

Hexaware meets Q1 '09 guidance; Profit after Tax margin improves

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- ***Q1 '09 Revenue at Rs. 2,643 mn (\$ 52.6 mn); in line with quarterly guidance of \$ 51 mn - \$ 53 mn***
 - ***Profit after Tax up 1.1% q-o-q at Rs. 173 mn (\$ 3.4 mn)***
 - ***9 new clients added in Q1 '09***
 - ***Cash and bank balances at Rs. 3,318 mn (\$ 65.4 mn); increased by Rs. 469 mn (\$ 6.9 mn) in this quarter***
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Mumbai – April 28, 2009: Hexaware Technologies Ltd., a leading global provider of IT & BPO services and consulting, today reported financial results for the first quarter ended March 31, 2009.

Highlights of Q1 ended March 31, 2009

- Revenue from operations stood at Rs. 2,643 mn (\$ 52.6 mn)
 - Y-O-Y decrease of 1.0 % in INR terms
- Profit after Tax was Rs. 173 mn (\$ 3.4 mn)
- Gross Margins improved to 43.8 % from 43.1 % in the previous quarter
- Operating Margins at 12.3 % down from 15.7% in Q4 '08
- PAT margins improve to 6.5% from 5.6 % in the last quarter
- 9 new clients added during the quarter; 168 active clients
- Repeat business increased to 93.4%
- Days of sales outstanding (DSO) down to 62 days
- Global headcount stood at 5,296
- Company was certified Payment Card Industry Data Security Standard (PCI DSS) 1.2 compliant

In Q1 '09, Hexaware's cash and bank balances increased by Rs. 469 mn (\$ 6.9 mn) taking it to Rs. 3,318 mn (\$ 65.4 mn).

"Even in this difficult environment, we continue to make substantial investments in developing our domain expertise and strengthening our competencies. We are focused on our Intellectual Property (IP) led growth strategy and as a testimony; we have built several tools and are actively offering these to our clients, as an integral part of our services. As a result of these measures, I am convinced that we are well equipped to benefit when the global economy revives," commented **Atul Nishar**, Executive Chairman, Hexaware Technologies Ltd.

"We have achieved our quarterly revenue guidance despite the continuing macro economic challenges. Several of the cost optimization initiatives launched during the last three quarters have begun to fructify enabling us to deliver strong operational performance, as evidenced by our utilization levels, improved gross margins and higher PAT margins. While the external macro economic conditions continue to be uncertain, we believe we are well poised to leverage our strengths as the environment improves," stated **P. R. Chandrasekar**, CEO and Vice Chairman, Hexaware Technologies Ltd.

Guidance

The Company has guided that Q2 '09 revenue is likely to be in the range of \$ 51mn - \$ 53 mn.

Financial Review

The financial ratios for the quarter stood at:

- Operating margin at 12.3 %
- Net Profit after Tax margin at 6.5%
- The blended utilisation for the quarter was 72.2%

Operational Updates

The quarter witnessed an addition of 9 new clients. In terms of verticals, 2 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 168.

In terms of the service offerings, 2 clients were added in Application Development and Maintenance (ADM), 3 clients in Enterprise Solutions, 1 in Business Intelligence/ Business Analytics (BI/BA) and 3 in the Business Technology Optimisation (BTO)/ Testing services.

Of the 9 clients added, 5 customers were based in North America, 2 were based in Europe and 2 in APAC. 66.1 % of revenues came from North America, with the European share at 26.1 % and the balance 7.8 % coming from the rest of the world.

The number of clients registering \$1mn+ in revenues stood at 51, with 40 clients in the \$1 - \$5 mn category. 7 clients are in the \$5 - \$10 mn range and 4 clients billed over \$10 mn each – on a trailing 12 months basis.

Hexaware has been certified as PCI DSS 1.2 (Payment Card Industry Data Security Standard) compliant. Payment Card Industry Data Security Standard is a data security standard promoting confidentiality of card holder data and facilitating the broad adoption of consistent data security measures globally. This certification renders enhanced credibility to Hexaware's position in the BFSI vertical especially with card companies.

Significant Updates

Hexaware has a strong R & D focus and executes its plans through a dedicated Innovation Lab. The company has rolled out a solution called '*Akiva*', which is a path-breaking intellectual property initiative. This solution addresses the data security and privacy concerns of enterprise applications and in Q1 2009; it was successfully implemented at a leading Ivy League school in the USA. Through this engagement, Hexaware will help mask critical information in enterprise applications and sensitive trustee information across multiple applications. Hexaware continues to focus on developing new IPs around its service offerings to offer enhanced solutions to its customers.

In Q1 2009, Hexaware launched Remote Infrastructure Management Services as a horizontal and bagged two new projects within a short span of time. One of the customers is a leading insurance service provider supplying data, analytics and decision-support services. In this engagement, Hexaware is commissioned to support the customer's job monitoring and batch scheduling activities in the operations of their data centre. In the first phase of the project, Hexaware will maintain 600+ servers, various networking equipment and several main frame systems at the client's data centre.

Hexaware has partnered with Greenplum, a leading provider of database software for the next generation of data warehousing and analytic processing, to offer large scale data management solutions. While Greenplum will provide the database platform, Hexaware will enable the migration, implementation, upgrades and maintenance services on these platforms. This partnership enables the companies to address the end-to-end implementation of the data warehouse, migration, maintenance and support for customers in the BI/BA space and will benefit customers with high data and analytics-intensive applications.

Forex Cover

The company has forward hedge contracts worth \$139.50 mn spread over the next six quarters. The USD - INR hedges are at an average rate of INR 40.42.

Pricing

The average billing rate per hour for the quarter stood at \$66.22 for onsite services and \$22.43 for offshore projects.

Human Resources

Global headcount at the end of Q1 '09 stood at 5,296.

Technical personnel comprised 87.3% of the total work force. Attrition substantially reduced to 17.2% on an annualized basis.

In Q1 2009, Hexaware undertook an initiative to improve operational efficiencies by deploying non-billed employees on to a virtual resource bench. Hexaware has also organized cross training initiatives and re-skilling programs in order to enable re-deployment of these employees into mainstream business. Since the implementation of the 'virtual bench' initiative, Hexaware has been able to absorb a fifth of its 'virtual bench' employees into active client engagements.

Corporate Updates

In the last quarter, the Company completed the integration of the Business Technology optimization (BTO) operations of FocusFrame with Hexaware. FocusFrame Inc. has now been merged into Hexaware Technologies Inc. This merger provides economic synergies and facilitates smoother operations for the combined entity.

In an attempt to enter into an untapped market space in Enterprise Risk Management, Hexaware had launched a joint venture (JV), Risk Technology International Limited, in June 2007, where Hexaware owned 85% stake. In Q1 2009, Hexaware acquired the remaining stake from its JV partner Pemtrad International, to convert RiskTech into a wholly owned subsidiary. Subsequently, RiskTech is now an integral part of Hexaware's BFSI vertical globally. Enterprise Risk Management is now an attractive micro-vertical that Hexaware has included in its suite of BFSI service offerings.

Awards and Recognition

Hexaware was selected among the Leaders category for The 2009 Global Outsourcing 100 by the International Association of Outsourcing Professionals (IAOP). The Global Outsourcing 100, produced annually by the IAOP, (the leading outsourcing professional association), is devoted to featuring the best of today's leading outsourcing service providers and tomorrow's rising stars.



Hexaware was mentioned in the Global Services 100 - 2009 list. This list represents companies who have the maturity and capability to lead the next wave of services globalization. Hexaware was also listed as one of the top 100 innovative service providers of the year 2009.

About Hexaware

Hexaware is a leading global provider of IT and BPO services. The Company has achieved leadership position in domains such as Banking, Financial Services, Insurance, Transportation, Logistics and HR-IT solutions. Hexaware focuses on delivering business results leveraging technology solutions and specializes in Business Intelligence & Analytics, Enterprise Applications, Independent Testing and Legacy Modernization. Hexaware has been providing technology solutions for business for 18 years and offers world class service delivery, technology leadership and skilled human capital. For additional information logon to 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.

For more information contact:

Effie D'Cunha

Hexaware Technologies Limited

Tel: +91 (22) 66542682 / 83

Fax: +91 (22) 22872939

e-mail: effiec@hexaware.com

Issued on behalf of Hexaware Technologies Limited
by:

Rishar Raviraj

Adfactors PR Pvt Ltd.

Tel: +91 98198-25369

e-mail: rishar.raviraj@adfactorspr.com

Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly Data				
	Q1 FY09	Q4 FY08	Q-o-Q Change(%)	Q1 FY 08	Y-o-Y Change(%)
Gross Revenues	2,643	3,059	-13.6%	2,670	-1.0%
Direct Costs	1,486	1,739	-14.6%	1,728	-14.0%
Gross Profit	1,157	1,319	-12.3%	942	22.9%
Selling / General And Administrative	765	770	-0.6%	738	3.7%
EBITDA	392	549	-28.7%	204	92.5%
Depreciation and Amortization	67	70	-3.4%	63	6.6%
Operating Profit = EBIT	325	480	-32.4%	141	131.1%
Other Income (net)	78	54	43.4%	44	78.4%
Forex (Gains) / Losses#	198	288	-31.4%	(59)	-434.8%
Profit Before Tax	205	246	-16.7%	243	-15.8%
Provision for Tax	32	75	-57.4%	35	-7.8%
Profit After Tax	173	171	1.1%	209	-17.1%

Key Ratios	Q1 FY09	Q4 FY08	Variance	Q1 FY 08	Variance
Gross Margin	43.8%	43.1%	0.7%	35.3%	8.5%
SG&A to Revenue	29.0%	25.2%	-3.8%	27.7%	-1.3%
EBITDA	14.8%	18.0%	-3.1%	7.6%	7.2%
Operating / EBIT Margin	12.3%	15.7%	-3.4%	5.3%	7.0%
Profit before tax	7.8%	8.0%	-0.3%	9.1%	-1.4%
Profit after Tax	6.5%	5.6%	1.0%	7.8%	-1.3%
EPS- INR					
Basic	1.20	1.19		1.45	
Diluted	1.20	1.18		1.45	

Forex (gains) / Losses include MTM loss of Rs 33.16 mn (1.25% of revenue) pertaining to \$13.5 mn ineffective hedges

Consolidated Balance Sheet (as per Indian GAAP)

INR Mn

Head	As at Mar 31 2009	As at Dec 31 2008	As at Mar 31 2008
Liabilities			
Equity Share Capital	288	288	288
Share Application Money	-	0	1
Reserves	7,825	7,572	6,777
Forex MTM	(1,358)	(1,234)	125
Borrowings	203	195	-
Total	6,958	6,820	7,191
Assets			
Gross Fixed Assets	5,900	5,700	4,792
Less: Depreciation	1,267	1,202	1,035
Net Fixed Assets	4,633	4,498	3,757
Current Assets			
Cash and cash equivalent	3,318	2,849	1,899
Debtors	1,838	2,065	2,140
Others	1,079	1,035	1,453
Total Current assets	6,235	5,950	5,492
Current Liability - Forex (MTM)	1,512	1,269	-
Other Current Liabilities	2,506	2,442	2,111
Deferred Tax	108	84	53
Total	6,958	6,820	7,191

METRICS

Performance Review

Revenue Growth

INR, Mn	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
Revenue from Operations	2,643.1	3,058.6	2,946.2	2,844.9	2,669.5	11,519.2
% , q-0-q	(13.6)	3.8	3.6	6.6	3.0	10.8
Other Income	78.1	54.4	43.3	22.1	43.8	163.6

Vertical Split

%	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
BFSI	41.7	40.5	38.8	40.1	44.8	41.1
TTHL	17.1	15.4	15.1	17.3	17.9	16.5
Emerging Segments	29.2	32.1	31.4	27.4	24.6	28.8
Others	12.0	12.0	14.7	15.2	12.7	13.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Service Lines Split

%	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
Application Devt & Maint (ADM)	44.0	40.4	38.8	40.4	37.1	39.2
Enterprise Application Services (EAS)	28.3	29.4	33.6	31.2	35.1	32.4
Testing / BTO (Business Technology Optimisation)	13.1	16.3	13.6	16.1	17.6	15.9
Business Intelligence & Analytics	6.4	6.6	7.3	5.8	3.5	5.8
BPO	6.8	6.0	5.3	5.0	5.2	5.3
Others	1.4	1.3	1.4	1.5	1.5	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
Americas	66.1	67.6	64.1	61.9	66.1	64.8
Europe	26.1	26.0	30.2	31.8	27.6	29.0
RoW	7.8	6.4	5.7	6.3	6.3	6.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
Onsite	58.8	62.6	62.6	64.5	63.6	63.4
Offshore	41.2	37.4	37.4	35.5	36.4	36.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08
	93.4	90.2	89.8	91.8	90.4

Clients billed

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

Clients added

No	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08
	9	12	4	10	11

DSO	Days	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08
		62	63	67	68	74

Billing Rates	USD/Hour*	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
	Onsite	66.22	66.35	68.73	69.70	68.55	68.39
	Offshore	22.43	22.46	23.36	23.66	23.78	23.32

Revenue Concentration	%*	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
	Top 1	11.9	13.1	13.6	12.1	10.0	12.6
	Top 5	34.2	32.7	30.6	32.6	33.2	32.1
	Top 10	50.0	48.1	46.9	48.4	47.2	47.9

Client Size	Nos.**	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08
	More than USD 1 Mn +	51	56	56	56	56
	Between USD 1 to 5 Mn	40	43	43	43	43
	Between USD 5 to 10 Mn	7	9	9	9	9
	Over USD 10 Mn	4	4	4	4	4

People Numbers	%age***	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08
	Billable Personnel					
	Onsite	17.9%	18.6%	18.7%	17.9%	17.0%
	Offshore	69.4%	68.1%	68.6%	69.9%	73.6%
	Total	87.3%	86.7%	87.3%	87.8%	90.6%
	Marketing (Incl. Sales Support)	2.2%	2.3%	2.3%	2.1%	1.9%
	Others (Incl. Tech. Support)	10.5%	11.0%	10.4%	10.1%	7.5%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	

Utilization	%*	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
		72.2	73.8	65.9	63.7	66.2	67.1

Attrition Rate	%*	Q1 FY 09	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	FY 08
		17.2	28.5	28.3	24.3	19.5	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
Oriental Bank of Commerce	-	736.45	736.45
Axis Bank	-	645.01	645.01
IDBI Bank Ltd	46.70	516.09	562.79
Standard Chartered Bank	-	422.36	422.36
Bank of America	239.35	0.25	239.60
Bank of India	0.09	151.62	151.71
HSBC Bank Ltd	137.81	0.11	137.92
The Royal Bank of Scotland	101.94	-	101.94
State Bank of India	7.13	49.89	57.02
Punjab National Bank	-	55.31	55.31
CITI Bank	32.64	-	32.64
ING Bank	24.34	-	24.34
Dresdner Bank	21.25	-	21.25
DBS bank	20.67	-	20.67
Handelsbanken	16.85	-	16.85
HDFC Bank Ltd	11.90	-	11.90
Wells Fargo Bank	10.29	-	10.29
National Australia Bank Ltd	10.07	-	10.07
Metropolitan Bank	9.52	-	9.52
Silicon Valley Bank	9.00	-	9.00
ABN Amro Bank	7.50	-	7.50
Andhra Bank	6.28	0.71	6.99
Scotia Bank	6.09	-	6.09
Rabo	4.00	-	4.00
Societe Generale	3.82	-	3.82
Mizuho Bank	2.57	-	2.57
BANAMEX	2.38	-	2.38
UBS Bank	2.34	-	2.34
CIC Paris Boetie	2.05	-	2.05
Deutsche Bank	1.44	-	1.44
ICICI bank Ltd	1.37	-	1.37
UCO Bank	0.23	-	0.23
Canara Bank	0.14	-	0.14
<i>Cash</i>	0.06	-	0.06
Grand Total	739.81	2,577.80	3,317.61