HOLD (Maintain)

CMP: **INR 532** Target Price: **INR 580** ▲ 9%

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23 August 2026

India | Equity Research | Company Update

Hexaware Technologies

Technology

Net-new AI services and a sharpened GTM motion to offset AI-led deflation

Hexaware showcased its net-new AI-led services and AI for business solutions that could expand its addressable TAM. It also holds a domain-led edge over peers in certain verticals (for example, it won an airline legacy modernisation contract against a larger incumbent). However, TCV from these net-new AI opportunities remains low as a proportion of total pipeline today. Hexaware is also willing to disrupt its own book with existing clients to win more business. Management acknowledged likely AI led deflation of c.20–25% p.a. over the next four years, but still guided to an exit run-rate of over 10% YoY growth by end-Q4CY26. Management commentary suggests this trajectory should be easier to sustain into next year, supported by a sharpened GTM motion and expansion of net-new AI offerings. We continue to value Hexaware at 20x CY27E EPS to arrive at a TP of INR 580. Retain **HOLD.**

A sharpened GTM motion

Hexaware is sharpening its GTM motion by setting up: 1) a dedicated large-deal pursuit team for TCVs above USD 50mn, 2) a revenue-linked, commission-based incentive plan designed to attract and retain top hunting talent, 3) a beefed-up new logo hunting team with vertical domain expertise, 4) a focus on proactive deal wins in existing clients, and a day-zero execution/mobilisation team to protect momentum immediately after a win. This sharpened GTM motion could help Hexaware offset AI-led deflation (management indicated an average of ~20-25% AI-led deflation each year over the next four years for the IT industry). We continue to model 6.1%/10.5% YoY CC revenue growth for CY26/27E, respectively.

Net-new AI service offerings

Hexaware showed its 'Zero Friction' portfolio of AI-native service lines, organised under two pillars: AI for IT and AI for Business. These are underpinned by a foundational 'Infinite Trust' layer covering data readiness for AI, observability and governance, and security. Zero Tech Debt (TAM USD 65bn), Zero Vulnerability (USD 25bn) and Zero License (USD 48bn), together with the three Infinite Trust components — data readiness for AI (USD 40bn), observability and governance (USD 60bn) and security (USD 80bn) — are net-new, incremental demand areas that expand the addressable market.

Financial Summary

Y/E Dec (INR mn)	CY24A	CY25A	CY26E	CY27E
Net Revenue	1,19,744	1,34,304	1,54,136	1,70,041
EBITDA	18,302	20,701	24,411	27,581
EBITDA Margin (%)	15.3	15.4	15.8	16.2
Net Profit	11,740	11,450	14,203	17,715
EPS (INR)	19.6	20.6	23.3	29.0
EPS % Chg YoY	(0.1)	5.0	13.1	24.7
P/E (x)	27.2	25.9	22.9	18.3
EV/EBITDA (x)	14.2	12.8	10.9	9.5
RoCE (%)	23.4	22.8	24.0	25.6
RoE (%)	23.5	21.5	21.7	25.1

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Market Data

Market Cap (INR)	325bn
Market Cap (USD)	3,398mn
Bloomberg Code	HEXT IN
Reuters Code	HEXW.BO
52-week Range (INR)	830 /400
Free Float (%)	24.0
ADTV-3M (mn) (USD)	6.7

Price Performance (%)	3m	6m	12m
Absolute	5.9	2.2	(34.2)
Relative to Sensex	2.7	8.6	(28.7)

ESG Score	2024	2025	Change
ESG score	NA	63.1	NA
Environment	NA	50.6	NA
Social	NA	57.0	NA
Governance	NA	74.3	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

31-07-2026: Q2CY26 results review
08-05-2026: Q1CY26 results review

By contrast, Zero Backlog, Zero Defects and Zero Tickets would be deflationary (Zero Backlog to a lesser extent, given the value-accretive nature of clearing backlogs). These represent AI-led productivity gains within Hexaware's existing AMS/SDLC book that compress unit pricing even as they defend and grow wallet share.

Zero License targets c.40% of enterprise CIO budgets spent on acquiring, maintaining and deploying SaaS licenses. It is the most advanced of the new lines, with deals executed at four clients within eight months of launch. Management asserts that no competitor has replicated the offering to date. Case studies include: a leading secondary-mortgage company migrated off Appian to a cloud-native microservices architecture (USD 7mn+ projected five-year savings), a large Canadian bank moved off Alteryx to Python/PySpark (USD 1.5mn projected savings), a financial services firm that replatformed COTS bond-modelling, admin and pricing systems (USD 4mn annual savings), and a US Medicaid managed-care organisation migrated off Kyndryl resiliency orchestration (USD 2.5mn projected savings).

Zero Tech Debt case studies included: a North American mid-sized bank that had accumulated technical debt through acquisitions, where Hexaware's deterministic code-comprehension engine (75+ language parsers, 600+ purpose-built agents) cut migration time by 88% and post-migration defects by 75%, making further bank M&A operationally viable again; and a large airline whose crew-management modernisation programme compressed from a three-year to a 1.25-year timeline, with its modernisation budget of USD 150mn scaling from an initial five epics to 25 epics awarded.

Zero Backlog examples spanned a pharmacy benefit manager, where Hexaware built five direct-to-patient portals in a 12-week sprint vs. a traditional 12–16-month timeline with a c.60% smaller team, and a legal-technology (eDiscovery) client where an AI-native SDLC cut case-review costs by 40–60% while lifting review precision to 77% (a 36-point improvement over first-pass human review).

In Zero Tickets, an offshore engineering and construction client achieved a 3.2x reduction in incidents, 59% headcount optimisation and 41% tower-cost savings, alongside a 22% reduction in one statement-of-work's contract value that was more than offset by a 31% increase in total account revenue as the client awarded two additional SoWs. A large financial services client saw a comparable but smaller impact (achieved a 2.1x incident reduction, 26% headcount optimisation and a 14% increase in total account revenue). Hexaware sized the addressable ITO renewal opportunity at USD 342bn for 2027–29 (of which USD 164bn falls in 2027 alone), against which it is positioning Tensai Reasoning Ops.

On data readiness for AI, case studies included a large investment/pension/insurance provider (70% reduction in manual data-preparation effort, 85% faster response to market events, semantic knowledge layer built in 5–6 weeks) and a Big 4 audit firm (40–60% efficiency improvement migrating its data estate to a governed, AI-ready platform).

Company-wide AI training

Management framed the AI transition as a company-wide talent transformation rather than a purely technical one, structured across four cohorts: leadership (expected to operate at ‘10x velocity’ by experimenting, taking risks and learning fast), client-facing teams (expected to act as proactive AI thought leaders in every engagement), and a dedicated new-skills build-out. On the new-skills build specifically, Hexaware has set a target of 250 forward-deployed engineers (FDEs) and 1,000 AI architects within 12 months of the programme's launch. Management indicated that c.50 employees have graduated as certified AI architects to date, with the internal pipeline now certifying roughly 100 additional AI architects every few months. Additionally, for the sales organisation, every seller is being put through a curated AI-fluency training programme.

IT services play a role in optimising token costs for clients

Management described 'tokenomics' as now determining IT budgets and framed a dual imperative: participate in tokenomics through alternate, less effort-linked pricing models, while separately engineering down actual token spend to protect margin. On pricing, Hexaware is deliberately shifting client commercials from effort-based (pay for resources) to output-based and, increasingly, AI-native value/outcome-based models. Management noted that under its human-plus-technology, AI-enabled contracts, token costs are borne by Hexaware itself rather than the customer.

Hexaware has laid out three levers for tokenomics: 1) designing for reduced token usage — engineering prompts, context and retrieval to minimise tokens per transaction, which management called the single largest driver of run-rate AI cost; 2) right-sized model routing — deploying small and micro language models for the majority of steps, and reserving frontier/frontier-priced LLMs only for tasks that genuinely need them. Management noted the capability gap between closed and open models is only c.5%, vs. a c.20x price gap, which its harness is designed to exploit; and 3) tuning its own AI harness (managing retrieval, orchestration, caching, routing and guardrails), which management said moves the cost curve more than swapping the underlying model.

Hexaware is also monetising this discipline as a client-facing offering. LLMOps/AgentOps managed services — covering tracing, evaluation, prompt management, AI gateways, guardrail/bias monitoring and model-version deployment — was named as one of seven new service areas born from Enterprise AI. For scale, management noted the professional services vertical alone now consumes more than 75bn tokens per month for AI-assisted development. They separately estimated that token/inference cost today equates to only c.3–4% of total company cost, though it expects this to rise as AI usage scales. This increase will likely be offset industry-wide by headcount reductions at both IT vendors and clients.

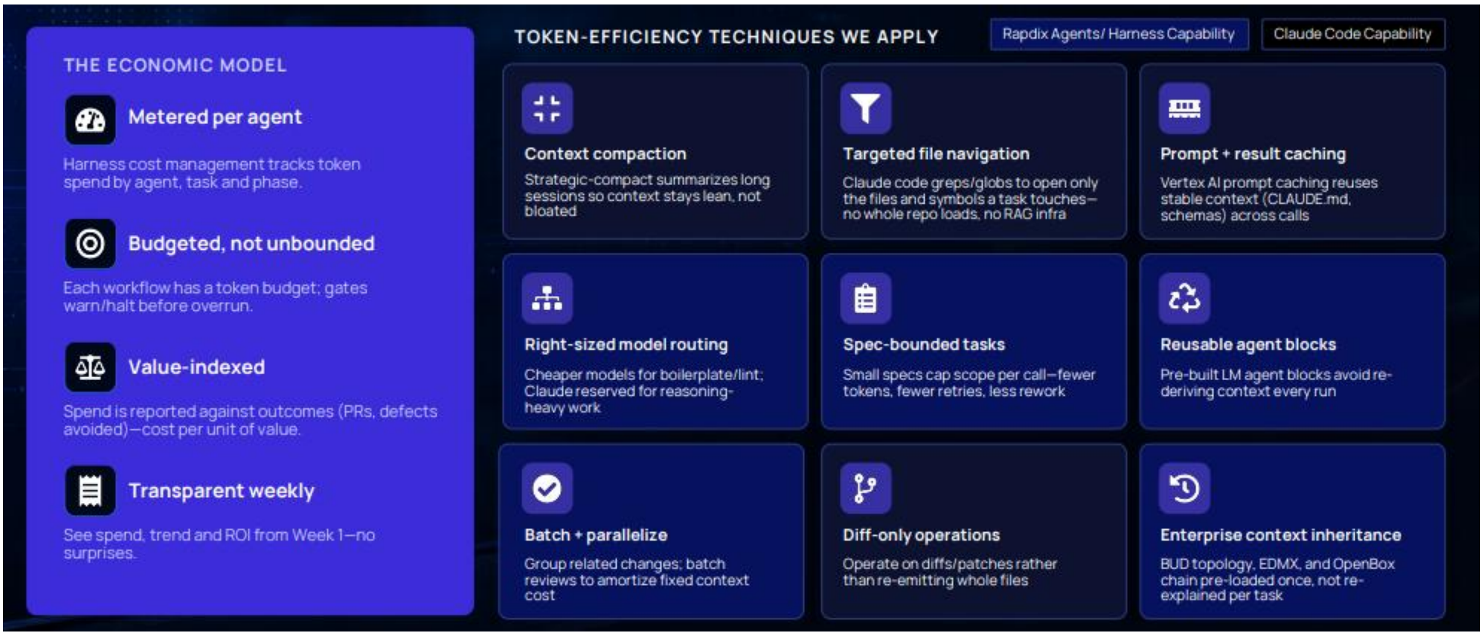
Key downside risks: 1) Changes in top leadership could temporarily slow down execution, 2) a lower margin profile vs. mid-tier IT services peers leaves less room for investments in a competitive demand environment, 3) an unfavourable vendor consolidation outcome or insourcing by top clients could adversely impact revenue for Hexaware, 4) GenAI-led deflationary impact.

Key upside risks: 1) Growth in net new AI services accelerating faster than expected and offsetting AI deflation, 2) INR depreciation against USD, 3) improvement in macro across the globe led by ending of ongoing middle-east war and Ukraine Russia war.

Exhibit 1: New AI Services launched by Hexaware in last eight months

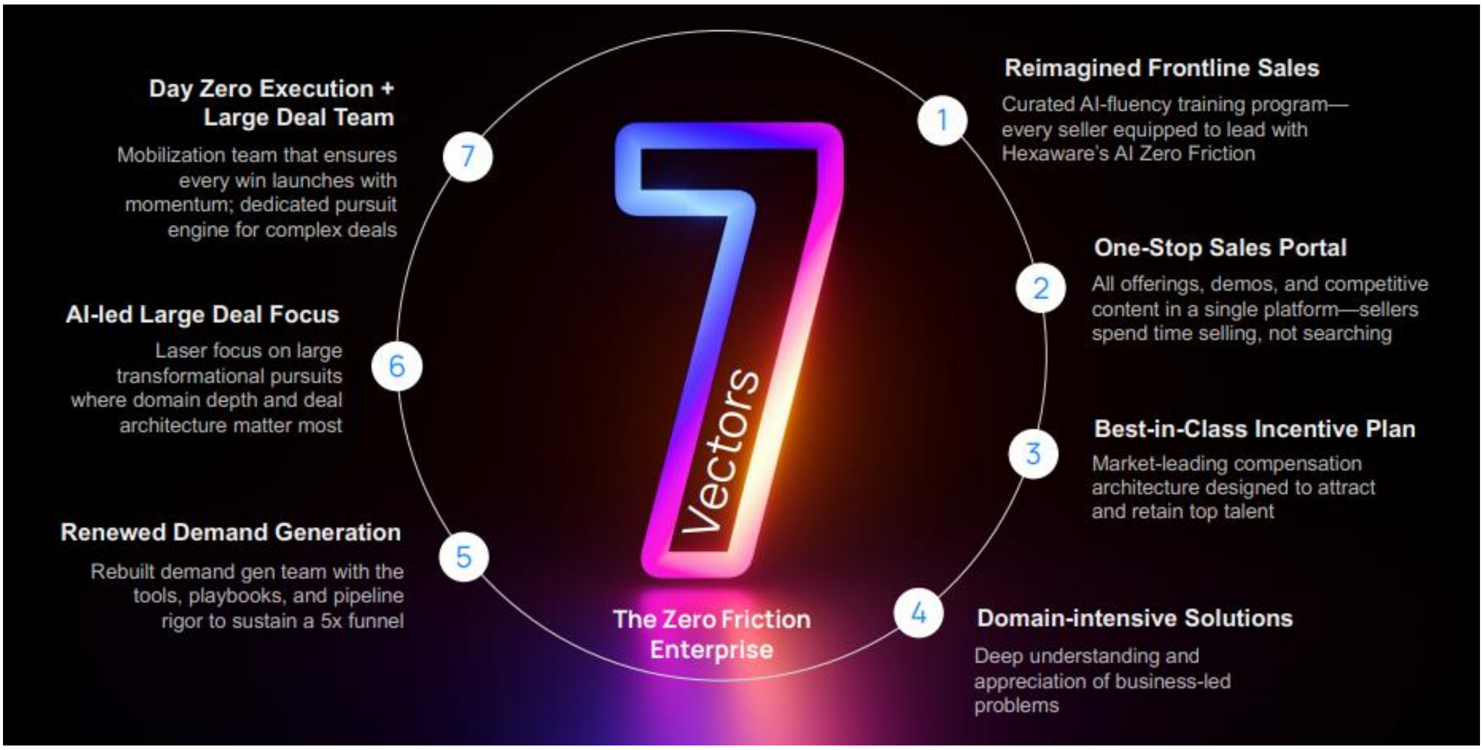
Source: I-Sec research, Company data

Exhibit 2: Token efficiency techniques applied by Hexaware



Source: I-Sec research, Company data

Exhibit 3: Vectors for accelerating revenue growth implemented by Hexaware



Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Dec'25	Mar'26	Jun'26
Promoters	74.3	74.3	74.3
Institutional investors	19.8	19.5	19.5
MFs and others	11.3	15.0	15.9
FIs/Banks	0.0	0.0	0.0
Insurance	0.4	0.3	0.4
FIIs	8.2	4.2	3.2
Others	6.0	6.2	6.3

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending Dec)

	CY24A	CY25A	CY26E	CY27E
Net Sales (USD mn)	**1,429**	**1,537**	**1,638**	**1,809**
Net Sales (INR. mn)	**1,19,744**	**1,34,304**	**1,54,136**	**1,70,041**
Operating Expense	1,01,442	1,13,603	1,29,725	1,42,460
EBITDA	**18,302**	**20,701**	**24,411**	**27,581**
EBITDA Margin (%)	15.3	15.4	15.8	16.2
Depreciation & Amortization	2,788	3,613	3,395	3,571
EBIT	15,514	17,088	21,016	24,010
Interest expenditure	660	1,005	1,168	1,093
Other Non-operating Income	-	-	-	-
Recurring PBT	**15,603**	**16,146**	**19,000**	**23,539**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	3,863	3,585	4,797	5,824
PAT	11,740	12,561	14,203	17,715
Less: Minority Interest	-	-	-	-
Net Income (Reported)	**11,740**	**11,450**	**14,203**	**17,715**
Extraordinaries (Net)	-	(1,111)	-	-
Recurring Net Income	**11,740**	**12,561**	**14,203**	**17,715**

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending Dec)

	CY24A	CY25A	CY26E	CY27E
Total Current Assets	45,511	50,477	54,423	62,087
of which cash & cash eqv.	19,766	19,708	18,961	23,084
Total Current Liabilities & Provisions	27,682	33,828	35,984	38,534
Net Current Assets	**17,829**	**16,649**	**18,439**	**23,552**
Investments	765	884	988	988
Net Fixed Assets	4,762	6,789	7,224	7,264
ROU Assets	5,596	6,116	6,191	6,191
Capital Work-in-Progress	1,308	505	515	515
Goodwill	23,871	35,768	37,710	37,710
Other assets	4,766	5,881	5,929	5,929
Deferred Tax Assets	-	-	-	-
Total Assets	**62,263**	**75,218**	**80,638**	**85,831**
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
provisions	752	2,041	2,151	2,151
other Liabilities	2,223	3,244	3,952	3,952
Minority Interest	(23)	(32)	(23)	(23)
Equity Share Capital	608	609	610	610
Reserves & Surplus*	52,961	62,549	67,442	72,492
Total Net Worth	**53,569**	**63,158**	**68,052**	**73,102**
Total Liabilities	**62,263**	**75,218**	**80,638**	**85,831**

Source Company data, I-Sec research

Exhibit 8: Quarterly trend

(INR mn, year ending Dec)

	Sep-25	Dec-25	Mar-26	Jun-26
Net Sales	34,836	34,782	36,130	38,452
% growth (YOY)	11.1%	10.3%	12.6%	17.9%
EBITDA	6013	3779	5708	6053
Margin %	17.3%	10.9%	15.8%	15.7%
Other Income	103	(97)	(47)	(501)
Extraordinaries	0	1,111	0	0
Adjusted Net Profit	3,699	3,749	3,516	3,302

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending Dec)

	CY24A	CY25A	CY26E	CY27E
CFO before WC changes	19,230	20,968	23,172	27,581
CFO after WC changes	**18,602**	**21,072**	**20,748**	**26,734**
Tax Paid	(3,122)	(3,681)	(4,797)	(5,824)
Cashflow from Operations	15,480	17,391	15,950	20,909
Capital Commitments	1,333	1,675	6,873	3,651
Free Cashflow	**14,147**	**15,716**	**9,078**	**17,259**
Other investing cashflow	(5,357)	(8,287)	238	622
Cashflow from Investing Activities	**(6,690)**	**(9,962)**	**(6,634)**	**(3,028)**
Dividend and Buyback	(5,314)	(6,995)	(11,902)	(12,665)
Inc (Dec) in Borrowings	-	-	818	-
Others	(1,505)	(1,313)	1,021	(1,093)
Cash flow from Financing Activities	**(6,819)**	**(8,308)**	**(10,063)**	**(13,758)**
Chg. in Cash & Bank balance	**2,032**	**(58)**	**(747)**	**4,123**
Closing cash & balance	19,766	19,708	18,961	23,084

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending Dec)

	CY24A	CY25A	CY26E	CY27E
Per Share Data (INR)				
Reported EPS	19.6	20.6	23.3	29.0
Diluted EPS	19.5	20.5	23.1	28.9
Cash EPS	24.3	26.5	28.8	34.9
Dividend per share (DPS)	-	17.2	19.5	20.8
Book Value per share (BV)	89.4	103.5	111.5	119.8
Dividend Payout (%)	-	84.0	84.3	71.9
Growth (%)				
Net Sales	15.4	12.2	14.8	10.3
EBITDA	15.8	13.1	17.9	13.0
EPS	(0.1)	5.0	13.1	24.7
Valuation Ratios (x)				
P/E	27.2	25.9	22.9	18.3
P/CEPS	22.0	20.1	18.5	15.3
P/BV	6.0	5.1	4.8	4.4
EV / EBITDA	14.2	12.8	10.9	9.5
P/S	2.3	2.1	1.8	1.7
Dividend Yield (%)	-	3.2	3.7	3.9
Operating Ratios				
EBITDA Margins (%)	15.3	15.4	15.8	16.2
EBIT Margins (%)	13.0	12.7	13.6	14.1
Effective Tax Rate (%)	24.8	22.2	25.2	24.7
Net Profit Margins (%)	9.8	9.4	9.2	10.4
Inventory Turnover Days	-	-	-	-
Fixed Asset Turnover (x)	20.2	20.1	20.5	21.9
Receivables Days	58	55	56	60
Payables Days	24	26	25	25
Working Capital Days	2	(7)	(4)	0
Net Debt / EBITDA (x)	(7.1)	(5.5)	(5.6)	(6.5)
Profitability Ratios				
RoCE (%)	23.4	22.8	24.0	25.6
RoIC (%)	37.2	31.2	32.3	36.4
RoNW (%)	23.5	21.5	21.7	25.1

Source Company data, I-Sec research

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