

## Hexaware exceeds guidance; PAT Rs 346.84 mn, up 16.5% Q-o-Q

- Revenue up 8.7% Q-o-Q to Rs 2249.7 mn
- Operating margins improve 80 basis points Q-o-Q
- Net headcount addition of 757
- Guidance for Oct-Dec Qtr: Revenues at \$ 51 mn with PAT of \$8 mn
- Acquires 25 acres land in Hinjewadi IT Park (SEZ), Pune

Mumbai – October 19, 2006: Hexaware Technologies Ltd, a leading provider of IT & BPO services globally, today announced financial results for the third quarter ending September 30, 2006, with both revenue and net profit exceeding the company's guidance.

Revenue from Operations was Rs. 2,249.69 (\$48.56 mn) - and surpassing the revenue guidance of \$ 48 mn - a sequential growth of 8.7%.

Net Profit rose to Rs. 346.84 mn (\$7.49 mn) – against guidance of \$ 7.2 mn - a growth of 16.5% over Q2' 06.

### Highlights of Qtr3 ended September 30, 2006

- 45.5%\* increase in revenue over corresponding quarter in 2005
- 102.4%\* increase in PAT over corresponding quarter in 2005
- Global headcount up by 757 to 5487, highest addition in any quarter
- Annualised EPS (basic) Rs. 10.2
- Operating Margins improved to 13.6% compared to 12.8% in Q2' 06
- 11 new clients added
- Attrition rate at 14.2%

"For the third consecutive quarter, we have exceeded guidance, supported by sharp increase in operating metrics. We now have 40 customers billing over \$ 1 mn each. The pricing environment is stable with some new clients coming at higher bill rates," commented Atul Nishar, Executive Chairman, Hexaware Technologies Ltd.

"Operating margins have increased from 12.8% to 13.6% - despite a small forex loss. This has resulted largely from higher utilization and slightly better rates. PAT margin of 15.4% is our highest ever," said Rusi Brij, Vice Chairman and CEO.

### Guidance for the Q4'06

The Company has provided the following guidance for quarter ending December 31, 2006

- Revenue from Operations at \$51 mn - a growth of 5% over Q3' 06 and 39.9% over Q4'05;  
this represents annual FY 06 revenues of \$ 184.47 mn – a 34.38%\* growth over FY 05.
- Net Profit of \$8 mn – a growth of 6.67% over Q3' 06 and 105% over Q4' 05.  
The FY 06 PAT will be \$ 27.85 mn – 97.41%\* of FY 05

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\* NOTE: All data comparison shown above relates to FY 05 financials that exclude corresponding Peoplesoft BoT figures. This BoT was transferred to Oracle in Nov 2, 2005.



### Operational Review

The growth can be attributed to growing relationships with key clients and strengthening partnerships. 88.2% of the revenue was from Repeat Business.

The number of million dollar clients jumped from 36 to 40 in this Quarter. The number of clients in the \$5-\$10 million range is at 5, while the number of clients over \$10 million increased to 4.

In order to maximise opportunities with high potential clients, the company decided to defocus from marginal billing clients. This led to the number of active clients falling to 119.

For quarter, a significant highlight has been the sharp improvement in margins.

- Gross margins rose to 37.2% compared to 36% in Q2'06.
- EBIDTA was at 16% compared to 15% in Q2'06
- Operating margins were at 13.6% compared to 12.8% in Q2'06

The average blended utilization for the quarter increased to 72% compared to 71.5% in previous quarter.

### Significant Engagements

During the quarter, over \$43 mn were added in Order Book. Of the 11 clients added, 3 from PeopleSoft, another 3 were from Financial Services while the remaining on other platforms.

A leading provider of technology solutions for the Financial services industry in Canada engaged Hexaware in the implementation of the Eagle PACE product. The first phase of this project will involve reverse engineering of business rules in existing systems for implementing them in the Eagle Message Center. With this engagement, Hexaware will be making the first foray of its asset management practice in Canada.

A large provider of education technology based in North America selected Hexaware for application support Maintenance and PeopleSoft Upgrade.

During the quarter Hexaware also won an offshore Testing contract for a mortgage banking customer.

### Human Resources

During the quarter, Hexaware added a record number of 757 software professionals taking the total headcount to 5487. The technical manpower comprised 89.6% of the total work force. This included nearly 500 campus recruits,

Attrition rate was at 14.2% on an annualised basis.

During the quarter Hexaware appointed Deependra Chumble as the Chief People Officer. Chumble brings with him a vast experience of over 20 years of experience in Human Resources Management.

Hexaware inaugurated a Client Proximity Center in Manhattan to reinforce focus on growing client relationships in the Industry.

The Company acquired approximately 25 acres of land in the Hinjewadi IT Park (an SEZ), Pune for setting up its next state-of-the-art campus.

### Awards and Recognition

Hexaware ranked 6<sup>th</sup> in the DQ-IDC Best Employers Survey 2006.

The Company also featured among the top three companies on several satisfaction parameters like training, company's infrastructure, company's openness to employees' ideas and suggestions, social activities, recognizing employees work, relationship with peers, managerial encouragement, job security and getting relevant feedback from superiors to name a few.

Hexaware ranked 7th on the 'I wish I were there' parameter – a factor on which employees from other companies ranked Hexaware from an aspirational standpoint.

### About Hexaware

Hexaware is a leading global provider of IT and BPO services, with a client base that includes 40 Fortune 500 / Global 500 companies. Hexaware has achieved leadership position in domains such as Banking, Financial, Insurance, Leasing, Transportation and HR. Hexaware focuses on delivering real business results from technology solutions and specializes in Business Analytics, Enterprise Applications and Legacy Modernization. Hexaware has been providing technology solutions for business for 16 years and offers world class service delivery, technology expertise and talent. For additional information logon to [www.hexaware.com](http://www.hexaware.com)

### Safe Harbor:

Certain statements on this press release 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 IT services 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-time frame 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 Hexaware 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.

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Hexaware Technologies Consolidated

INR Mn

Head	Quarterly Data				
	Q3 FY06	Q2 FY06	Sequential Change (%)	Q3 FY05	Y-o-Y Change (%)
Gross Revenues	2,249.69	2,068.77	8.7%	1,755.66	28.1%
Direct Costs	1,412.29	1,324.00	6.7%	1,083.38	30.4%
Gross Profit	837.40	744.77	12.4%	672.28	24.6%
Selling / General And Administration	476.73	434.12	9.8%	373.89	27.5%
EBIDTA	360.67	310.65	16.1%	298.39	20.9%
Depreciation and Amortization	55.47	45.91	20.8%	56.65	-2.1%
Operating Margin	305.20	264.74	15.3%	241.74	26.3%
Other Income (net)	80.29	46.47	72.8%	26.89	198.6%
Profit Before Tax	385.49	311.20	23.9%	268.63	43.5%
Provision for Tax	38.65	13.49	186.5%	28.01	38.0%
Profit After Tax	346.84	297.71	16.5%	240.62	44.1%

INR Mn

Head	Yearly Data			
	YTD 06	YTD 05	Growth in %	FY 05
Gross Revenues	6,079.96	5,046.65	20.5%	6,786.62
Direct Costs	3,816.43	3,116.88	22.4%	4,178.04
Gross Profit	2,263.53	1,929.77	17.3%	2,608.58
Selling / General And Administration	1,298.53	1,093.51	18.7%	1,514.22
EBIDTA	965.00	836.26	15.4%	1,094.36
Depreciation and Amortization	147.36	163.25	-9.7%	220.59
Operating Margin	817.64	673.01	21.5%	873.77
Other Income (net)	161.40	59.52	171.2%	138.57
Profit Before Tax	979.04	732.53	33.7%	1,012.34
Provision for Tax	74.26	65.01	14.2%	97.37
Profit After Tax	904.78	667.52	35.5%	914.96

Key Ratios	Q3 FY06	Q2 FY06	Q3 FY05	YTD 06	YTD 05	FY 05
Gross Margin	37.2%	36.0%	38.3%	37.2%	38.2%	38.4%
SGnA to Revenue	21.2%	21.0%	21.3%	21.4%	21.7%	22.3%
EBIDTA	16.0%	15.0%	17.0%	15.9%	16.6%	16.1%
Operating Margin	13.6%	12.8%	13.8%	13.4%	13.3%	12.9%
Profit before tax	17.1%	15.0%	15.3%	16.1%	14.5%	14.9%
Profit after Tax	15.4%	14.4%	13.7%	14.9%	13.2%	13.5%
EPS (INR)						
Basic	2.55	2.26	2.04	6.99	5.68	7.76
Diluted	2.38	2.19	1.95	6.67	5.40	7.52

Head	INR Mn		
	As at Sept 30 2006	As at June 30 2006	As at Sept 30 2005
Liabilities			
Share Capital			
Equity	264.15	261.75	236.88
Preference	1,499.96	1,499.96	-
Share Application Money	1.06	2.77	4.33
Reserves	5,480.84	5,244.36	3,117.86
Borrowings	2.27	5.07	67.46
Total	7,248.28	7,013.90	3,426.53
Assets			
Gross Fixed Assets	1,917.95	1,847.09	1,677.95
Less: Depreciation	756.49	711.59	660.22
Net Fixed Assets	1,161.46	1,135.50	1,017.73
Current Assets			
Cash and cash equivalent	4,439.88	4,398.23	690.76
Debtors	1,852.95	1,717.26	1,468.29
Others	1,081.33	1,006.29	1,207.95
Total Current Assets	7,374.16	7,121.79	3,367.00
Total Current Liabilities	1,321.91	1,274.84	1,009.30
Working Capital	6,052.25	5,846.94	2,357.70
Deferred Tax	34.57	31.46	51.10
Total	7,248.28	7,013.90	3,426.53

METRICS

Performance Review

Revenue Growth

INR, Mn	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Revenue from Operations	2,249.69	2,068.77	1,761.50	1,740.00	1,755.66	6,786.64
% , q-o-q	8.7	17.4	1.2	-0.9	6.4	24.3
Other Income	80.29	46.47	34.63	74.13	31.05	159.79

Vertical Split

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Airlines / Transportation	16.9	17.4	18.6	17.0	16.3	16.1
BFSI	45.4	44.8	45.0	46.0	42.2	44.9
Manufacturing (largely ERP)	33.4	32.5	30.4	30.3	35.2	32.7
Others	4.3	5.3	6.0	6.7	6.3	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Technology Split

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
E-Commerce/ Appl. Mgt.	48.5	50.0	48.8	43.1	40.1	42.2
R&D / Embedded	0.9	0.8	0.9	2.0	1.8	1.8
Enterprise	33.8	32.6	34.0	38.2	43.1	41.2
HR IT	7.1	7.0	6.9	6.9	7.0	6.0
Others	9.7	9.6	9.4	9.8	8.0	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Americas	68.5	69.4	70.4	72.3	76.7	72.8
Europe	25.7	26.5	25.7	23.0	20.0	23.2
RoW	5.8	4.1	3.9	4.7	3.3	4.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Onsite	61.1	60.4	61.6	59.8	55.1	57.2
Offshore	38.9	39.6	38.4	40.2	44.9	42.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
	88.2	85.9	89.5	89.0	90.4

Clients billed

No	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
	119	141	130	126	120

Clients added

No	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
	11	15	11	10	12

DSO	Days	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
		76	75	80	85	77

Billing Rates	USD/Hour	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
	Onsite	66.00	65.80	65.65	67.00	67.40	67.51
	Offshore	22.95	22.80	22.73	21.62	21.20	21.37

Revenue Concentration	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
	Top 1	8.0	9.1	9.7	9.2	12.1	10.7
	Top 5	32.5	31.1	31.9	32.6	42.6	40.7
	Top 10	47.1	45.8	47.4	49.3	59.9	57.6

Client Size	Nos.	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
	More than USD 1 Mn +	40	36	31	30	29
	Less than USD 5 Mn	31	28	23	22	21
	Between USD 5 to 10 Mn	5	5	5	4	4
	Over USD 10 Mn	4	3	3	4	4

People Numbers	%age*	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
	Billable Personnel					
	Onsite	17.1%	19.5%	19.7%	19.2%	14.5%
	Offshore	72.5%	69.1%	68.8%	67.5%	75.0%
	Total	89.6%	88.6%	88.5%	86.7%	89.5%
	Marketing (Incl. Sales Support)	2.2%	2.3%	2.1%	2.4%	1.9%
	Others (Incl. Tech. Support)	8.2%	9.1%	9.4%	10.9%	8.6%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	

\*Excludes Head count for Caliberpoint

Utilization	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
		72.0	71.5	71.0	70.2	68.0	70.1

Attrition Rate	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
		14.2	14.0	16.5	17.0	17.0	16.5

Hexaware Technologies Consolidated - Without ISC

INR Mn

Head	Quarterly Data				
	Q3 FY06	Q2 FY06	Sequential Change (%)	Q3 FY05	Y-o-Y Change (%)
Gross Revenues	2,249.69	2,068.77	8.7%	1,546.62	45.5%
Direct Costs	1,412.29	1,324.00	6.7%	1,001.98	41.0%
Gross Profit	837.40	744.77	12.4%	544.64	53.8%
Selling / General And Administration	476.73	434.12	9.8%	327.16	45.7%
EBIDTA	360.67	310.65	16.1%	217.48	65.8%
Depreciation and Amortization	55.47	45.91	20.8%	46.94	18.2%
Operating Margin	305.20	264.74	15.3%	170.54	79.0%
Other Income (net)	80.29	46.47	72.8%	28.80	178.8%
Profit Before Tax	385.49	311.20	23.9%	199.34	93.4%
Provision for Tax	38.65	13.49	186.5%	28.01	38.0%
Profit After Tax	346.84	297.71	16.5%	171.33	102.4%

INR Mn

Head	Yearly Data			
	YTD 06	YTD 05	Growth in %	FY 05
Gross Revenues	6,079.96	4,409.22	37.9%	6,062.58
Direct Costs	3,816.43	2,876.05	32.7%	3,899.50
Gross Profit	2,263.53	1,533.18	47.6%	2,163.08
Selling / General And Administration	1,298.53	964.63	34.6%	1,375.86
EBIDTA	965.00	568.54	69.7%	787.22
Depreciation and Amortization	147.36	134.53	9.5%	188.28
Operating Margin	817.64	434.01	88.4%	598.94
Other Income (net)	161.40	76.16	111.9%	105.33
Profit Before Tax	979.04	510.17	91.9%	704.27
Provision for Tax	74.26	65.01	14.2%	80.18
Profit After Tax	904.78	445.16	103.2%	624.09

Key Ratios	Q3 FY06	Q2 FY06	Q3 FY05	YTD 06	YTD 05	FY 05
Gross Margin	37.2%	36.0%	35.2%	37.2%	34.8%	35.7%
SGnA to Revenue	21.2%	21.0%	21.2%	21.4%	21.9%	22.7%
EBIDTA	16.0%	15.0%	14.1%	15.9%	12.9%	13.0%
Operating Margin	13.6%	12.8%	11.0%	13.4%	9.8%	9.9%
Profit before tax	17.1%	15.0%	12.9%	16.1%	11.6%	11.6%
Profit after Tax	15.4%	14.4%	11.1%	14.9%	10.1%	10.3%

METRICS - WITHOUT ISC

Performance Review

Revenue Growth

INR, Mn	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Revenue from Operations	2,249.69	2,068.77	1,761.50	1,653.35	1,546.62	6,062.58
% q-o-q	8.7	17.4	6.5	6.9	7.7	26.5
Other Income	80.29	46.47	34.63	29.17	28.80	105.34

Vertical Split

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Airlines / Transportation	16.9	17.4	18.6	18.0	18.5	18.2
BFSI	45.4	44.8	45.0	48.5	48.1	50.3
Manufacturing (largely ERP)	33.4	32.5	30.4	26.5	26.2	24.4
Others	4.3	5.3	6.0	7.0	7.2	7.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Technology Split

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
E-Commerce/ Appl. Mgt.	48.5	50.0	48.8	45.3	45.5	47.3
R&D / Embedded	0.9	0.8	0.9	2.2	2.0	2.0
Enterprise	33.8	32.6	34.0	34.9	37.6	35.2
HR IT	7.1	7.0	6.9	7.2	5.8	5.6
Others	9.7	9.6	9.4	10.4	9.1	9.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Americas	68.5	69.4	70.4	70.9	73.6	69.6
Europe	25.7	26.5	25.7	24.7	22.9	26.2
RoW	5.8	4.1	3.9	4.4	3.5	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
Onsite	61.1	60.4	61.6	63.0	62.8	64.1
Offshore	38.9	39.6	38.4	37.0	37.2	35.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
		88.2	85.9	89.5	87.9	89.1

Clients billed	No	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
		119	141	130	125	119

Clients added	No	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05
		11	15	11	10	12

METRICS - WITHOUT ISC

DSO	Days	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	
		76	75	80	87	74	
Billing Rates	USD/Hour	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
	Onsite	66.00	65.80	65.65	67.00	67.40	67.51
	Offshore	22.95	22.80	22.73	22.52	22.54	22.84
Revenue Concentration	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
	Top 1	8.0	9.1	9.7	9.6	13.3	9.8
	Top 5	32.5	31.1	31.9	33.2	40.3	38.3
	Top 10	47.1	45.8	47.4	49.2	56.8	54.7
Client Size	Nos.	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	
	More than USD 1 Mn +	40	36	31	29	28	
	Less than USD 5 Mn	31	28	23	22	21	
	Between USD 5 to 10 Mn	5	5	5	4	4	
	Over USD 10 Mn	4	3	3	3	3	
People Numbers	%age*	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	
	Billable Personnel						
	Onsite	17.1%	19.5%	19.7%	19.5%	18.7%	
	Offshore	72.5%	69.1%	68.8%	67.4%	69.2%	
	Total	89.6%	88.6%	88.5%	86.9%	87.9%	
	Marketing (Incl. Sales Support)	2.2%	2.3%	2.1%	2.4%	2.4%	
	Others (Incl. Tech. Support)	8.2%	9.1%	9.4%	10.7%	9.6%	
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	
*Excludes Head count for Caliberpoint							
Utilization	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
		72.0	71.5	71.0	68.7	64.7	66.0
Attrition Rate	%	Q3 FY 06	Q2 FY 06	Q1 FY 06	Q4 FY 05	Q3 FY 05	FY 05
		14.2	14.0	16.5	17.0	17.0	16.5