

Hexaware surpasses guidance; Revenue up 24.3% and Profit up 43.6%

- *Bags \$ 40 mn of new business orders during the fourth quarter*
- *Board recommends 30% Final Dividend – Total 60 % dividend for the year 2005*
- *Commences work on its 27-acre Chennai campus*

Mumbai – February 2, 2006: Hexaware Technologies Ltd, a leading global IT & BPO services provider, today announced a 43.6% rise in yearly profits after tax to Rs 914.96 mn in 2005 from Rs 637.36 mn in 2004.

In dollar terms, Hexaware achieved revenues of \$ 153.77 mn and net profits of \$20.72 mn during FY 2005 – against the guidance of \$ 153 mn, and net profits of \$ 19.5 mn.

During the quarter, the India Services Centre (ISC) was successfully transitioned to Oracle. Excluding revenues from ISC, quarterly revenues grew 6.9% in Q4' 05 compared to Q3' 05.

Financial Highlights

Fiscal year ended December 31, 2005

- Revenue from operations was Rs 6786.62 mn, an increase of 24.3% over the fiscal year 2004
- Net Profit after tax was Rs 914.96 mn, as against Rs 637.36 mn for the fiscal 2004, an increase of 43.6%
- 39 new clients were added during the year; 126 active clients
- 30 'million dollar' clients were billed during the year vs 25 clients in FY' 04
- 37 are Fortune 500 / Global 500 corporations
- Total Headcount stood at 3646 by the end of the year

Fourth Quarter ended December 31, 2005

- Revenue from operations was Rs 1740 mn, an increase of 10.8% on Y-o-Y basis
- Net profit after tax for the quarter was Rs 247.53 mn, an increase of 15.4% Y-o-Y
- Annualised EPS (basic) Rs 8.32
- Bagged \$ 40 mn of new business orders; highest compared to the previous three quarters
- 10 new clients added in the quarter

"The order book of \$ 40 mn acquired during the current quarter and a strong win-rate in the PeopleSoft space gives a renewed impetus to future growth. We have also begun work on Phase I of our Campus in Chennai which will house more than 3000 software professionals. It will be operational by first quarter of 2007," commented Atul Nishar, Executive Chairman, Hexaware Technologies Ltd.

"There is a renewed growth momentum from the last couple of quarters. Coming into 2006, we see strong uptake in our key service offerings. With the addition of several new sales territories and sales personnel in the second half of 2005, there is further impetus to customer acquisition. A key part of the growth strategy is the focus on growing our Top 40 accounts which account for almost 75% of revenues," said Rusi Brij, Vice Chairman and CEO.



Guidance for the first Quarter FY 2006

The Company has provided the following guidance for Q1' 06 ending March 31, 2006

- Revenue of \$ 38.6 mn, a growth of 6% over Q4' 05 excluding ISC revenues
- Net Profit of \$ 5.4 mn, a growth of 38.5 % over Q4' 05 excluding ISC profits

Operational Review

Hexaware continued to benefit from the broad market acceptance of its business-driven services and maintained a high win rate during the fourth quarter.

Hexaware acquired 10 new clients during the Quarter. Of these, 5 were from North America, 3 from Europe, and 2 from APAC region. Total orders booked during Q4' 05 was \$ 40 mn, the highest recorded during the year.

During the Quarter, of the 30 clients that recorded more than a million dollar in revenues - 4 were in \$5-\$10 million category while another 4 billed more than \$10 million each. Repeat business was 89%.

The utilization for the Quarter increased to 70.2%. The offshore ratio for the Quarter stood at 40.2%. The effective billing rate is \$ 67 for onsite and \$ 21.62 for offshore.

The Board also recommended a 30% final dividend subject to shareholders approval. An interim dividend of 30% was earlier paid for the year 2005. There was also a Stock split of 1 equity share of face value of Rs.10/- each to 5 equity shares of face value of Rs. 2/- each.

SpecSoft Consulting Inc, a wholly-owned subsidiary was merged with Hexaware Technologies Inc on January 3, 2006 to effectively nurture its capabilities under the Hexaware brand. The merger will make operations more efficient.

During the quarter, the PeopleSoft-India Services Centre (ISC) was successfully transitioned to Oracle. On account of transfer/assignment under the BOT agreement a buyout fee aggregating to Rs 44.96 mn was received. Over 700 employees were transferred.

Hexaware continues to reinforce its position among the top 5 global PeopleSoft service providers. Presently, Hexaware has over 800 skilled professionals who provide expertise in PeopleSoft products (HR, Financial, CRM, EPM) to more than 50 customers. It has the largest number of PeopleSoft certified consultants in India and continues to grow its market share in this segment. During the quarter, of the 10 new clients acquired, 5 were in PeopleSoft space.

Significant Engagements

- A strategic client relationship was established with one of the world's most respected Global services firm in 2005. Hexaware set up a dedicated, highly secure and state-of-the-art development centre, conforming to European data privacy standards. Technologies like PeopleSoft, dot Net, Microsoft Technologies, Business Intelligence and Oracle are being used to design, build and manage their key financial and HR systems.
- Hexaware also undertook 'Technological Refresh' for a large online ticketing service provider in Europe. The total value of the contract is \$ 7 mn, to be delivered largely from offshore. The engagement uses the AGILE methodology to achieve rapid delivery and flexibility.
- A large US based energy and utility company engaged Hexaware for their financial and HR-IT PeopleSoft platform.
- A Leading Custodian Bank in US Midwest region that had earlier selected Hexaware for its Eagle Upgrade expertise extended its relationship with the Company to also provide a 24 x 7 production support and other application maintenance services
- Hexaware is also playing a key role in improving the technology architecture for a leading provider of Integrated Circuits, based in Europe. The solution includes deployment of PeopleSoft CRM Helpdesk, a source of competitive edge to the client. This is a multi-year multi-million dollar deal.

New Growth Impulses

Hexaware sees significant traction in several of its recently launched service offerings particularly in independent Testing services, Business Analytics, and Asset Management.

Its global sales reach was further strengthened with the opening of several new sales territories during the second half of 2005 – four in N America, two in Europe and another in APAC regions. These new territories have added 10 more sales personnel for a global sales team of 56 people. The pipeline for new business from each of these regions is very impressive and will further contribute to improving new client wins during 2006.

Hexaware has recently restructured its business development organization to strengthen focus on maximising opportunities in its Top 40 accounts. This has also led to improved band-width for new customer acquisition process.

Human Resources

The net global headcount at the end of the year was 3646. Technical personnel comprised 86.6% of the total work force. Attrition rate was stable at 17% during the quarter.

Infrastructure

Hexaware commenced work on one of India's largest Green Campuses in Siruseri, Chennai. Housed on more than 27 acres of land, the Hexaware campus will have a built-up area of 1.2 million sq ft. Hexaware is set to invest a total investment of Rs. 350 crore. The Campus will be built in three phases. The first phase, which is expected to be completed within twelve to thirteen months, will cover a 4,50,000 sq ft built up area and will house over 3000 employees. A total investment of Rs 100 crores will be made in the first phase.

The remaining two phases will be completed within five years and will cover a built up area of 3,50,000 sq ft each.

At its peak, the Campus will have a capacity for 11,000 software professionals. This campus has also received approval from the Union Ministry of Commerce granting SEZ status to the facility.

Awards and recognitions

Caliber Point, the BPO subsidiary, has been declared an HRO Superstar by HRO Today magazine. It was the only Indian company to make it to the prestigious list.

Hexaware also ranked among the prestigious Deloitte Technology Fast 50 India as well as the Deloitte Technology Fast 500 Asia Pacific 2005.

Hexaware & Caliber Point were among the Top 100 companies to be selected by Global Services for most innovative providers of business and technology services. The Company featured among the top 10 Speciality Application Development Leaders and also in Top 10 Leaders in Human Capital Development.

First time entrant to the DQ-IDC 2005 survey, Hexaware was ranked sixth among the top-10 Best IT Employers in the country.

About Hexaware

Hexaware is a leading global provider of IT and BPO services and co-develops innovative IT/Process capabilities for clients. Founded in 1990, the company has achieved deep expertise in domains such as Banking and Financial Services, Insurance, Leasing, Transportation and Healthcare. On the technology front, Hexaware specializes in Business Analytics, Enterprise Applications, Application Modernization/Management, HR-IT and Independent Testing. Hexaware's development centers are assessed at SEI CMMI Level 5 and certified ISO 9001:2000, BS 7799, TickIT and SAS 70 Type 1.

The company is among the fastest growing Indian software services company for the fiscal 2004 and ranked 11th in the latest NASSCOM top 20 list of IT Software and Service Exporters in India.

Condensed financials statements of Hexaware Technologies Ltd are also available in the Investor Relations section on 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 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.

For more information contact:
Swapna Bhandarkar
Hexaware Technologies Limited
Tel : 022-5654 2682
Fax : 022-2287 2939
e-mail: swapnab@hexaware.com
/ investor.relations@hexaware.com

Issued on behalf of Hexaware Technologies
Limited by
Samrat Banerjee
Adfactors PR Pvt Ltd.
Tel: 022-2281 3565
Fax: 022-2281 3569
e-mail: samrat@adfactorspr.com

Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly Data				
	Q4 FY05	Q3 FY05	Sequential Change (%)	Q4 FY04	Y-o-Y Change (%)
Gross Revenues	1,740.00	1,755.66	-0.9%	1,570.11	10.8%
Direct Costs	1,056.42	1,085.38	-2.7%	949.86	11.2%
Gross Profit	683.58	670.29	2.0%	620.25	10.2%
Selling / General And Administration	420.57	373.89	12.5%	364.03	15.5%
EBIDTA	263.01	296.40	-11.3%	256.22	2.7%
Depreciation and Amortization	57.35	56.65	1.2%	49.89	15.0%
Operating Margin	205.66	239.75	-14.2%	206.33	-0.3%
Other Income (net)	74.13	28.89	156.6%	19.05	289.2%
Profit Before Tax	279.79	268.63	4.2%	225.37	24.1%
Provision for Tax	32.26	28.01	15.2%	10.80	198.7%
Profit After Tax	247.53	240.62	2.9%	214.57	15.4%

Period Ended : 31st December

INR Mn

Head	Yearly Data		
	FY 05	FY 04	Growth in %
Gross Revenues	6,786.62	5,458.90	24.3%
Direct Costs	4,178.04	3,391.99	23.2%
Gross Profit	2,608.58	2,066.91	26.2%
Selling / General And Administration	1,514.22	1,279.86	18.3%
EBIDTA	1,094.36	787.05	39.0%
Depreciation and Amortization	220.59	161.07	37.0%
Operating Margin	873.77	625.98	39.6%
Other Income (net)	138.57	97.61	42.0%
Profit Before Tax	1,012.34	723.58	39.9%
Provision for Tax	97.37	86.22	12.9%
Profit After Tax	914.96	637.36	43.6%

INR Mn

Head	As at Dec 31 2005	As at Sept 30 2005	As at Dec 31 2004
Liabilities			
Equity Share Capital	238.72	236.88	233.04
Share Application Money	1.11	4.33	6.20
Reserves	3,314.07	3,117.86	2,438.72
Borrowings	61.66	67.46	52.14
Total	3,615.56	3,426.53	2,730.10
Assets			
Gross Fixed Assets	1,553.98	1,677.95	1,510.95
Less: Depreciation	620.86	660.22	541.05
Net Fixed Assets	933.12	1,017.73	969.90
Current Assets			
Cash and cash equivalent	1,177.65	690.76	775.07
Debtors	1,852.22	1,468.29	1,360.58
Others	804.66	1,207.95	580.64
Total Current Assets	3,834.53	3,367.00	2,716.29
Total Current Liabilities	1,181.73	1,009.30	1,022.82
Working Capital	2,652.80	2,357.70	1,693.47
Deferred Tax	29.64	51.10	66.73
Total	3,615.56	3,426.53	2,730.10

Key Ratios	Q4 FY05	Q3 FY05	Q4 FY04	YTD 05	YTD 04
Gross Margin	39.3%	38.2%	39.5%	38.4%	37.9%
SGnA to Revenue	24.2%	21.3%	23.2%	22.3%	23.4%
EBIDTA	15.1%	16.9%	16.3%	16.1%	14.4%
Operating Margin	11.8%	13.7%	13.1%	12.9%	11.5%
Profit before tax	16.1%	15.3%	14.4%	14.9%	13.3%
Profit after Tax	14.2%	13.7%	13.7%	13.5%	11.7%
EPS (INR)					
Basic	2.08	2.04	1.87	7.76	5.51
Diluted	2.02	1.95	1.71	7.52	5.03

METRICS

Performance Review

Revenue Growth

INR, Mn	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
Revenue	1,740.00	1,755.66	1,650.41	1,640.58	1,570.11	6,786.64	5,458.90
%, q-o-q	-0.9	6.4	0.6	4.5	7.4	24.3	61.0
Total, including OI (net)	1,820.49	1,786.29	1,670.11	1,669.12	1,589.20	6,932.36	5,578.93
%, q-o-q	1.2	7.0	0.1	5.0	6.7	24.3	62.2

Vertical Split

%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
Airlines / Transportation	17.0	16.3	15.8	15.5	13.9	16.1	15.3
BFSI	46.0	42.2	44.4	46.8	43.8	44.9	43.9
Manufacturing (largely ERP)	30.3	35.2	33.4	31.8	37.3	32.7	35.8
Others (Non ERP)	6.7	6.3	6.4	5.9	5.0	6.3	5.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Technology Split

%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
E-Commerce/ Appl. Mgt.	43.1	40.1	41.4	44.3	42.0	42.2	41.6
R&D / Embedded	2.0	1.8	1.6	1.7	2.3	1.8	2.9
Enterprise	38.2	43.1	41.1	42.3	43.3	41.2	39.9
HR IT	6.9	7.0	7.0	3.3	3.3	6.0	3.3
Others	9.9	8.0	8.9	8.5	9.2	8.8	12.3
Total	100.1	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
Americas	72.3	76.7	75.0	67.0	69.8	72.8	70.0
Europe	23.0	20.0	21.8	28.2	24.8	23.2	24.0
RoW	4.7	3.3	3.2	4.8	5.4	4.0	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
Onsite	59.8	55.1	56.1	57.2	58.4	57.2	60.3
Offshore	40.2	44.9	43.9	42.8	41.6	42.8	39.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
	89.0	90.4	88.8	91.8	87.8	88.0	82.4

Clients billed

No	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
	126	120	115	110	107	134	107

Clients added

No	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
	10	12	9	8	12	39	38

DSO	Days	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04
		85	77	78	78	75

Billing Rates	USD/Hour	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
	Onsite	67.00	67.40	68.05	68.75	68.88	67.51	67.40
	Offshore	21.62	21.20	21.10	21.50	21.37	21.37	21.03

Revenue Concentration	%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
	Top 1	9.2	12.1	13.1	13.6	14.1	10.7	12.4
	Top 5	32.6	42.6	42.6	47.2	43.3	40.7	42.5
	Top 10	49.3	59.9	60.2	61.9	58.6	57.6	57.7

Client Size	Nos.	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04
	More than USD 1 Mn +	30	29	28	27	25
	Less than USD 5 Mn	22	21	20	21	20
	Between USD 5 to 10 Mn	4	4	4	3	3
	Over USD 10 Mn	4	4	4	3	2

People Numbers		Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04
	Total Headcount	3646	4438	4271	4044	3833

	%age*	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04
S/W Billable Personnel						
Onsite	19.5%	14.5%	15.0%	15.4%	15.8%	
Offshore	67.4%	75.0%	74.6%	74.4%	73.6%	
Total	86.6%	89.5%	89.6%	89.8%	89.4%	
S/W Marketing (Incl. Sales Support)	2.4%	1.9%	1.7%	1.9%	2.0%	
S/W Others (Incl. Tech. Support)	10.7%	8.6%	8.7%	8.3%	8.6%	
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	

Utilization	%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
		70.2	68.0	66.8	72.0	71.2	70.1	70.0

Attrition Rate	%	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	FY 05	FY 04
		17.0	17.0	16.0	16.0	16.0	16.5	15.0