DIVIDEND INTIMATION

November 27, 2015

Dear Shareholder,

I am pleased to share with you this business update on HGS' performance and unaudited financial results of the second quarter (Q2) of FY 2016.

HGS posted a strong financial performance in the second quarter of FY 2016 compared to the previous quarter. Along with growth in sales, our profitability (EBITDA) improved with an increase in PAT over Q1 of FY 2016. Below are some highlights of the operating performance:

- Net Sales of ₹ 7,890 million, an increase of 12.4% y-o-y
- PAT of ₹ 269 million, an increase of 66.5% over Q1 FY 2016
- EBITDA of ₹ 807 million, an increase of 49.1% over Q1 FY 2016
- 181 active clients (excluding payroll processing clients) - an addition of nine clients
- Total headcount was 39,466: 68.5% based in India, 16.4% in Philippines, 6.2% in Canada, 6.4% in the US and 2.5% in Europe. This included an addition of over 8,000 people through the acquisition from Mphasis Group.

I would call this a 'turnaround quarter', given that profitability has improved substantially, despite headwinds in our Canadian operations. HGS is dealing with rapid growth across all geographies - India, Philippines, Jamaica, UK and US. We now enter the busy season, where growth will be driven by the Public Sector and Healthcare's Open Enrollment season. HGS has also made an encouraging foray into the fast-growing e-commerce sector in the India domestic business.

The last couple of quarters have been a bit challenging, but we have now taken the requisite steps to ensure long-term and sustainable growth. The improved performance in Q2 shows that we are on right path. With our sales pipeline looking healthy across geographies and verticals, we are confident of posting better performance in coming quarter

In view of the strong performance in Q2, HGS' Board of Directors have declared a second interim dividend of ₹ 5/- per share for the financial year 2015-16 at their meeting held on November 6, 2015, with November 20, 2015 as the Record Date for dividend entitlement. The Dividend payment date is November 30, 2015.

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

Yours sincerely,



Partha DeSarkar
Chief Executive Officer

BUSINESS HIGHLIGHTS FROM THE QUARTER

- HGS US showcased strong performance and business growth from existing clients and new client wins; Healthcare remains the primary growth driver in this market. Colibrium, the company we acquired earlier this year, has signed up 150 Full-Time-Equivalents (FTEs) for multiple clients.
- HGS Canada signed its first Public Sector client with an expected ramp-up of 100 FTEs. It also received additional business worth 100 FTEs from a major Canadian Telecommunications company. The business experienced billing efficiencies across all clients. Benefits of all business initiatives are expected to accrue in the coming months.
- HGS UK continues to grow on the back of two new large contract wins in the Consumer and Public Sector vertical. The Preston site has been expanded to support this growth. HGS UK remains focused on new business in the government, telecom and consumer goods verticals.
- HGS Philippines improved its profitability by stabilization of investments and completion of ramp-up. The business outlook is promising primarily due to higher volumes in the healthcare vertical driven by the start of the Open Enrollment Season.
- As Open Enrollment Season commences, the India International business is expected to perform well.
- India Domestic business revenues increased over Q1 on account of ramp ups in the Telecom sector. Increase in COLA (Cost of Living Adjustments) in some of the large accounts will benefit margins going forward. The Domestic business started operations for three new clients in E-commerce, Insurance and Healthcare sectors.
- The acquisition of a significant part of Mphasis Group's BPM business in India concluded this quarter, with a smooth transition of clients and over 8,000 employees.

RECOGNITION

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

- HfS Research has named HGS to the Winners Circle in the Healthcare Payer Operations Blueprint, 2015.
- HGS continues to share mindshare with Everest Research: Was named a Major Contender in their CCO PEAK Matrix, 2015 and included in the CCO Service Provider Compendium, 2015.
- HGS has been included in a few recent Frost & Sullivan reports including:
    - Frost & Sullivan 2015 Europe Contact Center Outsourcing Buyer's Guide: Negotiating a Changing Landscape
    - BPO Enabling Technology Part II Radically Transforming Client Partnerships, 2015
    - 2015 North American Mergers & Acquisitions Update: Contact Center Outsourcing Growth at Warp Speed