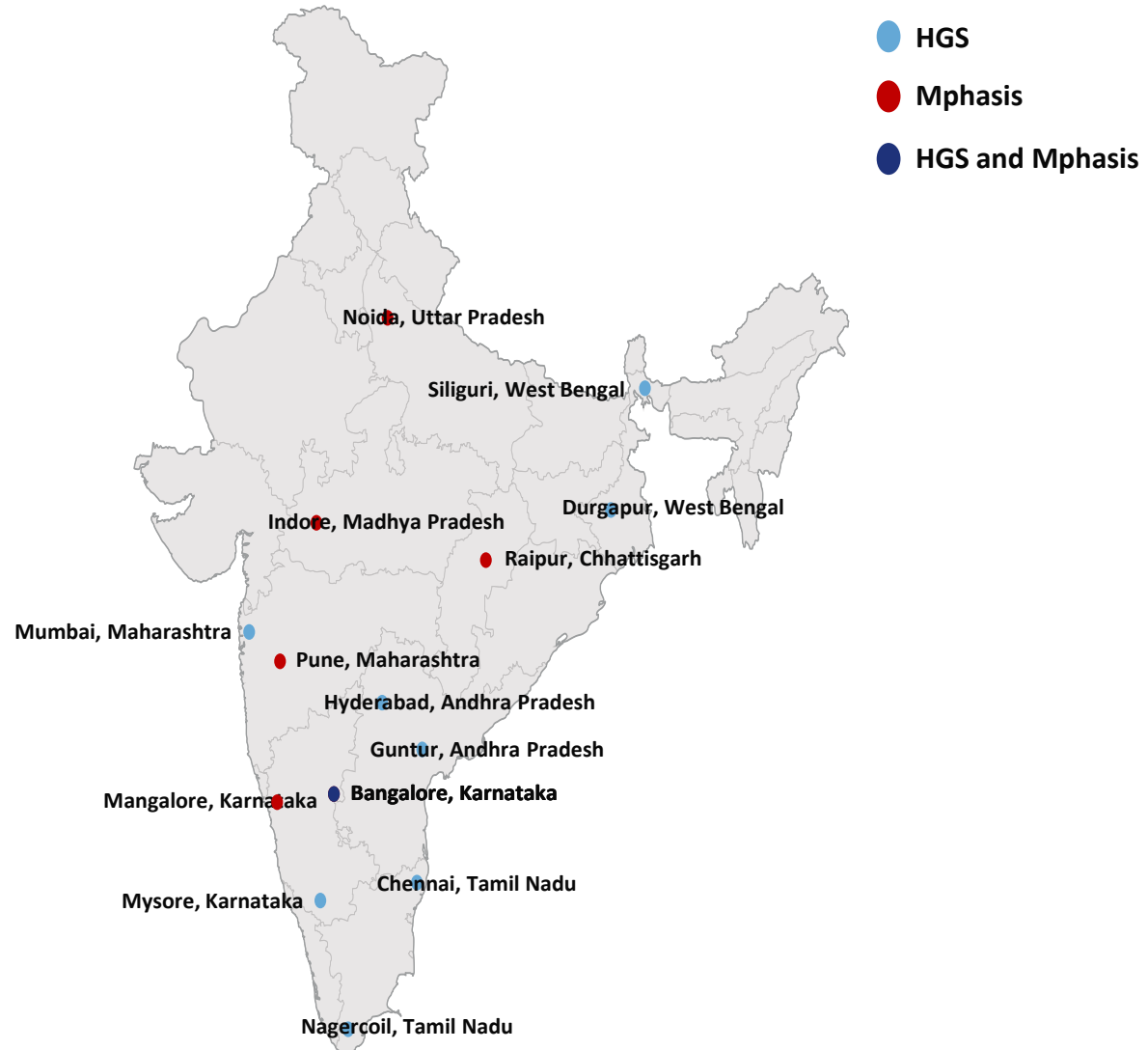
- Structural changes in the Health insurance market due to the Affordable Care Act
- Healthcare companies have traditionally been selling insurance as a B2B service to large employer groups, which now transforms to a B2C model
- Colibrium Partners (CP) is a cloud-based sales, service and wellness automation platform that helps consumers to buy insurance. With this platform, the health exchanges, employer groups, and brokers can onboard new clients.
- Multi channel lead generation through the health exchange, web, telesales channel and mobile. Helps brokers and direct customers to enroll for health insurance schemes
- Colibrium Direct - Call Centre Operations staffed by agents and licensed insurance agents to provide services related to sales, premium collection, payments and customer care
- Traditionally, HGS has been in the post-sale services business. The acquisition of Colibrium marks HGS' foray in the customer acquisition space.
- The acquisition offers opportunities to cross sell to existing HGS and Colibrium Clients
- Revenues Apr- Sept 2015 of approx. US \$ 7.1mn

- Business Transfer Acquisition Agreement signed on June 30 2015
- Transaction closed effective 1<sup>st</sup> September 2015

## **Summary of the transaction:**

- Around 8100 employees added over 99% accepted the offers made.
- 2 telecom clients and 3 NBFC clients added
- Delivery centres in Hindi speaking areas – NOIDA, Raipur and Indore.
- Centres in Bangalore and Mangalore
- Branding complete at all centres
- Sept 2015 – revenues of Rs 139 mn
- Presence of centers in Hindi speaking areas has helped win a ecommerce client

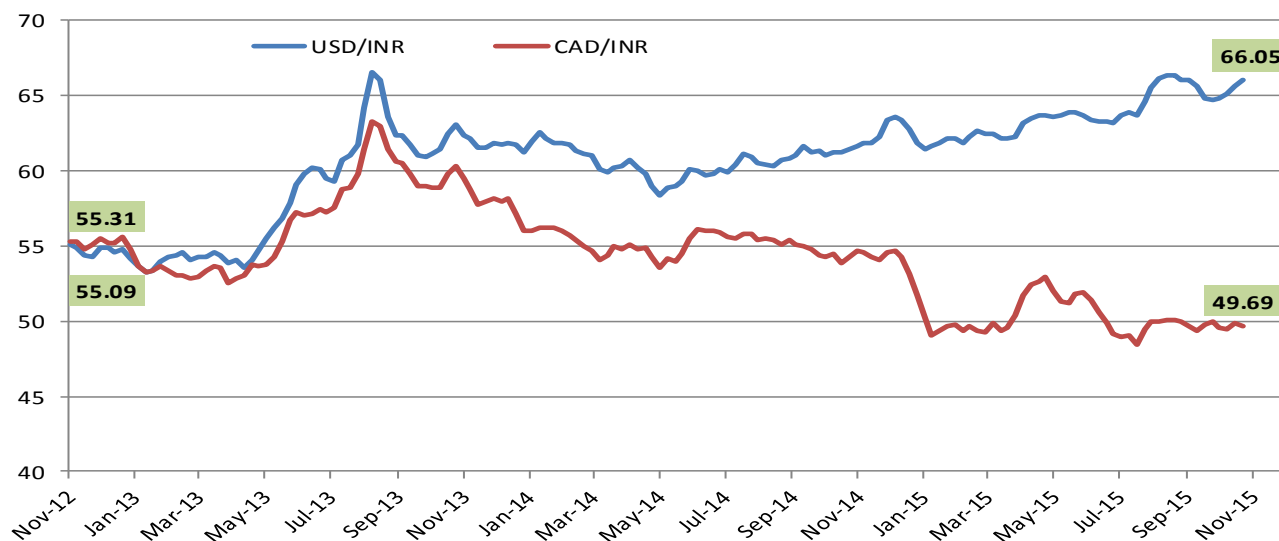
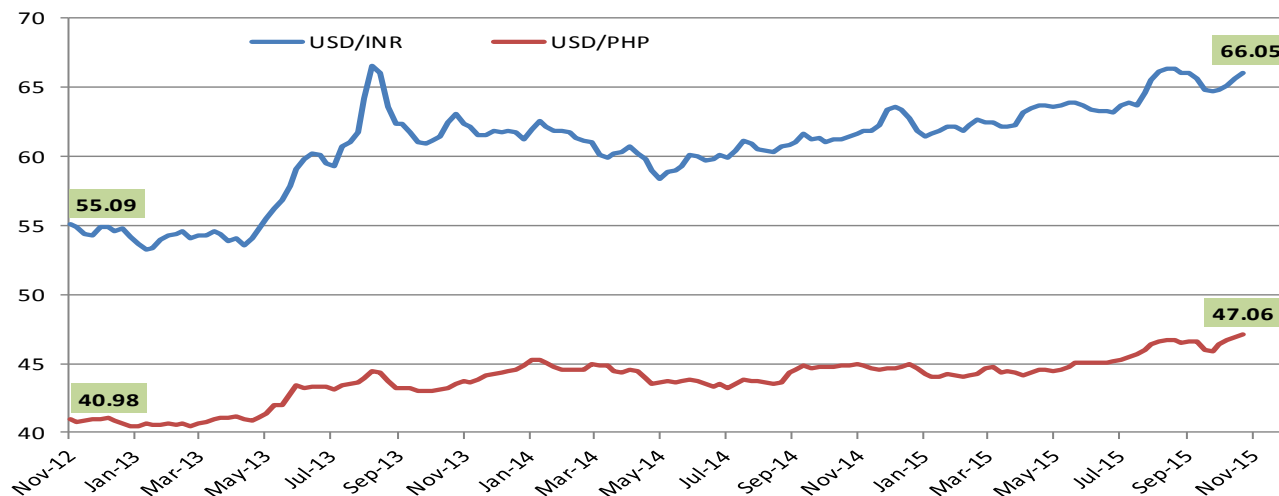
## Pan-India delivery presence





# Financial Overview

# USD/INR and USD/Philippine Peso variations impact our financials



Over the last 3 years:

**Compared to USD :**

Rupee has depreciated around **20%**

Philippine Peso (PhP) has depreciated by about **15%**

**Compared to CAD:**

























Rupee has appreciated around **11%**

**HGS hedges up to 75% of USD/ INR and USD/ PhP revenues**



## Quarterly Performance - Consolidated

Figures in Rs Mn unless otherwise indicated

|                            | Actual<br>QE Sept '15 | Actual<br>QE June '15 | QoQ<br>Growth %  | Actual<br>QE Sept'14 | YoY<br>Growth %  |
|----------------------------|-----------------------|-----------------------|--|----------------------|--|
| Revenue                    | 7,890                 | 7,388                 |  7%     | 7,021                |  12%    |
| Operating Costs (excl Dep) | 7,083                 | 6,847                 |  -3%    | 6,211                |  -14%   |
| EBITDA                     | 807                   | 541                   |  49%    | 810                  |  0%     |
| EBITDA %                   | 10.2%                 | 7.3%                  |  3%     | 11.5%                |  -1%    |
| Depreciation               | 326                   | 296                   |  -10%   | 236                  |  -38%   |
| Interest Expense           | 110                   | 96                    |  -15%   | 97                   |  -13%   |
| Other income               | 49                    | 102                   |  -52%   | 43                   |  15%    |
| PBT                        | 420                   | 251                   |  67%    | 519                  |  -19%   |
| PBT %                      | 5.3%                  | 3.4%                  |  2%     | 7.4%                 |  -2%    |
| Tax                        | 151                   | 89                    |  -69% | 135                  |  -12% |
| Reported PAT               | 269                   | 162                   |  67%  | 385                  |  -30% |
| PAT %                      | 3.4%                  | 2.2%                  |  1%   | 5.5%                 |  -2%  |

- **Q1 historically has been a slow quarter**
  - Q1 FY 16 has been slower than expected with lower volumes in Canada, US and Philippines
  - Lower volumes impact the utilization levels thus impacting the profitability
- **Canada Performance impacted by various reasons**
  - Due to falling commodity prices Canadian economy has been undergoing a slowdown which impacted the volumes in Canada
  - Canadian Dollar (CAD) has depreciated by over 40% vs USD in the last few years which has impacted the offshore performance of Canadian Business
  - HGS has been following low cost rural delivery model but due to labor shortage in these areas we have realigned our strategy to shift to urban centers. The transition has resulted in increased operating cost
  - Increase in the minimum wages in Canada
  - Discontinuation of apprentice tax credits offered as grants by government

***Due to change in operating environment HGS is renegotiating the pricing and other contractual terms with our largest vendor.***

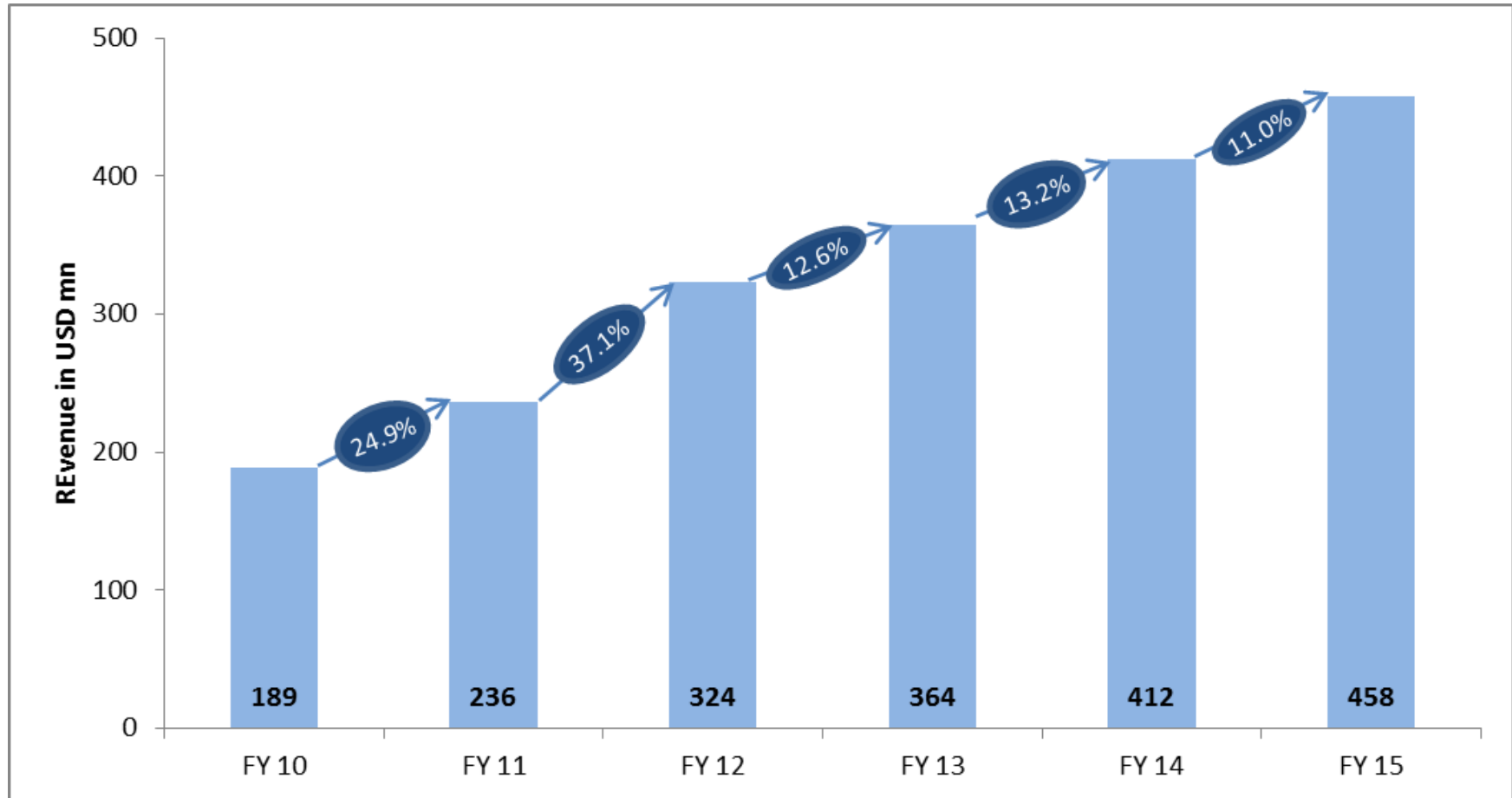
- The profitability from Canada Geography remained to be under pressure, which impacted the overall profitability – HGS EBITDA margin without Canada geography was 12.9%
- Renegotiations of pricing and other contractual terms are underway, and is expected to be completed by this quarter
- Excellent performance by HGS Philippines - Increase in volumes along with cost control measures has lead to significant increase in EBITDA margin
- Continued growth in offshore business and a stronger USD further helped improve profitability

# Summary Financial Profile – As at 30th Sept 2015

| Particulars                              | HGSL            |              |
|--|-----------------|--------------|
|  | Rs.             | USD          |
| <b>Net Worth (in millions)</b>           | <b>11,222.0</b> | <b>171.3</b> |
| <b>Book value per share</b>              | <b>541.5</b>    | <b>8.3</b>   |
| <b>Price per share</b>                   | <b>460.0</b>    | <b>7.0</b>   |
| <b>Dividend per share (FY 14)</b>        | <b>20.0</b>     | <b>0.3</b>   |
| <b>EPS (TTM)</b>                         | <b>66.3</b>     | <b>1.0</b>   |
| <b>P/E Ratio (TTM)</b>                   | <b>6.94</b>     | <b>6.9</b>   |
| <b>Gross Debt (in millions)</b>          | <b>7,725</b>    | <b>117.9</b> |
| <b>Total Cash (in millions)</b>          | <b>5,134</b>    | <b>78.4</b>  |
| <b>Net Debt (Net Cash) (in millions)</b> | <b>2,591</b>    | <b>39.6</b>  |
| <b>Net Debt/EBITDA</b>                   | <b>0.88x</b>    | <b>0.88x</b> |
| <b>Total Debt/Equity</b>                 | <b>0.69x</b>    | <b>0.69x</b> |

- Book Value taken is as reported on QE Sept 2015
- Stock prices and USD/INR exchange rate latest available prices
- Total Debt includes foreign currency debt taken at applicable exchange rates

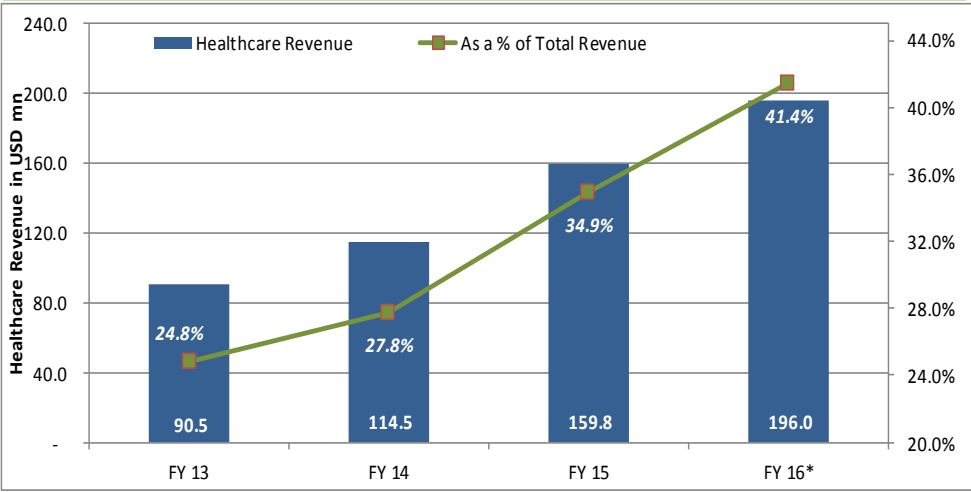
# CAGR Revenue Growth of over 20 % (USD mn)



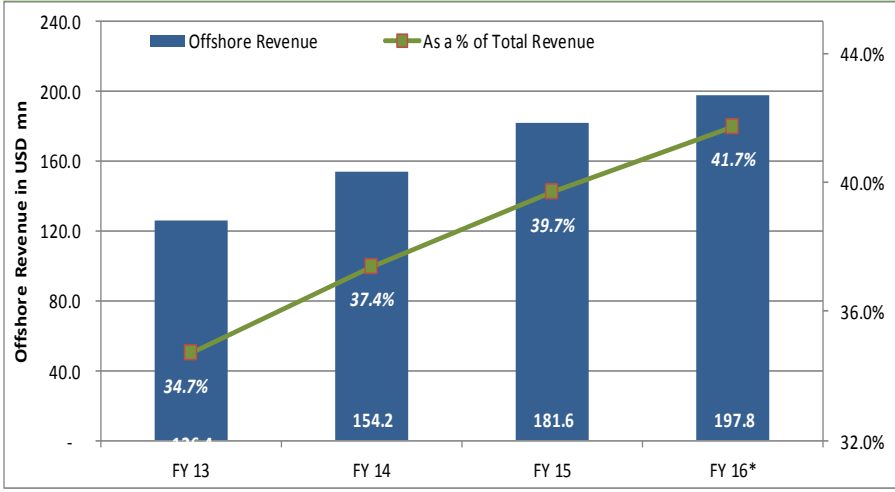
- **Growth of HGS in FY 15 (in Rupee terms) was 12.1%**
- **12.8% of volume growth offset by 0.8% due to exchange rate variation**

\* Business ROCE is calculated as EBIT (excl. Treasury Income) / Capital Employed (excl. Treasury Surplus)

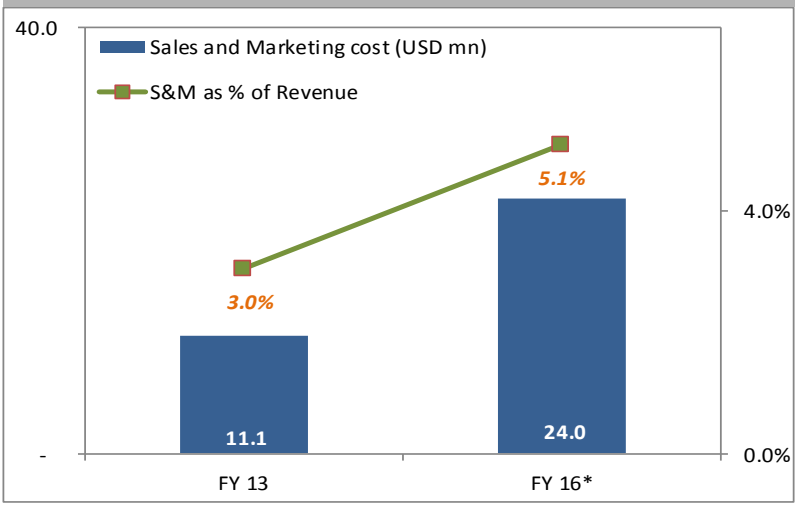
## Healthcare growth to be driven by increased depth and breadth of Service Offerings



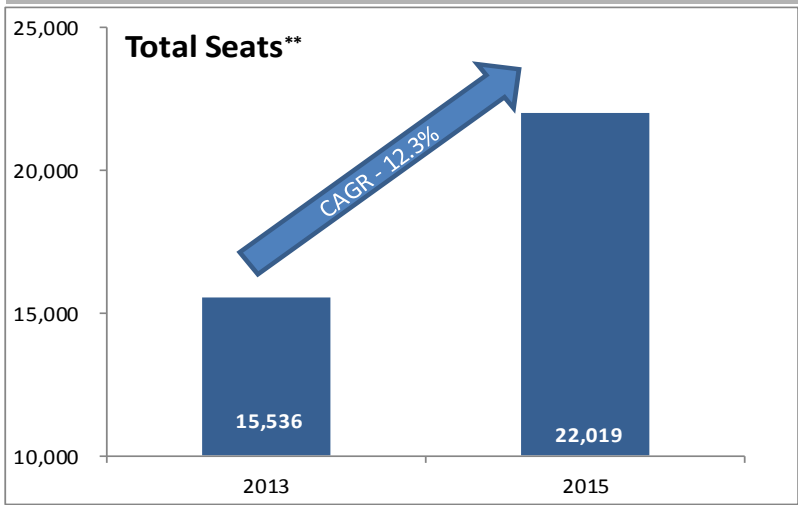
## Strong Client relationships and multishore delivery capabilities to further drive offshore/ nearshore growth



## Increased investment in Sales and Marketing



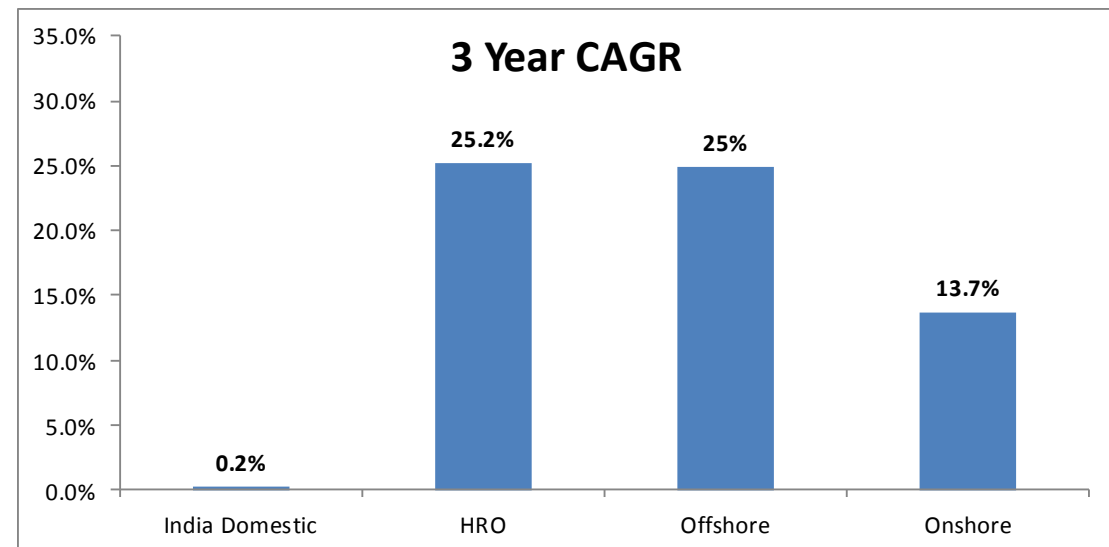
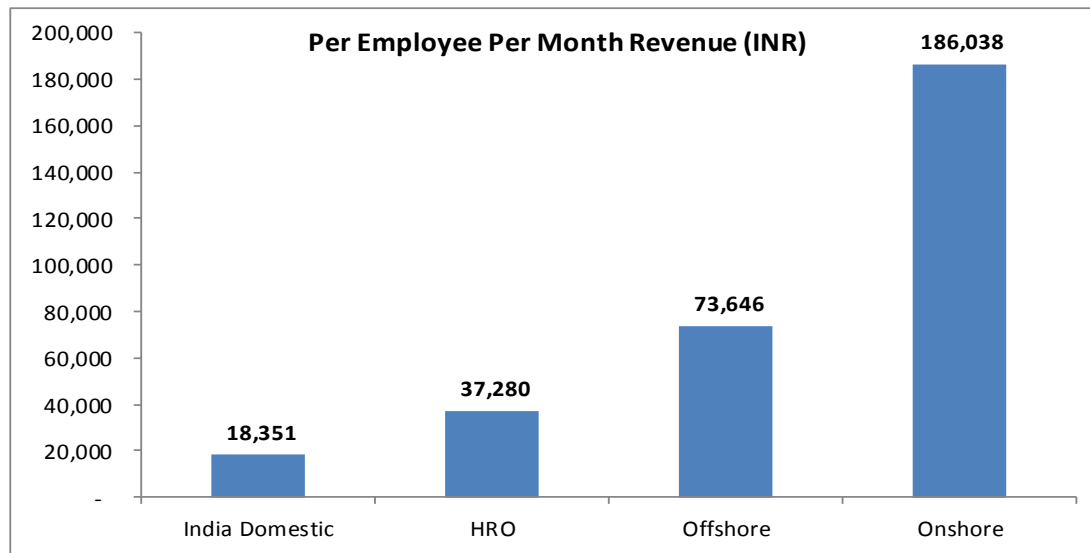
## Increased Capacity for Growth



\* Based of H1 FY 16 Annualized

\*\* Represents seats excluding seats for India Domestic CRM Business

# Per Employee Revenue Across Delivery Models



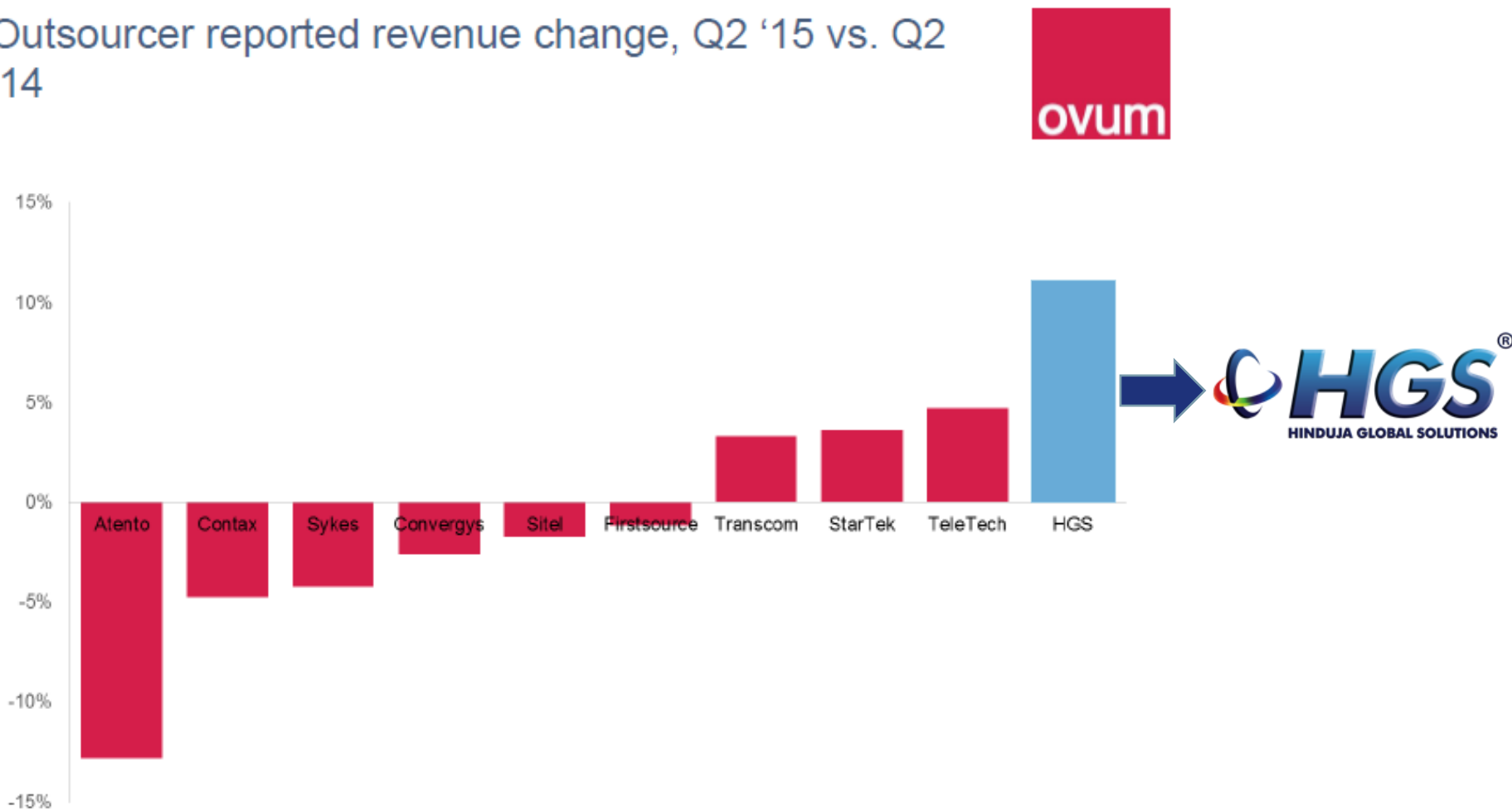


# Analyst Recognitions



# HGS recognized by Industry Analysts for leading revenue growth in Q2

Outsourcer reported revenue change, Q2 '15 vs. Q2 '14



# HGS is a Leader, Major Player, Innovator

According to the foremost analysts, HGS is a company on the rise, challenging the status quo to optimize the customer experience and make brands more competitive.

Gartner

**Magic Quadrant for  
Customer  
Management  
Contact Center BPO,  
December 2014<sup>1</sup>**



**2015  
NEAT Leader  
CMS in Telecom,  
Healthcare,  
Marketing BPO  
(Digital  
Transformation)**



**2015  
PEAK Matrix™  
Major Contender  
Healthcare  
Payer BPO  
CCO**

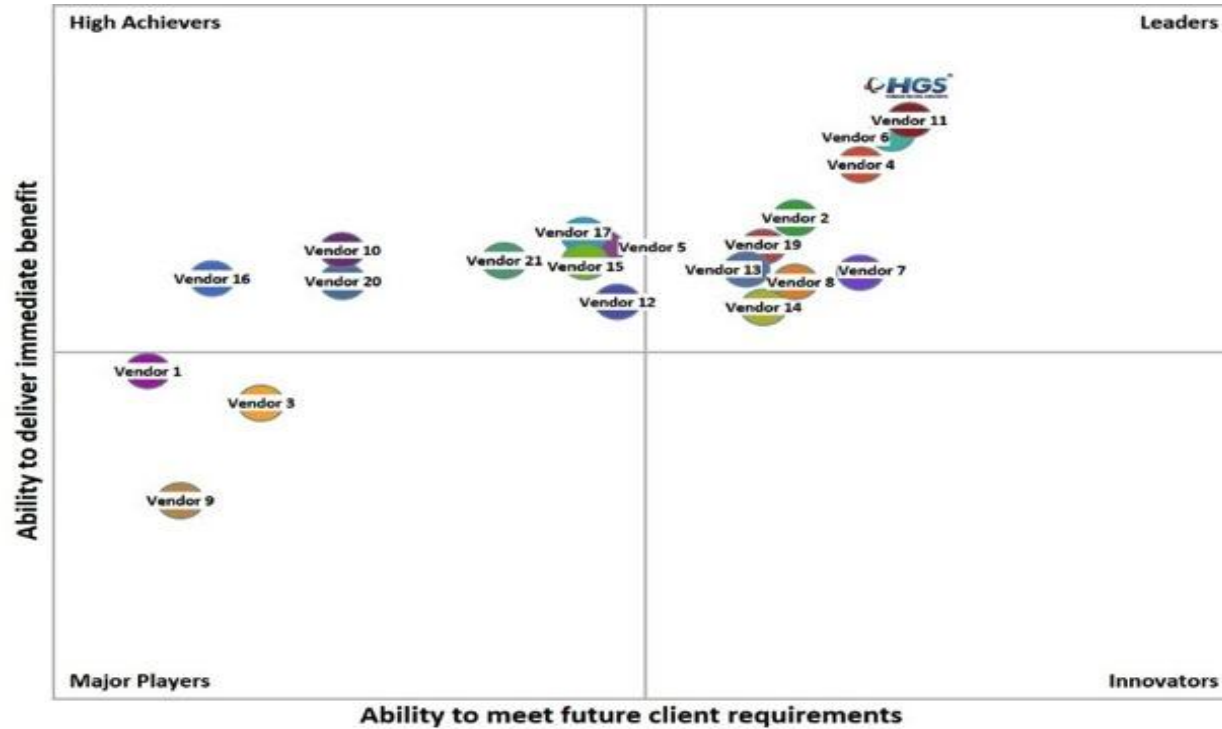


**2015 Healthcare  
Payer Operations  
Blueprint  
2014  
Blue Print  
High Performer  
Across Multiple  
Industries**

<sup>1</sup> Gartner, Inc, Magic Quadrant for Customer Management Contact Center BPO, TJ Singh, Brian Manusama, December 2014. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose



NelsonHall CMS in Telecom NEAT Report



Source: NelsonHall 2014

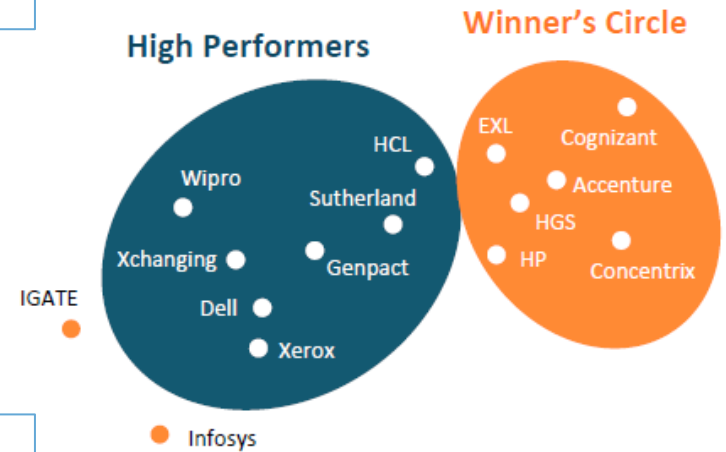
HGS challenges the status quo, helping brands to be more competitive, with better Customer Experience



**HfS Winner's Circle for Healthcare Payer Operations**



**Major Contender Everest 2015 PEAK Matrix for CCO**

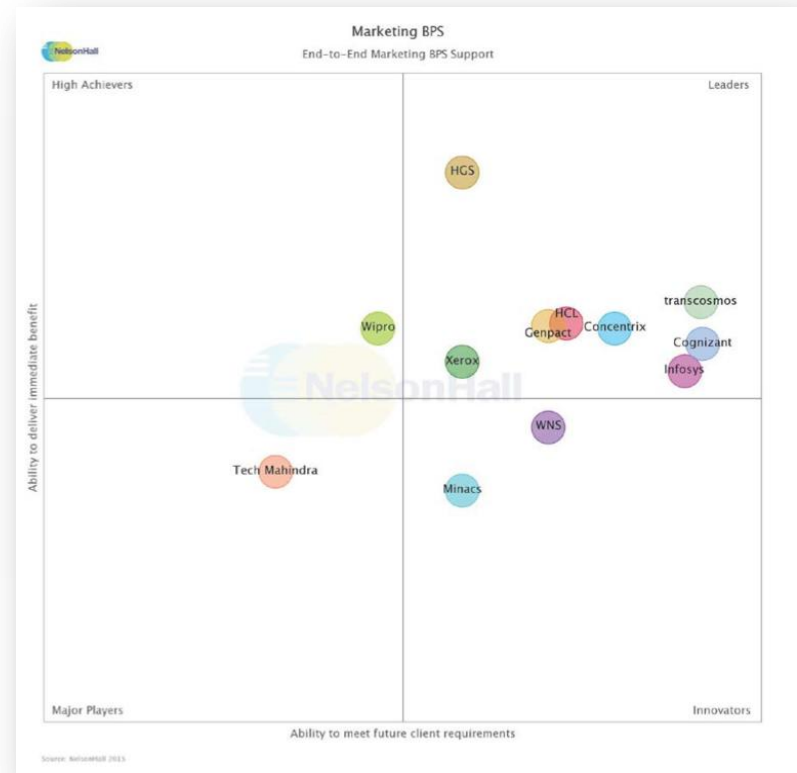


HGS is challenge the status quo, helping brands to be more competitive, with better Customer Experience.



## Nelson Hall PEAK Leader for:

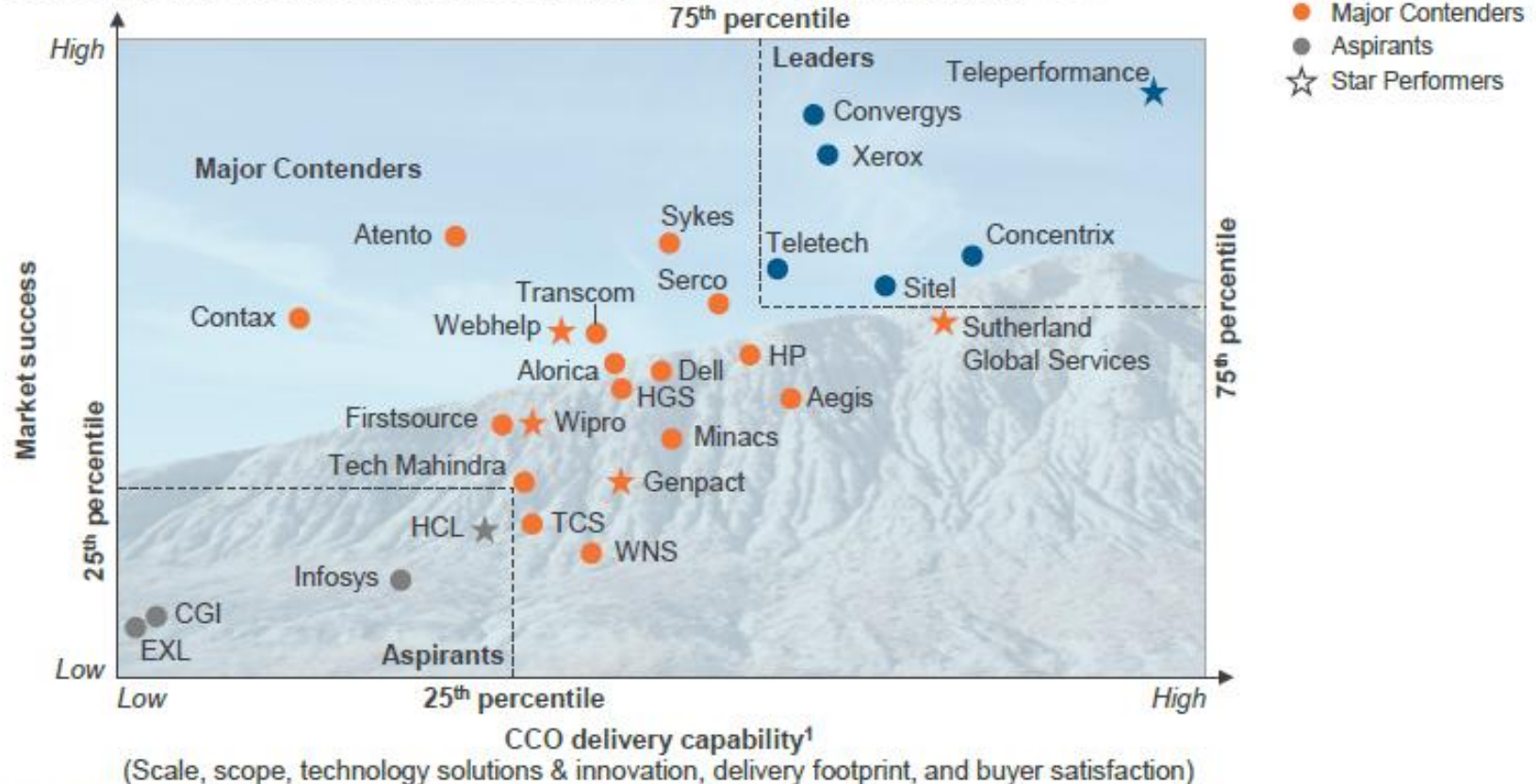
- Digital Transformation
- Digital & End-to-End Marketing
  - Proven ability to provide end to end marketing BPS support
  - Ability to fully run and manage social media marketing campaigns
  - Repeat business from marquee clients
  - Proven e-commerce management
  - Ability to provide creative support.



# Everest Group PEAK Matrix – 2015 CCO Market Standings . . . External Awareness, Credibility and Insight is Increasing...

## Performance | Experience | Ability | Knowledge

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for CCO



<sup>1</sup> Service providers scored using Everest Group's proprietary scoring methodology given on page 22

Note Assessment for Atento, Contax, Convergys, and Transcom excludes service provider inputs on this particular study, and are therefore based on Everest Group estimates, which leverages our proprietary Transaction Intelligence (TI) database, service providers' ongoing coverage, public disclosures, and interaction with buyers

Source: Everest Group (2015)

# ...And recently included in Everest's TOP 50 Business Process Services providers...

## Extensive summary of Horizontal and Industry specific BPS service providers

*“What started as a cost optimization concept focusing on “non-core” and “back-office” business processes, today permeates the entire business process value chain addressing a wide variety of business objectives.”*

– Everest Group, October 2015



..and..HGS was recognized for this thought leadership and business case by the Outsourcing Institute

## From Contact Center World Gold to Best Outsourcing Thought Leadership (BOTL)



**“Web as a channel” improves sales revenue growth while reducing costs for company versus call center (80-90% resolution), 24x7, easy to do business**





**In Conclusion**

## Big company capabilities with entrepreneur spirit

HGS (Revenue over \$450 mn) is a part of the multi-billion dollar Hinduja Group with big company attributes. We are entrepreneurs at our core and are known to be nimble and responsive with innovative customer centric solutions

## Enabled Local Leadership

Our local CEOs and leadership teams operate their business with complete P+L accountability and empowerment. These teams are from the local markets, providing extensive local client insight and intimate knowledge and a fabric within the local markets

## Client specific and industry insight

Our long tenured relationships across the entire consumer channel suite, allow HGS to act on our clients behalf to resolve and support their clients with deep industry insight in all methods that the consumers desire – voice, web, email, paper, SMS, social Media, video, IVR and self service

## Operational Excellence

Our expertise and business excellence framework enhances our clients business, reduces their costs and enhances their business

## Financial Strength

Low leverage with the backing of our multi-billion dollar parent Group, allows us to invest in our people, process, technologies, and business models that create value for our clients including carve outs, asset monetization and transformational agreements with committed outputs

*Thank You*

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