

## Hexaware reports strong performance; significant improvement in all operational metrics

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- Q2 '09 Revenue stood at \$ 53.6 mn (Rs. 2,591 mn); exceeds the quarterly guidance of \$ 51 mn - \$ 53 mn
  - Profit after Tax at Rs. 395 mn up 128.4 % from Rs. 173 mn in Q1 '09
  - EBITDA Margin increased to 21.5% from 14.8% last quarter; sequential improvement of 670 bps
  - Operating Margin (EBIT) up 49.8% q-o-q at Rs.486 mn ( \$ 10.0 mn)
  - Company generated cash of Rs. 488 mn in this quarter; Cash & Cash Equivalents at the end of Q2 '09 stood at Rs. 3,806 mn (\$ 79.5 mn)
  - Declared 30% interim dividend
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Mumbai – July 29, 2009: Hexaware Technologies Ltd., a leading global provider of IT & BPO services and consulting, today reported financial results for the second quarter ended June 30, 2009.

### Highlights of Q2 ended June 30, 2009

- Revenue from operations stood at \$ 53.6 mn (Rs. 2,591 mn) surpassing the upper-end of the revenue guidance of \$ 53 mn
  - Q-o-Q increase of 1.8% in USD terms, up from \$ 52.6 mn and decrease of 2% in INR terms, down from Rs.2,643 mn
- Profit after Tax up to Rs. 395 mn ( \$ 8.2 mn)
  - Q-o-Q increase of 139.8% in USD terms, up from \$ 3.4 mn and increase of 128.4% in INR terms, up from Rs. 173 mn
- Gross Margin was up to 47.6% against 43.8% last quarter
- EBITDA Margin improved to 21.5%, 670 bps over Q1 '09
- Operating Margin (EBIT Margin) improved to 18.8% from 12.3% in Q1 '09
- PAT margin rose to 15.2% from 6.5 % in the previous quarter
- Cash & Cash Equivalents increase by Rs. 488 mn to Rs. 3,806 mn (\$ 79.5 mn)
- 10 new clients added during the quarter; 166 active clients
- Days sales outstanding (DSO) down to 57 days from 62 days last quarter
- Global headcount stood at 5,041

"The judicious steps taken by our competent leadership team have succeeded in transforming Hexaware into a more agile and competitive organization. The considerable investments we have made in our IP-led solutions strategy have enhanced productivity and reduced costs, while significantly adding value to our customers," said Atul Nishar, Executive Chairman, Hexaware Technologies Ltd.

"The improvement in technical utilization, rationalization of our premises and reduction in G&A expenses are a direct outcome of the focus on operations improvement and tactical measures launched over the last three-four quarters. This has reflected in the improvement in profitability margins and shoring up of other operational parameters," stated P. R. Chandrasekar, CEO and Vice Chairman, Hexaware Technologies Ltd. "With respect to the strategic initiatives, the vertically re-aligned organization is beginning to deliver. We believe we are now well positioned to capitalize in the market place when the demand scenario shows signs of improvement."

### Guidance

The Company has guided that Q3 '09 revenue is likely to be in the range of \$ 52.5mn - \$ 54.5mn assuming exchange rates of 1 GBP = 1.65 USD and 1 EUR = 1.42 USD.

### Interim Dividend

The Board of Directors declared an interim dividend at Rs. 0.60 per share (30%) on equity shares of Rs. 2 each. The record date is fixed as Friday, 14 August 2009 for determining the shareholders entitled for this interim dividend.

### Financial Review

The financial ratios for the quarter stood at:

- On a Y-o-Y basis, Profit after Tax increased 271.7% in USD terms, up from \$ 2.2 mn and 315.1 % in INR terms, up from Rs.95 mn
- EBITDA Margin improved 670 bps to 21.5%
- Operating margin (EBIT Margin) improved to 18.8% from 12.3% on a Q-O-Q basis
- Net Profit after Tax Margin up to 15.2% from 6.5 % in the last quarter
- Blended utilisation for the quarter improved to 74.8%

### Operational Updates

The quarter witnessed an addition of 10 new clients. In terms of verticals, 3 clients were added in Banking Financial Services and Insurance (BFSI), 1 in Travel, Transportation, Hospitality and Logistics (TTHL) and 6 clients in Emerging Verticals. The total number of active clients stood at 166.

In terms of the service offerings, 2 clients were added in Application Development and Maintenance (ADM), 2 clients in Enterprise Solutions, 1 in Business Intelligence/ Business Analytics (BI/BA), 1 in BPO and 4 in the Business Technology Optimisation (BTO)/ Testing services.

Of the 10 clients added, 5 customers were based in North America, 3 were based in Europe and 2 in APAC. 65.2% of revenues came from North America, with the European share at 27.7 % and the balance 7.1% coming from the rest of the world.

The number of clients registering \$1mn+ in revenues stood at 49, with 40 clients in the \$1 - \$5 mn category, 6 clients are in the \$5 - \$10 mn range and 3 clients billed over \$10 mn each – on a trailing 12 months basis.

### Significant Updates

Hexaware announced a strategic partnership with SOASTA Inc. this quarter. The partnership is a key component in Hexaware's strategy to expand its premiere Testing Services with a new cloud-based solution. Hexaware will integrate SOASTA's CloudTest On-Demand service into their existing offering to provide its customers with a turnkey cloud testing service to achieve and maintain highly reliable web sites and applications.

RiskTech, a wholly owned subsidiary of Hexaware, specializing in the Enterprise Risk Management space, designed and developed reports surrounding the life cycle of credit products for a leading bank specialized in lending to small businesses. RiskTech's knowledge of best practices in credit reporting (one of the core areas of this bank) enabled automation of the reporting infrastructure and timely generation of the analytical reports. While delivering the best-in-class solutions, RiskTech leveraged its tried and tested onsite and offshore model to provide cost benefits and speed of delivery to the client.



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In the last quarter, Hexaware added a specialist investment management firm as a marquee customer. In a difficult macro-economic environment, the customer was looking for a reliable partner to help customize an application and generate certain reports. Hexaware devised a solution that met the twin objectives of generating the desired reports and delivering them on a very cost-effective model. Hexaware deployed its innovative tools and coding frameworks to help generate value to the customer.

In Q2 2009, Hexaware added a leading global aircraft service company to its client roster. The customer needed certain core IT systems and applications that enabled healthier growth of their business. Hexaware deployed its in-house solution accelerators that optimized the application development and enabled speedy quality assurance of the application, prior to go-live. The engagement began with a consultative approach that included understanding the business problem, designing the optimal solution through scoping requirements and defining specific deliverables followed by the execution of the complete project from offshore locations. Hexaware's approach enabled a best-in-class solution at an attractive cost of ownership.

#### Forex Cover

The company has forward contracts worth USD 129 mn at an average rate of Rs. 40.77. Of these, hedges worth USD 125 mn are spread over the next five quarters; the remaining USD 4 mn pertains to the next two quarters beyond that period.

#### Pricing

The average billing rate per hour for the quarter improved to \$68.28 for onsite services and \$23.02 for offshore projects from \$66.22 onsite and \$22.43 offshore in the previous quarter.

#### Human Resources

Global headcount at the end of Q2 '09 stood at 5,041. Technical personnel comprised 87.5% of the total work force. Attrition reduced to 16.9% on an annualized basis.

#### Corporate Updates

The Company strengthened its board by induction of Ashish Dhawan as an additional Director to the Board of Directors. He is the founder and Senior Managing Director of Chryscapital, a private equity firm that manages \$2.25 billion in assets.

Recently, the Company also launched its refocused brand identity. The tagline of this brand identity is 'Your Success is Our Focus'. The identity was arrived at, after an extensive research and analysis and the purpose was to encapsulate core benefits that matter the most to Hexaware's customers. This tagline captures this essence and communicates the focus that Hexaware lays on being the trusted partner for its customers.

#### Awards and Recognition

Hexaware has been mentioned in the Application Testing Services of Gartner's Hype Cycle for IT Outsourcing 2009 and Hype Cycle for Application Development 2009.

#### About Hexaware

Hexaware is a leading global provider of IT & BPO services and consulting. The Company focuses on key domains such as Banking, Financial Services, Insurance, Travel, Transportation, Hospitality, Logistics, Manufacturing, Life Sciences and Healthcare. Our business philosophy, "Your Success is Our Focus", is demonstrated through the success we ensure for our clients. Hexaware focuses on delivering business results, and leveraging technology solutions by specializing in Business Intelligence & Analytics, Enterprise Applications, Testing and Legacy Modernization. Founded in 1990, Hexaware



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has a well-established global delivery model armed with proven proprietary tools and methodologies, skilled human capital and SEI CMMI-Level 5 certification. For additional information logon to [www.hexaware.com](http://www.hexaware.com)

Safe Harbor Statement

Certain statements on this press note 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 in India, 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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Consolidated Income Statement (as per Indian GAAP)					INR Mn
Head	Quarterly Data				
	Q2 09	Q1 09	QoQ%	Q2 08	YoY%
Gross Revenues	2,591	2,643	-2.0%	2,845	-8.9%
Direct Costs	1,357	1,486	-8.7%	1,883	-27.9%
Gross Profit	1,234	1,157	6.6%	962	28.2%
Selling / General And Administration	676	765	-11.7%	882	-23.4%
EBITDA	558	392	42.2%	80	596.5%
Depreciation and Amortization	71	67	5.7%	84	-14.9%
Operating Profit = EBIT	486	325	49.8%	(4)	Fav
Other Income (net)	71	78	-9.1%	36	96.3%
Forex (Gains) / Losses#	116	198	-41.3%	(97)	Un Fav
Profit Before Tax	441	205	115.1%	129	241.5%
Provision for Tax	46	32	43.7%	34	35.6%
Profit After Tax	395	173	128.4%	95	315.1%

Key Ratios	Q2 09	Q1 09	Variance	Q2 08	Variance
Gross Margin	47.6%	43.8%	3.8%	33.8%	13.8%
SG&A to Revenue	26.1%	29.0%	-2.9%	31.0%	-4.9%
EBITDA	21.5%	14.8%	6.7%	2.8%	18.7%
Operating / EBIT Margin	18.8%	12.3%	6.5%	-0.1%	18.9%
Profit before tax	17.0%	7.8%	9.3%	4.5%	12.5%
Profit after Tax	15.2%	6.5%	8.7%	3.3%	11.9%
EPS-INR					
Basic	2.75	1.20	1.55	0.66	2.09
Diluted	2.70	1.20	1.50	0.66	2.04

#Forex Losses include MTM gains of Rs. 34.31 Mn (1.32% of revenue) pertaining to \$13.50 mn ineffective hedges

Consolidated Income Statement (as per Indian GAAP)			INR Mn
Head	H1 09	H1 08	YoY%
Gross Revenues	5,234	5,514	-5.1%
Direct Costs	2,843	3,610	-21.3%
Gross Profit	2,391	1,904	25.6%
Selling / General And Administration	1,444	1,620	-10.8%
EBITDA	950	284	234.2%
Depreciation and Amortization	139	147	-5.7%
Operating Profit = EBIT	811	137	491.1%
Other Income (net)	149	80	85.4%
Forex (Gains) / Losses#	314	(155)	Un Fav
Profit Before Tax	646	373	73.3%
Provision for Tax	78	69	12.8%
Profit After Tax	568	304	87.1%

Key Ratios	H1 09	H1 08	Variance
Gross Margin	45.7%	34.5%	11.2%
SG&A to Revenue	27.6%	29.4%	-1.8%
EBITDA	18.1%	5.2%	13.0%
Operating / EBIT Margin	15.5%	2.5%	13.0%
Profit before tax	12.3%	6.8%	5.6%
Profit after Tax	10.9%	5.5%	5.3%
EPS-INR			
Basic	3.95	2.11	1.84
Diluted	3.89	2.10	1.79

Consolidated Balance Sheet (as per Indian GAAP)		INR Mn		
Head	As at June 30 2009	As at Mar 31 2009	As at June 30 2008	
<b>Liabilities</b>				
Equity Share Capital	288	288	288	
Reserves	8,135	7,825	7,249	
Forex MTM	(941)	(1,358)	(872)	
Borrowings	192	203	172	
<b>Total</b>	<b>7,674</b>	<b>6,958</b>	<b>6,837</b>	
<b>Assets</b>				
<b>Gross Fixed Assets</b>				
Gross Fixed Assets	5,849	5,900	5,036	
Less: Depreciation	1,333	1,267	1,093	
<b>Net Fixed Assets</b>	<b>4,516</b>	<b>4,633</b>	<b>3,943</b>	
<b>Current Assets</b>				
Cash and cash equivalent	3,806	3,318	2,311	
Debtors	1,516	1,838	2,170	
Others	1,118	1,079	1,336	
<b>Total Current assets</b>	<b>6,440</b>	<b>6,235</b>	<b>5,817</b>	
Current Liability - Forex (MTM)	1,035	1,512	872	
Other Current Liabilities	2,355	2,506	2,114	
Deferred Tax	108	108	64	
<b>Total</b>	<b>7,674</b>	<b>6,958</b>	<b>6,837</b>	

METRICS

Performance Review

Revenue Growth

INR, Mn	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
Revenue from Operations	2,590.6	2,643.1	3,058.6	2,946.2	2,844.9	11,519.2
% , q-o-q	(2.0)	(13.6)	3.8	3.6	6.6	10.8
Other Income	70.9	78.1	54.4	43.3	22.1	163.6

Vertical Split

%	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
BFSI	40.4	41.7	40.5	38.8	40.1	41.1
TTHL	17.1	17.1	15.4	15.1	17.3	16.5
Emerging Segments	30.4	29.2	32.1	31.4	27.4	28.8
Others	12.1	12.0	12.0	14.7	15.2	13.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Service Lines Split

%	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
Application Devt & Maint (ADM)	44.6	44.0	40.4	38.8	40.4	39.2
Enterprise Application Services (EAS)	26.8	28.3	29.4	33.6	31.2	32.4
Testing / BTO (Business Technology Optimisation)	13.9	13.1	16.3	13.6	16.1	15.9
Business Intelligence & Analytics	6.7	6.4	6.6	7.3	5.8	5.8
BPO	7.0	6.8	6.0	5.3	5.0	5.3
Others	1.0	1.4	1.3	1.4	1.5	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
Americas	65.2	66.1	67.6	64.1	61.9	64.8
Europe	27.7	26.1	26.0	30.2	31.8	29.0
RoW	7.1	7.8	6.4	5.7	6.3	6.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
Onsite	58.9	58.8	62.6	62.6	64.5	63.4
Offshore	41.1	41.2	37.4	37.4	35.5	36.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08
	97.3	93.4	90.2	89.8	91.8

Clients billed

No	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08
	166	168	178	177	177

Clients added

No	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08
	10	9	12	4	10

DSO	Days	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	
		57	62	63	67	68	
Billing Rates	USD/Hour*	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
	Onsite	68.28	66.22	66.35	68.73	69.70	68.39
	Offshore	23.02	22.43	22.46	23.36	23.66	23.32
Revenue Concentration	%*	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
	Top 1	12.6	11.9	13.1	13.6	12.1	12.6
	Top 5	33.7	34.2	32.7	30.6	32.6	32.1
	Top 10	49.9	50.0	48.1	46.9	48.4	47.9
Client Size	Nos.**	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	
	More than USD 1 Mn +	49	51	56	56	56	
	Between USD 1 to 5 Mn	40	40	43	43	43	
	Between USD 5 to 10 Mn	6	7	9	9	9	
	Over USD 10 Mn	3	4	4	4	4	
People Numbers	%***	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	
	Billable Personnel						
	Onsite	18.7%	17.9%	18.6%	18.7%	17.9%	
	Offshore	68.8%	69.4%	68.1%	68.6%	69.9%	
	Total	87.5%	87.3%	86.7%	87.3%	87.8%	
	Marketing (Incl. Sales Support)	2.5%	2.2%	2.3%	2.3%	2.1%	
	Others (Incl. Tech. Support)	10.0%	10.5%	11.0%	10.4%	10.1%	
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%		
Utilization	%*	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
		74.8	72.2	73.8	65.9	63.7	67.1
Attrition Rate	%*	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	FY 08
		16.9	17.2	28.5	28.3	24.3	27.9

\* These metrics do not include Focus Frame and Caliber Point  
 \*\* Computed on a trailing 12 months  
 \*\*\* Excludes head count of Caliber Point

**Details of Cash and Bank (Global)**

			INR Mn
Bank Name	Current Account	Deposit Account	Total
Standard Chartered Bank	-	728.82	728.82
State Bank of India	0.25	614.55	614.79
Oriental Bank of Commerce	-	545.62	545.62
IDBI Bank Ltd	38.82	484.82	523.64
Bank of America	210.87	0.18	211.05
Axis Bank	-	191.49	191.49
Bank of India	0.03	153.89	153.92
HSBC Bank Ltd	148.18	0.11	148.29
The Royal Bank of Scotland	122.21	3.07	125.28
Dresdner Bank	11.93	105.85	117.78
Punjab National Bank	-	56.45	56.45
DBS bank	38.37	-	38.37
CITI Bank	35.73	-	35.73
ING Bank	14.52	-	14.52
Rabo	13.88	-	13.88
National Australia Bank Ltd	12.99	-	12.99
Metropolitan Bank	8.92	-	8.92
Andhra Bank	7.38	0.71	8.08
Handelsbanken	7.83	-	7.83
BANAMEX	7.68	-	7.68
HDFC Bank Ltd	6.87	-	6.87
Scotia Bank	5.21	-	5.21
Societe Generale	2.92	-	2.92
ICICI bank Ltd	2.84	-	2.84
Silicon Valley Bank	2.68	-	2.68
Mizuho Bank	2.52	-	2.52
UBS Bank	2.18	-	2.18
CIC Paris Boetie	1.83	-	1.83
Deutsche Bank	0.55	-	0.55
UCO Bank	0.23	-	0.23
Canara Bank	0.14	-	0.14
ABN Amro Bank	0.03	-	0.03
CASH	0.14	-	0.14
<i>Remittance in Transit</i>	<i>7.77</i>	<i>-</i>	<i>7.77</i>
<b>Grand Total</b>	<b>715.51</b>	<b>2,885.55</b>	<b>3,601.05</b>

**Details of Investments in Mutual Funds**

		INR Mn
Fortis Mutual Fund		106.15
Reliance Mutual Fund		63.18
HDFC Mutual Fund		35.82
<b>Grand Total</b>		<b>205.15</b>

**Total**

**3,806.20**