

## **Hexaware's Q1'07 revenue up 50% y-o-y; Record highs in order book addition & client acquisitions**

- **Y-o-Y revenue growth of 50.1% to Rs.2643.69 mn (51.5% to \$60.11 mn); Y-o-Y Profit after Tax up 35.2% to Rs. 351.95 mn (36.6% to \$8.02 mn)**
- **Gross Margin up 190 bps to 39.4% as against 37.5% in Q4 '06**
- **Recorded highest quarterly order booking of US\$ 61mn**
- **Client acquisition sets a new record with 20 added during the Quarter**
- **Sixth global delivery center opened in Gurgaon**

**Mumbai – April 24, 2007:** Hexaware Technologies Ltd, a leading global provider of IT & BPO services, today reported financial results for the first quarter ended March 31, 2007.

The quarter was marked by significant strong order book and a robust client acquisition—both being the highest reported in any quarter. Revenue from Operations was Rs. 2643.69 mn (\$60.11 mn) and Profit after Tax was Rs. 351.95 mn (\$ 8.02 mn). Earlier, the Company had guided for revenue to be in the range of \$ 59 - 60 mn and Profit after Tax between \$ 7.8 - 8 mn.

### **Highlights of Q1 ended March 31, 2007**

- Sequential growth of 10.1% (11.7% in US\$-terms) in revenue from operations; 50.1% growth over revenue of Q1 '06
- Profit before Tax grew 6.1% q-o-q and 44.1% y-o-y to Rs 406.99 mn in Q1 '07
- Sequential growth of 4.3% (5.7% in US\$-terms) in Profit after Tax, Y-o-Y increase of 35.2%
- Gross Margins improved to 39.4% compared to 37.5% in Q4 '06
- Operating Margins improved to 12.8% compared to 12.7% in Q4 '06
- 20 new clients added; highest number of clients added in a single quarter
- Two large orders won in the excess of \$10 mn each
- Global headcount was 5751; 650 graduate engineers expected to join in Q3 '07
- Blended utilization increased to 70.7% in Q1 '07 compared to 68.2% in the previous quarter

"Our revenue and profit continue to grow consistent with our medium-term business plan. We registered an impressive increase in the order book of \$61 mn and acquired 20 new clients, which is the highest we recorded so far. For the past quarter, notwithstanding the adverse impact of 1.6% appreciation of rupee on a q-o-q basis, operational metrics continue to show healthy improvement. However, the appreciation of the rupee will impact our future margins," commented **Atul Nishar**, Executive Chairman, Hexaware Technologies Ltd.

"The new organizational structure has been fully implemented. Our primary focus is now on growing major client relationships and in reducing the time-to-scale for our key lines of business. We continue to see strong customer traction for many of our focus services, particularly for our integrated Testing suite, HR solutions, and business analytics," said **Rusi Brij**, Vice Chairman and CEO.

### **Guidance for the Q2 '07**

The Company has provided the following guidance for quarter ending June 30, 2007.

- Revenue from Operations will be in the range of \$64.0 mn to \$65.0 mn - a growth of 6.5% to 8.1% over Q1 '07
- Profit after Tax in the range of \$7.0 mn to \$7.2 mn at an exchange rate assumption of 1 USD = Rs 42.00. This includes the impact of the proposed annual salary increase of 14-15% for offshore and 4-5% for onsite technical employees.

### **Operational Review**

The quarter witnessed an impressive addition of 20 new clients. Of these, 12 were from North America, 2 from Europe, 4 from APAC region and 2 for Caliber Point.

Based on business competencies, 8 new clients were added in Testing, 4 in ERP, 2 in BI & BA, 3 in Application Management, 2 in BPO, and one in Product Engineering space.

The total number of active clients stood at 151<sup>♦</sup>, 50 of which belonged to Fortune 500 / Global 500 segment.

Hexaware's strategy to focus on high potential clients in order to maximize opportunities has resulted in a sharp increase in the number of million-dollar clients. The number of clients registering more than \$1 million increased from 41 to 46, 4 were in the \$5-\$10 million range while another 5 billed more than \$10 million each (all on trailing 12 month basis).

Significant margin improvements were witnessed during the quarter –

- Gross margins were 39.4% in Q1 '07 compared to 37.5% in Q4 '06
- Operating Margin has gone up to 12.8% compared to 12.7% in the previous quarter.

This is the first quarter with full consolidation of FocusFrame metrics. Since larger share of FocusFrame revenues are derived from onsite locations, the consolidated profitability ratios were impacted.

The delivery for four joint wins has commenced with representation from both entities while multiple prospects are pursued jointly by both the organizations. On the marketing front, a unified service offering suite of solutions is being rolled out to the global sales and marketing teams. All the key personnel from Focus Frame continue to make significant contribution.

### **Significant Engagements**

During the past quarter, Hexaware secured an important win to develop a new generation reservation system for airline travel for a global client specializing in revenue optimization. Driven by its expertise in Travel & Transportation domain, Hexaware would develop a pricing and revenue optimization product application.

Hexaware Technologies clinched a high-end consulting engagement offering predictive mining and campaign management analytics for a leading asset management company. Fuelled by the Business Intelligence and Analytics competency, Hexaware is providing

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<sup>♦</sup> For the first time, the active client list includes FocusFrame's existing clients.



advanced analytic and modeling expertise through proprietary tools and SAS solutions to solve complex business problems in areas of customer relationship management and credit scoring to help segment, identify and attract prospective clients.

As a testimony to Hexaware's ability to mine existing clients driven by domain-led expertise, Hexaware won a \$10m deal with an existing Top-5 client in the Travel & Transportation vertical. This deal signifies an important recognition of the company's capability in offering high-end new generation application solutions supporting complex business needs such as cargo management in logistics sector. Deals such as this enhance Hexaware's status as a strategic partner with its large clients.

### **Forex Cover**

The company currently has forward cover in excess of \$60 mn at an average rate of Rs 44.73.

### **Human Resources**

Aided by the multi-skill training programs conducted by the company resulted in bench reduction and a significant improvement in blended utilization of 250 basis points to 70.7% in Q1 '07. Hexaware closed the quarter with a total headcount of 5751, a net reduction of 78 resources over Q4 '06. The technical manpower comprised 89.6% of the total work force, remaining steady at the comparative value of previous quarter. Attrition rate increased marginally to 16.1% on an annualized basis.

### **Infrastructure**

Hexaware inaugurated its sixth Global Delivery Centre. Located in Gurgaon, the centre has a capacity to seat 150 people currently and is expected to be ramped up to accommodate in excess of 1000 people in multiple phases over the next two-three years.

The Green Campus at Siruseri, Chennai is expected to be operational with the first phase of seating for 3000 in Q3 '07.

### **Awards and Recognition**

Hexaware was selected among the Leaders category for The 2007 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.

### **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 17 years and offers world class service delivery, technology leadership and skilled human capital. For additional information logon to [www.hexaware.com](http://www.hexaware.com)



### **Safe Harbor Statement**

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					
	Q1 FY 07	Q4 FY06	Sequential Change (%)	Q1 FY 06	Y-o-Y Change (%)	FY 06
<b>Gross Revenues</b>	<b>2,643.69</b>	<b>2,402.18</b>	<b>10.1%</b>	<b>1,761.50</b>	<b>50.1%</b>	<b>8,482.14</b>
Direct Costs	1,603.33	1,501.35	6.8%	1,080.13	48.4%	5,317.78
<b>Gross Profit</b>	<b>1,040.36</b>	<b>900.83</b>	<b>15.5%</b>	<b>681.37</b>	<b>52.7%</b>	<b>3,164.36</b>
Selling / General And Administration	645.03	543.58	18.7%	387.67	66.4%	1,842.11
<b>EBIDTA</b>	<b>395.33</b>	<b>357.25</b>	<b>10.7%</b>	<b>293.70</b>	<b>34.6%</b>	<b>1,322.25</b>
Depreciation and Amortization	56.38	52.80	6.8%	45.98	22.6%	200.16
<b>Operating Profit</b>	<b>338.95</b>	<b>304.45</b>	<b>11.3%</b>	<b>247.72</b>	<b>36.8%</b>	<b>1,122.09</b>
Other Income (net)	68.04	79.29	-14.2%	34.63	96.5%	240.69
<b>Profit Before Tax</b>	<b>406.99</b>	<b>383.74</b>	<b>6.1%</b>	<b>282.35</b>	<b>44.1%</b>	<b>1,362.78</b>
Provision for Tax	55.04	46.20	19.1%	22.12	148.8%	120.46
<b>Profit After Tax</b>	<b>351.95</b>	<b>337.54</b>	<b>4.3%</b>	<b>260.23</b>	<b>35.2%</b>	<b>1,242.32</b>

Key Ratios	Q1 FY 07	Q4 FY06	Q1 FY 06	FY 06
Gross Margin	39.4%	37.5%	38.7%	37.3%
SGnA to Revenue	24.4%	22.6%	22.0%	21.7%
EBIDTA	15.0%	14.9%	16.7%	15.6%
Operating Margin	12.8%	12.7%	14.1%	13.2%
Profit before tax	15.4%	16.0%	16.0%	16.1%
Profit after Tax	13.3%	14.1%	14.8%	14.6%
EPS (INR)				
Basic	2.57	2.46	2.18	9.46
Diluted	2.43	2.33	2.09	8.99

Head	INR Mn		
	As at Mar 31 2007	As at Dec 31 2006	As at Mar 31 2006
<b>Liabilities</b>			
<b>Share Capital</b>			
Equity	266.47	264.38	239.61
Preference	1,499.96	1,499.96	
Share Application Money	0.39	3.44	2.49
Reserves	5,799.16	5,732.02	3,490.24
Borrowings	0.00	0.33	55.86
<b>Total</b>	<b>7,565.98</b>	<b>7,500.13</b>	<b>3,788.21</b>
<b>Assets</b>			
<b>Gross Fixed Assets</b>	<b>3,448.88</b>	<b>3,295.63</b>	<b>1,580.65</b>
Less: Depreciation	847.48	794.75	663.86
Net Fixed Assets	2,601.40	2,500.88	916.79
<b>Current Assets</b>			
Cash and cash equivalent	3,429.56	3,414.12	1,381.98
Debtors	2,313.85	2,062.80	1,578.15
Others	1,262.41	1,233.60	981.99
<b>Total Current assets</b>	<b>7,005.82</b>	<b>6,710.52</b>	<b>3,942.12</b>
<b>Total Current Liabilities</b>	<b>2,086.60</b>	<b>1,708.16</b>	<b>1,099.42</b>
<b>Working Capital</b>	<b>4,919.22</b>	<b>5,002.36</b>	<b>2,842.70</b>
Deferred Tax	45.36	(3.11)	28.72
<b>Total</b>	<b>7,565.98</b>	<b>7,500.13</b>	<b>3,788.21</b>

### METRICS

#### Performance Review

##### Revenue Growth

INR, Mn	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
Revenue from Operations	2,643.69	2,402.18	2,249.69	2,068.77	1,761.50	8,482.14
% q-o-q	10.1	6.8	8.7	17.4	1.2	25.0
Other Income	68.04	79.29	80.29	46.47	34.63	240.69

##### Vertical Split

%	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
BFSI	39.5	40.6	41.0	41.6	41.1	41.1
Travel & Transportation	18.0	16.5	17.5	19.3	19.4	18.1
Cap Mkt / Asst Mgt	6.3	6.5	6.1	5.9	6.0	6.1
Others (Largely ERP)	36.2	36.4	35.4	33.2	33.5	34.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

##### Technology Split

%	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
E-Commerce/ Appl. Mgt.	34.9	43.1	48.0	48.8	48.8	46.9
Enterprise Application (ERP)	33.5	33.1	33.8	32.6	34.0	33.4
Testing Services	17.5	9.1	4.4	3.8	3.1	5.3
HR IT	7.1	7.0	7.1	7.0	6.9	7.0
Business Intelligence & Business Analytics	2.0	1.9	2.1	2.0	2.4	2.1
Others	5.0	5.8	4.6	5.8	4.8	5.3
Total	100.0	100.0	100.0	99.9	100.0	100.0

##### Geography

%	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
Americas	67.1	69.1	68.5	69.4	70.4	69.3
Europe	27.6	25.5	25.7	26.5	25.7	25.8
RoW	5.3	5.4	5.8	4.1	3.9	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

##### Onsite: Offshore Mix

%	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
Onsite	62.1	61.6	61.1	60.4	61.6	61.2
Offshore	37.9	38.4	38.9	39.6	38.4	38.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

#### Client data

##### Repeat Business

%	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06
	88.7	88.4	88.2	85.9	89.5

##### Clients billed

No	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06
	151	129	119	141	130

##### Clients added

No	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06
	20	12	11	15	11

<b>DSO</b>	Days	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06
		80	79	76	75	80

<b>Billing Rates</b>	USD/Hour *	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
	Onsite	66.50	66.10	66.00	65.80	65.65	65.91
	Offshore	23.26	22.92	22.95	22.80	22.73	22.86

<b>Revenue Concentration</b>	%	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
	Top 1	8.5	8.3	8.0	9.1	9.7	8.1
	Top 5	33.6	32.7	32.5	31.1	31.9	32.3
	Top 10	48.1	47.7	47.1	45.8	47.4	47.1

<b>Client Size</b>	Nos. **	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06
	More than USD 1 Mn +	46	41	40	36	31
	Less than USD 5 Mn	37	32	31	28	23
	Between USD 5 to 10 Mn	4	5	5	5	5
	Over USD 10 Mn	5	4	4	3	3

<b>People Numbers</b>	% ***	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06
	Billable Personnel					
	Onsite	21.2%	17.2%	17.1%	19.5%	19.7%
	Offshore	68.4%	72.4%	72.5%	69.1%	68.8%
	Total	89.6%	89.6%	89.6%	88.6%	88.5%
	Marketing (Incl. Sales Support)	2.1%	2.2%	2.2%	2.3%	2.1%
	Others (Incl. Tech. Support)	8.3%	8.2%	8.2%	9.1%	9.4%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%

<b>Utilization</b>	% *	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
		70.7	68.2	72.0	71.5	71.0	70.5

<b>Attrition Rate</b>	% *	Q1 FY 07	Q4 FY 06	Q3 FY 06	Q2 FY 06	Q1 FY 06	FY 06
		16.1	15.0	14.2	14.0	16.5	14.9

\* These metrics do not include FocusFrame  
 \*\* Computed on a trailing 12 months basis  
 \*\*\* Excludes the head count of Caliber Point