Management Discussion

Niraj Khemka - Head of Investor Relations, Hexaware Technologies Limited
Thank you. Hello everyone. Welcome to Hexaware Technologies Q2 CY26 earnings call. In the call today we have with us Mr. Ash Srik rishna, CEO and Mr. Vikash Jain, CFO. In the course of this call we make certain statements which are forward looking and may involve a number of risks and uncertainties. All forward looking statements made herein are based on information presently available to the management and the company does not undertake to update any forward looking statement that may be made in the course of this call.

In this regard there is a full disclosure which has been included in the investor presentation and the press release. We consider that as red. With this, I'll hand over the call to teach over to you, Keech.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
Thanks Niraj. If you'd go to the next slide please. And the next one. So. Hi everyone. Good to talk to you. You know, at the highest level I would say that I think the adoption of AI and where it works and where it doesn't work in, especially in it, I think it's settling down. And again I believe that the level of compression that we have in the worst case scenarios thought about, I don't think it's going to happen. Let me give you maybe two examples to bring out how this is settling, right? Just yesterday we had this client for whom like five, six applications had to be rebuilt to build a portal which went live in production in under three months from ideation.

That's a great example of the use of AI. And in this case the customer and the business is ready with what to do next once this program is done. But yet we have another larger enterprise customer where we finish what is to be done in eight weeks in less than four weeks. But when we went back to the business for the next set of requirements, they said, hey, you want to come back in eight weeks? We're not ready and we don't have, you know -- we don't need this velocity. We are not quite ready in fact thinking about what we want next.

So what this means is that adoption is not definitely about just technology, but it's not even about change management, just in the tech teams. Them coming up to speed and knowing how to deliver, but it is a larger change across enterprises, especially in the business side, which I think is going to, you know, slow things down in several scenarios. On the other hand, I think whenever Glasswing and Mythos gets out of stealth, or even before that, when the lesser models which are now available, people start discovering vulnerabilities at machine speed.

I think it's going to unleash a massive amount of need for tech modernization. What we already know is that the vulnerabilities are coming from older systems. Open source especially, is a known area. And our belief is that, you know, it'll become a critical imperative to fix everything that is old. There's no way to manage the velocity and volume of vulnerabilities that get discovered and get organization to a safe place without modernizing all their systems. So we think that'd be a massive set of opportunities that is around the common. Given all this, we continue our pivot to AI every day, every week.

So a few highlights. Now I'm going to keep this light because we are doing an AI day in our Chennai campus on 21st. We had earlier planned for it to be shortly after today, but we just wanted the cycle to get over and all of you to be fully free. So it's on 21st August in Chennai and we will go into more details on several facets. But I wanted to give you a few highlights. We continue to launch one new service per month and that's one of the core principles we defined last July that we will launch one

new service every month and also knock on 100 customers 90 days after launch for every new service.

Now we are well on target for the first one. We are getting close to meeting the second goal of 100 customers in 90 days. For the second. W e're not just launching, we are scaling what we launch across all of our customers. We form these champion squads for each business. You know, in our case the range is between 30 for the smallest unit to 75 AI champions for the largest units, who then are ensuring that we are executing proactively in all customers the things that we bring to market. Zero License, which we launched earlier this year, is seeing outstanding traction in terms -- first, in terms of conversation. It's actually -- last quarter I said AI and SDLC is the biggest driver of conversations and deals.

That's still true for deals, but conversation actually Zero License is rapidly getting to the same spot as an SDLC. We've closed the first few deals and I'm going to give an example or two later today. But we have quite a large number in the pipeline. We built by this time and this number is going up on a weekly basis. 65 parsers in our platform for Zero License. What these parsers do is the 65 different SaaS platforms we can discover the business logic underlying the SaaS platform.

We published earlier in Q2, our first AI impact series. It's a book of case studies. There are dozens of case studies covering every vertical, every service line showing the impact to clients. In fact, we will have our second book when you come and visit us in campus. I think over the last -- we've been talking about tokenomics -- not using that word, but we've been talking about AI economics to our clients since April last year. It has suddenly become center stage for clients over the last three months.

Not only is the cost of tokens being center stage, it is also I think in some ways at the center of battle for IT budgets. How much will go to labor, how much will go to tokens? And I'm going to talk a little more on this as well. Now I think you'd have seen last quarter we announced -- or last late Q1 we announced that Shantanu is taking over additional role as US hunting head -- North America hunting head apart from his role as H&I vertical head. Few weeks ago we announced that Param Iyer and Vijay will respectively take over our Europe and Asia geographies.

All three of them are in what I will call a phase two transformation of our hunting team. Our phase one happened over the last year or so where you know, we redid our hunting team to regain momentum and that has paid results. But I think there is more work to do. So really three focus areas, large and proactive deal creation, significant expansion of team and extensive use of AI in the sales process. And you know that's again been there for a while but really democratizing and making sure every single salesperson across the world is able to use AI in every stage of the sales process effectively.

So those are the three focus areas for transformation. We continue to add headcount. This is the third quarter of addition in it and our overall headcount addition was 7 08 for the quarter, about 179 in ITR. Attrition is very good and our utilization rate has ticked up to what we think is a good spot for us to be in. We added a new center in GIFT City and we added a new center in Bogota in Colombia during the last quarter.

On financials, I think we had a solid quarter in a difficult environment across revenue and profitability. You will hear more on it from Vikash. Our EPS -- the underlying EPS's growth is solid but there are some hedge and translation losses that led to a compression in eps. Those will recede shortly and again you will hear more details from Vikash. As always we have a solid cash position, but the highlight for us this quarter on numbers was something at the back. No we've had, I don't

know, three years long ERP program. We cut over finally and fully. We've been going live with modules, but all modules -- the last one being our financial modules went live in the course of the quarter that just ended. And this is the first set of reporting that we're doing all from the new system completely without hitch.

Next slide please. I said I'm going to talk a little bit about tokenomics, right? So what we're doing is experimenting with a lot of different models and I've hidden out some here because of confidentiality reasons. We are experimenting with different models with two objectives. One, how do you maximize value for clients? You know, we're not -- we don't want to be in the side where, hey, will keep pushing token usage up for you and yet find a way to participate in the token economics.

With those dual set of objectives, w e are experimenting with eight or ten different pricing models for customers. You know, input which is the majority of the traditional model output, but also outcomes which are different, right? Output is, hey, I will build something for a fixed price but outcome is that will drive X amount of revenue. So we are experimenting with all of them and I'll give you an example of -- actually before that. The key difference in approach -- the most fundamental difference in approach is what you see in the two columns here, right?

The historic our proposals included human cost. Occasionally they'll include the licenses, the hardware, the cloud usage, occasionally. The big shift now is that our proposals are also providing options for including token costs, but in a way that brings value to clients. Let me give you an example of the value. Somebody using Claude. We built a harness on Claude that has nine different ways in which token consumption can be optimized within Claude by using different models of anthropic. This is an early stage but I think what this will impact for us will be two fold. First, it will allow us to participate in what is going to be a significant portion of clients budgets, which is tokens. Second, it will improve our profitability over time. So those are the two impacts, but they are in early days of experimentation with these models.

Next slide please. The second topic that I want to talk about in AI today is partnerships. I wanted to highlight the philosophy more than the specifics today. The philosophy is this, that we believe at some time -- and that is kind of happening even now, that the functionality and capability of LLMs will converge. So the differentiation is not going to come from there for our customers or for us. The difference will come from what sits above them, the vertical depth and the client specific context. So we are adding -- we are forming three lanes of partnership. The first, the bottom lane is the foundational example anthropic analog layer. But the differentiation is going to come from the layers about domain models whether it's SLMs or fine tuned LLMs which bring the context o -- w hich bring the domain context semantic into an organization processes a nd IT.

The layer above is. It's not just about the domain but we also need to have a deep understanding of how you work on a daily basis. And that's the third layer of partnerships. And all of this will still be underneath the platforms and what we take to market which historically has been service line focused. Tensai for ITO, RapidX for SDLC, NMAS for data transformation. But what you will also see from us very quickly is an increasing range of vertical products and platforms. And in the platforms -- horizontal platforms, I forgot to mention Agentv erse which we launched in the course of this quarter.

Next slide, please. We continue to have solid momentum in deals. As always there's a mix of very cool transformation work, outsourcing and consolidation. So let me pick a few examples here. The first one is I would say a storied German biotech firm, right? In the first phase of -- this is a two year

program which we're doing for them. In the first phase we're consolidating all the vendors that are doing clinical data right now. Shortly after we are going to start transforming how the clinical data environment is built and convert that to an agentic platform.

Second example is a large capital markets firm. They have a product which they feed securities to and they get cash flows. Now what is happening is that for years data is given but all they get is a PDF as an output. There's nothing more they can do with the data they have given to this platform. This is I think a key archetype for Zero License. You're giving your data and renting intelligence back from the platform. So we have a program which will happen in just a few months to exit them completely from this very core platform into a modern code that we're building using AI emmergence.

Another large capital markets firm, AI led middle office transformation in cash and settlements. I'm going to talk about a couple of modernization deals. So one of the things and I will talk a little more about this is that scale modernization deals are, you know, more and more in a pipeline and deals. So this is a client -- which is an interesting business model. You know, you go to a restaurant, you hear music, somebody gets paid a bit of money for it. And that whole thing is managed by an organization. In this client, two years ago we had lost an outsourcing deal because the client is very wary of handing over a legacy system from their incumbent.

What we're doing now is to completely exit them out of this legacy system. And this is a -- north of $10 billion deal -- double digit modernization deal. I'll just stick to the modernization team. If you look right below there, leading CRO CRM transformation. Again, double digit million modernization deal. And then we have three outsourcing deals, but one of them also has some other interesting things. So let me speak about each of them. A large university based in London. There are three parts to the program.

There's outsourcing, all their tech work and BPO work. There's transformation. But the third part is the most interesting which is that universities in many parts of the world are under stress because of political issues. Enrollment from foreign students is going down, which puts the stress on their numbers and their enrollment and fees. And we are creating a shared service tech and BPA organization for the entire industry which will lead -- I mean, it'll be a joint effort between this one leading university and Hexaware.

The second one it's a reflection of our increasing momentum in APAC large financial services firm in ANZ, at Digital ITO. The third is again in APAC Fintech payments firm where we're doing outsourcing and transformation of their entire payment systems. So that's some of the deals that closed in the quarter. With that I'm going to hand over to Vikash.

Vikash Kumar Jain - Chief Financial Officer, Hexaware Technologies Limited
Thanks, Keech. Can we move to the next page please? As Keech mentioned, we are now live on the new ERP system. And this was our first quarter of financial reporting from the new platform. Now this transition required significant cross functional effort and I want to acknowledge the strong execution from various teams that enabled us to complete the quarter close and reporting cycle successfully. In terms of the financial highlights, revenue for the quarter was $405 million, reflecting a 4.4% sequential growth.

The sequential growth was primarily volume led, supported by a higher number of billable days during the quarter. In dollar terms approximately 9 million of the sequential growth came from volume and around 5 million came from calendar benefit. Volume growth was supported by net

headcount additions that you heard Keech speak about. The full quarter impact of the hires were made in the previous quarter and an improved utilization.

On margins. Reported EBIT for the quarter is 13.6% up about 60bps sequentially. If you look into the various puts and takes, the sequentially bit movement was driven by 160bps of tailwind which was from a combination of FX and calendar. We had an operational improvement of close to 30bps primarily driven by utilization and this tailwinds were partially offset by Q2 seasonality and investments. What we made of close to 70bps and higher people investments of close to 50bps. Now when I speak about the seasonal expenses, those are primarily our annual client event that we do and I've also clubbed one of the M& A related diligence expenses as part of this and higher CSR.

Moving on to the next one. Some color on the unit level performance. Growth was broad based. Five out of the seven verticals delivered both sequential and year- on- year growth. Year- on- year growth was led by Healthcare and Insurance, MNC and Banking. Sequential growth was led by Healthcare and Insurance, MNC, PS and Banking. Sequential softness in GTT reflects a tighter external environment particularly in the Middle East. If you go a bit on the unit level, financial services continue to deliver both sequential and year- on- year growth.

Revenue from the GSC client remains stable and we expect healthy volume growth in financial services over the coming quarters. Healthcare and Insurance, strong sequential and year- on- year growth driven by the large deal ramp ups and broad based growth across Europe. In our prior earnings call we had indicated that H&I would grow faster than the company average and this has been playing out consistently quarter after quarter. MNC deal closers are now converting into revenue with growth coming from both existing accounts and new locals.

Now MNC, if you recall early part of last year because of tariffs and everything was facing a lot of headwinds and we started seeing some green shoots in terms of the demand and getting converted into revenue. MNC has delivered year on year growth since H2 of last year. We expect MNC to be a full year growth contributor. Professional Services what you see on a sequential basis it reflects a bit of a seasonality. The largest trend in this vertical follows a July to June calendar and the year end cycle typically drives higher budget utilization and revenue tailwinds.

Banking delivered strong sequential and year on year growth. The vertical has shown consistent momentum in the last few quarters and we expect it to remain strong throughout CY26. Travel and transportation, as I spoke about earlier, remain impacted by macro conditions, particularly in the Middle East. On geos, the good news is every single geography delivered sequential and year on year growth. Europe returned to strong growth and is expected to lead full year growth driven by account ramp ups and new locals. APAC delivered a strong sequential and year on year growth despite a challenging external environment in the Middle East. It's driven by the other subgeographies which continue to perform well. More commentary on the full year outlook will be provided by Keech later during the call.

Let's move to the next page. We continue to add meaningful clients to our client base and one of the ways we track the broadway's growth is by looking at number of clients which are contributing more than 10 million in annual revenue. We now have 34 clients contributing more than 10 million annual revenues and increase of three clients on a year on year basis.

Let's move to the next one. This slide summarizes key operating metrics for the quarte.rl in terms of our revenue mix on site mix moved up slightly during the quarter driven by rebadge deals. On a year on year basis, the offshore mix, if you look into it, has improved very meaningfully. Headcount during the quarter, the net headcount addition was 708 with close to 180 additions in IT and close to

530 additions in DPS.

This marks the 12th consecutive quarter of IT headcount edition. EPS headcount addition is in anticipation of seasonal volumes increase in H2 with revenue realization expected in H2. Attrition remains stable at around 11%. Utilization closed at 84.8% up to 20 bps sequentially. Now starting this quarter we have a made we have made change in the utilization reporting methodology to exclude employees working on platforms. This improved utilization by about 80 pips and prior periods have not been restricted.

However, even excluding this change, the utilization remained very healthy, upwards of 84 percentage. We expect utilization to remain broadly range bound in the 83 to 84 percentage range going forward. Let's move to the next page. Closing Cash balance Kit spoke about was close to 176 million. Now as you are aware, during this quarter we went with ERP transition. Now in the period of ERP transition, as would be expected, there is a blackout period when there are data transitions taking place from one system to the other.

That did have an impact at the early part of the quarter. In terms of the invoicing, how were the account teams worked proactively with the clients to support the cash conversion. Quarter on quarter you see a cash balance reduction of 45 million, but that's after making close to $105 million of payout. 55 million in dividend, 27 million towards acquisitions and close to 24 million towards incentives pertaining to CY25. The DSO for the quarter is a bit elevated, but it's in line with what we had expected g iven the ERP transition. We expect DSO to normalize to the 70 to 75 days range by the year end. Cash conversion despite all of this remains very strong and our LTM OCF to PAT was close to 125%. ETR for the quarter was at 25.1. We reiterate our full year ETR expectations to be between 25 to 26. On EPS, we delivered strong operational performance for the quarter and EBIT margin expanded by 60bps. However, this was not fully reflected in EPS because the quarter had material hedge and translation losses of approximately 8 million.

Now these were driven by the forwards which were taken in line with our hedge policy. One call out from a future perspective. Based on the current hedge book and the June and exchange rates, we expect these losses to reduce over the next two quarters with approximately 5 million in the next quarter and 3 million from a Q4 perspective. Those were the financial highlights. With that I'll hand it over back to Keech. Let's go to the next page.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited

Thank you Vikash. We feel very good. I feel very good about where we are as a business. We will continue growth momentum, but yet we are reducing our guidance for the calendar year primarily because of a narrow runway left. But I'll talk more on that. Deals, like I said we feel very good about where we are. Outstanding pipeline, outstanding wins and continued, you know, every month. The few -- I've spoken about some of the deals that close but I'll speak about some of the patterns here. One we are seeing increased momentum in legacy modernization deals greater than 10 million.

In the past, I spoke, hey, we'v e got lots of deals in the 1 to 2 million kind of and -- some of these will get to larger ones and we have begun to see both enclosures and pipeline that we seeing more deals in the greater than 10 billion Lexi session. We won a consolidation deal in another top 15 client. We are now down to three strategic vendors in this client. There is a new category of deals that have begun to emerge. There is this -- I will say a handful of RPs that started in Q2. These are very quick.

The ones that we've seen so far are quick decision cycles. We've already won two. I expect this pattern to go up. The pattern is that customers are doing an RP to pick a strategic AI partner. This is decoupled from people that may be doing other work. And the first one we want, for example. They said hey, here are kind of three use cases or four use cases basis which we will evaluate the capabilities. But who are we pick basis. This is essentially going to be our strategic partner. And in this example we wanted the first four use cases I think will get delivered in two months.

And these are small currently. But we expect that we will spread our wings substantially across the enterprise. Not just in IT but also in the business as -- and we think there'll be more archetypes of these deals. I gave one example of a win in Zero License and there are-- and one archetype. There are three archetypes that we are currently seeing with traction. I won't talk to three archetypes, but we'll be seeing three specific archetypes where there's solid traction. Many of these deals are currently small, but again we expect that most enterprises are picking one or two to prove value.

But we think they will scale across the enterprise as we deliver on proof of value for the current cases. Now, revenue outlook. Like I said, we feel very good about where we are on deals, but a pathway to 7.6% is narrow. Specifically, I will say two things. One, deals that we won earlier in the year, there is a ramp delay. Okay. In some cases due to the Middle East situation, you know, other reasons and other cases, but there's a delay in rap. Now much of that ramp up is going to happen late Q3 through Q4 and of course a worsening macro.

Now you saw our GTD numbers, right? It is materially worse than what we thought it will be. And that's the place where potential macro has the biggest impact. Given this, we are reducing our guidance to a range of 6% to 7% including 50bps from the CP rebadging deal that we announced earlier. Quick point about that. I mean we announced it as an M&A deal. That is how the deal was done. However, it was done in that way for tax structuring reasons. It's a single client where we took over a contract and rebadged the people associated with that contract. Or set of contracts and two other people associated with that set of contracts. The new guidance implies at midpoint a 2.7 CKGR from this point, which we're very confident of delivering.

You heard detailed commentary on verticals from Vikash. Position summarize and this is actually the same set we put even last time. H&I Banking and MNC are expected to lead growth. The only changes H&I was second on the list. We will now put it on first in the list. PS and FS will follow and Travel will lag materially to the macro. On margin, we are reiterating the margin guidance of an EBIT margin of 13% to 14%.

With that we will pause and do questions.

Questions & Answers

Operator
Thank you very much. We'll now begin the question and answer segment. [Operator Instructions] Our first question comes from Vibhor Singhal from Nurvama Equities.

Vibhor Singhal - Analyst, Nuvama Institutional Equities
Yeah, hi. This is Vibhor here from Nuvama. Thanks for taking my questions. Keech, a couple of questions from my side. Interesting that you mentioned that what clients are interested today is an application layer which sits on top of the various LLM models, which provides them the flexibility to switch from one model to the other model. There's also this angle of optimization that will bring in. So in terms of those, just wanted to check, are these conversations more at the superficial level

itself at this point of time or are we seeing these conversations kind of congratulate into some deals also, and when do you think these could actually translate into real large deals?

The kind of transition that we probably saw in 2018, when we had similar deals which started coming through for the cloud adoption, which had multiple facets of technology that we were taking care for the client. So do you think there's a similarity between what happened then and what is happening now? And when could we see anything, let's say material which could basically give growth a boost on that part. Any color on that would be really helpful. And then I'll have a follow up.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited

So I'll say kind of two or three quick things, right? First is harness, which sits on top of -- or scaffolding that sits on top of model or models is the term that is for what he just said. Picking the right models. We built as that many companies, but even labs themselves have built harnesses. They need not necessarily be only for picking across providers, but it could also be for picking within. Say Anthropic has many models or OpenAI has many models. So you could use a harness to pick different models for different types of use cases.

I don't know that this will translate in of itself to large deals by itself. Okay. S o I think, deals would come from different patterns, but I don't see this particular -- the harness leading to large deals in of itself.

Vibhor Singhal - Analyst, Nuvama Institutional Equities

Got it, got it, got it. And you also mentioned a part in which a very interesting kind of deals have evolved in which the clients are asking you to basically develop a use case and then basically deciding on the basis of that. So what are the kind of selection parameters which the clients are looking at? Is it the usual that how many people do you have certified on Anthropic or other platforms if those certifications are available as yet? Or is it how robust the use case solutions that you provided is amongst the service vendors?

So how does the competitive intensity here -- or let's say, how does the competitive differentiation work here for us service vendors?

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited

So I will tell you what we are doing. Okay. And I spoke about use of AI in our sales process. So we've been doing for, I'll say a year and a half, maybe two, but we are now kind of scaling it. Okay. So a preferred model of selling is no presentations, no proposals for transformation programs. We build a POV or some small version of what the customer ultimately wants built through the selection process and we show it to them. This is how our sales process works today. So it's not about, you know, how many certifications you have and whatever else we are saying, hey, there are four use cases the client defined to pick.

We build solutions for the full use cases and take it for our solution defense. And that's through show and tell of that. And of course this demos use synthetic data. We say them, hey, if you kind of give me real data and if I can integrate with XYZ systems of yours, we can get this in production pretty quickly. So this is a model for how we are selling. And then of course right now this way of selling is -- I'll say like with it some percentage of the company, we want to make that with 100% of the company.

Vibhor Singhal - Analyst, Nuvama Institutional Equities
Got it, got it. Just one last question from my side. On the guidance part, the narrowing basically part of the guidance which we've done from let's say 7.5% earlier to now, the midpoint being at 6.5% . Is it mainly driven by some of the deals which we expected to ramp up and they have -- maybe there's a delay in wrap up of those deals or is it also driven by the fact that the overall macro has kind of either remained the same or worsened, and so some of the deals which you might have expected have also not come through.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
So it is both. But the second macro I would say is largely restricted to travel transportation. It's not that deals haven't come through. Customers are cut. Existing clients have cut in the airlines business. T heir spends their budgets. So you saw that, you know GTD is like shrunk 18% year on year. The deals are -- I would say not even delayed decision making, but there was some delayed ramps. There are three, four deals for us that we expected will start ramping in Q2 which are now starting to ramp in mid to late Q3.

So we don't have the runway left to make up for it, so we called hence the narrow guidance.

Vibhor Singhal - Analyst, Nuvama Institutional Equities
Got it, got it. Thank you so much for taking my question Keech and wish you all the best.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
Thank you.

Operator
Our next question goes to Aditi Patil .

Aditi Patil - Equity Research Associate
Thank you for the opportunity. I have three questions. My first question is on. So I wanted to understand how much of our business has already gone through a cycle of AI like deflation during renewals and could there be multiple cycles of AI compression as the technology advances? My second question is , t he delays which we are facing in deal ramp ups, they are in which verticals? And my third question is on the deal sizes in the new AI led demand areas such as Zero License and the new emerging areas which you mentioned about strategic AI partner related deals.

So what are the deal sizes in this area?

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
So on the first one, right? I'll say two different things. First, we have I think gone through an intense phase which is forex normal of consolidation in our top 20 client base. 13 of our top 20 clients have gone through a consolidation in the last five quarters. I would say four to five times the usual what we will see in this period. Now that is not to say that this accounts for all of AI, but one of the big drivers for doing that is AI. Hence we feel like more is behind us than not.

Some of the AI impacts is continuous and ongoing. But one of the ways in which the customers are discovering this was through renewals and consolidation. And like I said, 13 out of 20 clients, which is like 5x the normal and we feel like we've been through the ringer and come out of it looking good.

On the second and third questions, the deal sizes are currently small. Okay. They are several hundred thousand. Occasionally they're about, 1 million to 2 million. But we think again these will scale as the initial proof of value gets established.

Aditi Patil - Equity Research Associate
And the delays which we are seeing in deal ramp ups, those are in which verticals?

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
They are not actually necessarily in verticals. Two were in Middle East. Okay. You know, there's one North America, one in Europe. So it's not -- there isn't a pattern of verticals. If at all there's a pattern, it is Middle East.

Aditi Patil - Equity Research Associate
So it's like first order impact because of Middle East. You mentioned airline clients.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
The Middle East is not specific to airline. There also airlines clients in Middle East, b ut the re's one telecom deal that we announced in Q2 or even Q1. That was, we were supposed to be bad, just set of people that got delayed. That has started now. The ramp will happen slowly, slowly through Q3, fully through Q4. There's another banking climb in Middle east where significant delay again. So it's not necessarily sector, it's the geography. But there's also airlines clients in Middle East.

Aditi Patil - Equity Research Associate
Okay. Got it. Thank you for answering my questions.

Operator
Our next question is from Anmol Garg.

Anmol Garg - Analyst, DAM Capital Advisors Limited
Hello. Am I audible?

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
Yes.

Anmol Garg - Analyst, DAM Capital Advisors Limited
Yeah. Thanks for the opportunity. Just a couple of things that I wanted to understand. First is on the deal wins. So if you can quantitative -- qualitatively or preferably quantitatively indicate how is our ACV looking like versus at the start of the year. Just wanted to understand if the things have gotten better or worse in terms of the overall deal signings for us.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
It's definitely got better. We don't kind of put out ACV win data, but it's definitely got better. And the momentum we're seeing, you know, moving better as we continue the year.

Anmol Garg - Analyst, DAM Capital Advisors Limited
Understood, understood. Second Keech is on our GSE client. So last quarter we indicated that the vendor consolidation there has been completed. So how do you see incremental growth over in that client and when can we sort of start to see growth over there given that now there is only three vendors into that particular client for us?

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
Yeah. So what I said was that, there was a scenario in which we could have grown substantially. That is not the scenario. There was a negative scenario in which you could have lost. That is also not a scenario. But we are kind of in a neutral scenario where there'll be stability first and [Indecipherable] growth opportunities later. So we are in that phase right now of stability frankly. W hat they set out to do and how they're executing as often in these kind of deals is quite different.

So right now it's still on a wait and watch mode in that client. But the wait and watch is not negative. T here's some modest growth and there is stability which is great for us. I mean, through the last two years we've gone from, I don't know. I won't put a number. We've lost an enormous amount of business, so stability is actually very good for us.

Anmol Garg - Analyst, DAM Capital Advisors Limited
Understood, understood. And just one last one is that, we have indicated that there has been some delays in the ramp schedule and it has been shifted towards Q3 and Q4. So will this time -- we will have a different sort of growth levels how we typically have in our fourth quarter where fourth quarter can also see re latively higher growth versus the usual?

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
So we put a CQGR of 2.7. I think, don't expect that all of it will happen in Q3, that's for sure. S o that be something in Q4. I'll also say this, that I think we've been -- first two quarters this year we've increased our Y Y rates. I think we will exit the year in double digit or more one way growth. So that's what it is. But more specific what we expect in Q4 we will provide next year. But at the highest level I'll say it's not like all the growth has to happen in Q3.

There will be growth in Q4 too.

Anmol Garg - Analyst, DAM Capital Advisors Limited
Thanks. Understood. Thanks.

Operator
Thank you ladies and gentlemen. That brings our Q& A session to a close. I'll now hand the conference over to management for closing comments over to you.

Srikrishna Ramakarthikeyan - Chief Executive Officer & Executive Director, Hexaware Technologies Limited
Hey, thank you all and look forward to seeing all of you on 21st in Chinnan .