

Hexaware Q4 operating margin further improves to 15.7%

- Hexaware met Q4 '08 revenue guidance
- Full year revenues at Rs. 11,519 mn, an increase of 10.8% y-o-y
- Board has recommended final dividend of 25%, bringing total dividend to 50%
- Utilisation improves to 73.8% for the quarter, up 790 bps from 65.9%
- 12 clients were added this quarter, of which 2 belong to the Fortune 500 / Global 500 corporations
- New global delivery centre opened in Secaucus (New Jersey)
- Days sales outstanding (DSO) down to 63 days

Mumbai – February 16, 2009: Hexaware Technologies Ltd, a leading global provider of IT & BPO services and Consulting, today announced financial results for the fourth quarter and the full-year 2008.

Financial Highlights

Financial year ended December 31, 2008

- Revenue stood at Rs. 11,519 mn (\$262.7 mn)
 - Y-O-Y increase of 10.8% in INR terms
 - Y-O-Y increase of 3.9 % in \$ terms
- Net Profit after Tax was Rs. 590 mn (\$13.4 mn) post a forex loss of Rs. 379 mn (\$7.4 mn)
- Total headcount stood at 5,622 at the end of the year
- 37 new clients added during the year
- 178 active clients; 68 are Fortune 500 / Global 500 corporations
- 13 clients billed more than five million dollar during the year

Fourth Quarter ended December 31, 2008

- The Company met revenue guidance and reported revenues of \$61.9 mn. In constant currency terms, Hexaware has delivered \$64.4 mn.
- Revenue was Rs. 3,059 mn (\$61.9 mn)
 - Y-o-Y increase of 18.0% in INR terms
 - Q-o-Q increase of 3.8 % in INR terms
- Operating Profit (EBIT) stood at Rs. 480 mn (\$ 9.6 mn)
 - Operating margin was 15.7%, up 460 bps from 11.1% in Q3 2008
- Net Profit after Tax was Rs. 171 mn (\$3.4 mn) post a forex loss of Rs. 288 mn (\$5.8 mn)
- Cash balance has improved from Rs. 2,440 mn (\$ 51.95 mn) to Rs. 2,849 mn (\$ 58.50 mn)
- 12 new clients acquired during the quarter of which 2 belong to the Fortune 500 / Global 500 corporations

"I am confident that we would be in a position to get back on the healthy growth path once the global conditions improve. The depth of the relationships we share with all our clients including 68 Fortune / Global 500 clients and 56 million dollar customers, our strong management team and a vast talent pool gives me this confidence," said Atul Nishar, Executive Chairman, Hexaware Technologies Ltd.

"We are pleased with our Q4 2008 results as we met the revenue guidance and enhanced our operating margins by 460 bps despite the adverse macro economy. We have further strengthened our leadership team with the addition of 2 global vertical heads and the CIO, thus launching the new organization structure for 2009 and beyond. We believe our corporate plans, both from the strategic perspective and tactical approaches, such as improvement in the offshore utilization and multiple cost rationalization initiatives, would

enable the organization to emerge stronger from the current challenging environment," stated P. R. Chandrasekar, CEO and Vice Chairman, Hexaware Technologies Ltd.

Dividend

The Board has recommended a final dividend of 25% (Rs. 0.50 per share) subject to the approval of shareholders at the Annual General Meeting. This brings the total dividend for the year 2008 to 50% (Rs. 1.00 per share).

Guidance

Revenue for Q1 '09 is likely to be in the range of \$ 51 mn to \$ 53 mn (exchange rates taken at 1 GBP = 1.45 USD and 1 EUR = 1.30 USD).

Financial Review

The financial ratios for the quarter stood at:

- EBIT margin at 15.7% up 460 bps from Q3 2008
- Net Profit after Tax margin excluding mark to market loss was at 9.3%; Profit after Tax margin stood at 5.6 % after incorporating MTM losses
- The blended utilisation for the quarter was 73.8%

The financial ratios for the year stood at:

- EBIT margin at 8.3%
- Net Profit after Tax margin at 5.1%
- The blended utilisation for the year was 67.1%

Cash and bank balances at the end of 2008 was Rs. 2,849 mn. (\$58.50 mn)

Operational Updates

The quarter witnessed an addition of 12 new clients. In terms of verticals, 5 clients were in BFSI and 7 clients in Emerging Verticals. The total number of active clients stood at 178; of which 68 belong to the Fortune 500 / Global 500 list.

In terms of the service offerings, 2 clients were added in Application Development and Maintenance (ADM), 4 clients in Enterprise Solutions, 2 in the BPO, 3 in the BTO/ Testing services and 1 client in the Enterprise Risk Management space.

Of the 12 clients added, 5 customers were based in North America, 5 were based in Europe and 2 in APAC. 67.6% of revenues came from North America, with the European share at 26% and the balance 6.4% coming from the rest of the world.

The number of clients registering \$1mn+ in revenues stood at 56, with 43 clients in the \$1 - \$5 mn category. 9 clients are in the \$5 - \$10 mn range and 4 clients billed over \$10 mn each – on a trailing 12 months basis.

Hexaware was reassessed at Level 5 of CMMI Version 1.2. The Company was also recertified on ISO 9001-2000 which covered the Pune delivery centre in addition to the Chennai and Mumbai delivery centres, under the scope of the quality management system.

Significant Wins

In the previous quarter, Hexaware added a specialist insurer in United Kingdom as a client. Hexaware has been commissioned to re-engineer the internal application that caters to their core business activities such as new client additions, premium computation and insurance processing. Hexaware is also likely to offer its services in the regression testing (BTO) and certain package implementation expertise over the medium term.

In Q4 2008, Hexaware won a contract with a multinational IT enabled and Business Process Outsourcing (BPO) company for implementing enterprise wide Human Resource Management Systems (HRMS). As a part of the mandate, Hexaware will implement HRMS solutions of a leading ERP package across multiple countries for this customer.

In the last quarter, Hexaware bagged an order to migrate investment data from multiple applications to a centralised consolidated product; using business intelligence tools for a

leading Canadian based financial services company. Hexaware will leverage its domain capabilities in the asset management micro-vertical along with its intellectual property (IP) based solutions in the business intelligence horizontal, to successfully complete this large scale investment data management project.

Forex Cover

The company has forward cover of \$171 mn spread over the next seven quarters, including \$17 mn of Put Options (not exotic options). The USD INR hedges are at rates between Rs. 39.76 to Rs. 50.10 with an average rate is Rs. 40.75.

Pricing

The average billing rate per hour for the quarter stood at \$66.35 onsite and at \$22.46 offshore, lower primarily due to depreciation of GBP and EUR vs. USD.

Human Resources

The global headcount at the end of Q4 '08 stood at 5,622. Technical personnel comprised 86.7% of the total work force. Attrition was at 28.5 % on an annualized basis.

FocusFrame Update

The Company integrated the Business Technology optimization (BTO) operations of FocusFrame and Hexaware. The strengthened organization will be equipped with a complete suite of service offerings both in automated and manual testing.

Hexaware had acquired FocusFrame a US based specialized testing consulting firm in 2006. FocusFrame Inc, the parent entity has been merged into Hexaware Technologies Inc effective 1st February 2009.

RiskTech Updates

The joint venture, RiskTech, focussing on enterprise risk management space added a leading American bank as a customer. Through a strategic consulting assignment, RiskTech designed the operational risk policy and developed the risk framework for the bank. As a result of this engagement, the bank will build internal systems and controls for their credit portfolio.

Caliber Point Updates

Caliber Point, the BPO subsidiary of Hexaware has signed a strategic global partnership with Oracle to offer Oracle's Human Capital Management (HCM) offerings with Caliber Point's proven HR consulting and services to customers under the "BPO Powered by Oracle" program.

The combination of Caliber Point's proven delivery capability in global HRO and Oracle's HCM applications will enable customers to achieve a higher return than from a traditional HR BPO. This integrated solution covers a complete range of licensing, implementation, hosting and IT support along with BPO services.

Infrastructure Updates

In Q4 2008, Hexaware established a Global Delivery Centre (GDC) at Secaucus, New Jersey (USA) to cater specifically to its North American clients. While this proximity centre offers benefits such as the same time-zone, timely communication and enables convenient management oversight, it also further enables the clients to outsource mission-critical tasks and share secure information that would have otherwise not been shipped beyond the shores. In the current economic scenario, Hexaware believes that NA based clients are likely to be more receptive towards the NA based GDC.

Awards and recognitions

Hexaware has been selected as one of the Top 25 companies adopting excellent corporate governance practices by the Institute of Company Secretaries of India (ICSI) for three successive years now; 2006, 2007 and 2008.



Hexaware has been mentioned in Forrester's note, 'Looking Beyond Oracle's Global Partner Network For PeopleSoft Implementation Expertise'. The note mentions Hexaware as a company with a good focus on PeopleSoft product lines, a geographically well distributed consultant base and a company having strong technical expertise specific to PeopleSoft.

Forrester in its note 'The Belgian Market Is Enthusiastic For India's Brand Of Offshore Outsourcing' has cited Hexaware as a company which has impressive accounts in Belgium given the size of the company.

Gartner has rated Hexaware as one of the top 10 growth Companies for software support services in the US among the top 50.

Hexaware was positioned by Gartner Inc. in the niche players quadrant for 'Magic Quadrant* for ERP Service Providers, North America' report.¹

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.

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¹ Gartner, Inc. Magic Quadrant for ERP Service Providers, North America - Alex Soejarto, Michael von Uechtritz, Ben Pring; Published: 4 February 2009

*Magic Quadrant Disclaimer

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Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly Data				
	Q4 FY08	Q3 FY08	Sequential Change (%)	Q4 FY07	Y-o-Y Change (%)
Gross Revenues	3,059	2,946	3.8%	2,592	18.0%
Direct Costs	1,739	1,712	1.6%	1,767	-1.6%
Gross Profit	1,319	1,234	6.9%	825	59.9%
Selling / General And Administration	770	841	-8.5%	851	-9.5%
EBITDA	549	393	39.9%	(25)	Fav
Depreciation and Amortization	70	67	3.8%	61	14.6%
Operating Profit = EBIT	480	326	47.3%	(86)	Fav
Other Income (net)	54	43	25.9%	71	-23.8%
Forex (Gains) / Losses#	288	243	18.5%	(206)	Un Fav
Profit Before Tax	246	126	95.5%	191	28.5%
Provision for Tax	75	11	599.9%	(27)	Un Fav
Profit After Tax	171	115	48.4%	218	-21.7%
Minority Interest				2	
Exceptional Items				1,030	
PAT after Minority Interest & Exceptional Items	171	115	48.4%	(810)	-121.1%

Key Ratios	Q4 FY08	Q3 FY08	Variance	Q4 FY07	Variance
Gross Margin	43.1%	41.9%	1.2%	31.8%	11.3%
SG&A to Revenue	25.2%	28.6%	3.4%	32.8%	7.6%
EBITDA	18.0%	13.3%	4.6%	-1.0%	18.9%
Operating / EBIT Margin	15.7%	11.1%	4.6%	-3.3%	19.0%
Profit before tax	8.0%	4.3%	3.8%	7.4%	0.7%
Profit after Tax	5.6%	3.9%	1.7%	8.4%	-2.8%
EPS-INR (Excluding Exceptional Items)					
Basic	1.19	0.80		1.52	
Diluted	1.18	0.80		1.52	
EPS-INR					
Basic	1.19	0.80		(5.60)	
Diluted	1.18	0.80		(5.60)	

Forex (gains) / Losses include MTM loss of Rs 113 mn (3.7 % of revenue) pertaining to \$13.5 mn ineffective hedges

Consolidated Income Statement (as per Indian GAAP) INR Mn

Head	Yearly Data		
	FY 08	FY 07	Growth in %
Gross Revenues	11,519	10,398	10.8%
Direct Costs	7,061	6,673	5.8%
Gross Profit	4,458	3,725	19.7%
Selling / General And Administration	3,228	2,822	14.4%
EBITDA	1,230	903	36.2%
Depreciation and Amortization	270	232	16.3%
Operating Profit = EBIT	960	671	43.1%
Other Income (net)	164	265	-38.3%
Forex (Gains) / Losses#	379	(297)	-227.4%
Profit Before Tax	744	1,233	-39.6%
Provision for Tax	155	133	16.7%
Profit After Tax	590	1,101	-46.4%
Minority Interest		2	
Exceptional Items		1,030	
PAT after Minority Interest & Exceptional Items	590	72	

Key Ratios	FY 08	FY 07
Gross Margin	38.7%	35.8%
SG&A to Revenue	28.0%	27.1%
EBITDA	10.7%	8.7%
Operating / EBIT Margin	8.3%	6.5%
Profit before tax	6.5%	11.9%
Profit after Tax	5.1%	10.6%
EPS-INR (Excluding Exceptional Items)		
Basic	4.11	7.92
Diluted	4.07	7.87
EPS-INR		
Basic	4.11	0.34
Diluted	4.07	0.34

Forex (gains) / Losses include MTM loss of Rs 318 mn (2.8% of revenue) pertaining to \$43 mn ineffective hedges

Consolidated Balance Sheet (as per Indian GAAP)

INR Mn

Head	As at Dec 31 2008	As at Sept 30 2008	As at Dec 31 2007
Liabilities			
Equity Share Capital	288	288	288
Share Application Money	0	1	1
Reserves (Post Dividend of 84 mn)	7,572	7,416	6,771
Forex MTM	(1,234)	(1,020)	-
Borrowings	195	188	-
Total	6,820	6,873	7,060
Assets			
Gross Fixed Assets	5,700	5,408	4,274
Less: Depreciation	1,202	1,164	997
Net Fixed Assets	4,498	4,244	3,277
Current Assets			
Cash and cash equivalent	2,849	2,440	3,212
Debtors	2,065	2,260	2,135
Others	1,035	1,278	1,219
Total Current assets	5,950	5,978	6,566
Current Liability - Forex (MTM)	1,269	1,281	-
Other Current Liabilities	2,442	2,141	2,828
Deferred Tax	84	73	45
Total	6,820	6,873	7,060

METRICS

Performance Review

Revenue Growth

INR, Mn	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
Revenue from Operations	3,058.6	2,946.2	2,844.9	2,669.5	2,591.8	11,519.2	10,398.0
%, q-o-q	3.8	3.6	6.6	3.0	1.8	10.8	22.6
Other Income	54.4	43.3	22.1	43.8	71.5	163.6	264.9

Vertical Split

%	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
BFSI	40.5	38.8	40.1	44.8	45.4	41.1	44.8
TTHL	15.4	15.1	17.3	17.9	18.6	16.5	18.8
Emerging Segments	32.1	31.4	27.4	24.6	23.3	28.8	22.0
Others	12.0	14.7	15.2	12.7	12.7	13.8	14.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Service Lines Split

%	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
Application Devt & Maint (ADM)	40.4	38.8	40.4	37.1	37.0	39.2	35.8
Enterprise Application Services (EAS)	29.4	33.6	31.2	35.1	36.1	32.4	38.7
Testing / BTO (Business Technology Optimisation)	16.3	13.6	16.1	17.6	17.0	15.9	16.9
Business Intelligence & Analytics	6.6	7.3	5.8	3.5	3.6	5.8	2.6
BPO	6.0	5.3	5.0	5.2	4.8	5.3	4.2
Others	1.3	1.4	1.5	1.5	1.5	1.5	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
Americas	67.6	64.1	61.9	66.1	66.3	64.8	66.7
Europe	26.0	30.2	31.8	27.6	26.0	29.0	26.7
RoW	6.4	5.7	6.3	6.3	7.7	6.2	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
Onsite	62.6	62.6	64.5	63.6	64.3	63.4	64.0
Offshore	37.4	37.4	35.5	36.4	35.7	36.6	36.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07
	90.2	89.8	91.8	90.4	87.4

Clients billed

No	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07
	178	177	177	177	175

Clients added

No	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07
	12	4	10	11	16

DSO	Days	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07
		63	67	68	74	78

Billing Rates	USD/Hour*	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
	Onsite	66.35	68.73	69.70	68.55	68.16	70.73	67.09
	Offshore	22.46	23.36	23.66	23.78	23.60	22.45	23.41

Revenue Concentration	%*	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
	Top 1	13.1	13.6	12.1	10.0	9.8	12.6	9.1
	Top 5	32.7	30.6	32.6	33.2	32.5	32.1	32.5
	Top 10	48.1	46.9	48.4	47.2	46.3	47.9	46.9

Client Size	Nos.**	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07
	More than USD 1 Mn +	56	56	56	56	54
	Between USD 1 to 5 Mn	43	43	43	43	43
	Between USD 5 to 10 Mn	9	9	9	9	7
	Over USD 10 Mn	4	4	4	4	4

People Numbers	%age***	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07
	Billable Personnel					
	Onsite	18.6%	18.7%	17.9%	17.0%	17.5%
	Offshore	68.1%	68.6%	69.9%	73.6%	73.4%
	Total	86.7%	87.3%	87.8%	90.6%	90.9%
	Marketing (Incl. Sales Support)	2.3%	2.3%	2.1%	1.9%	1.8%
	Others (Incl. Tech. Support)	11.0%	10.4%	10.1%	7.5%	7.3%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	

Utilization	%*	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
		73.8	65.9	63.7	66.2	64.0	67.1	68.4

Attrition Rate	%*	Q4 FY 08	Q3 FY 08	Q2 FY 08	Q1 FY 08	Q4 FY 07	FY 08	FY 07
		28.5	28.3	24.3	19.5	19.5	27.9	17.5

* 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
Axis Bank	-	534.23	534.23
HDFC Bank Ltd	9.95	307.87	317.82
Bank of India	2.02	308.57	310.59
Oriental Bank of Commerce	-	307.93	307.93
Punjab National Bank	-	307.53	307.53
Bank of America	227.03	-	227.03
IDBI Bank Ltd	81.23	132.18	213.41
Royal Bank of Scotland	140.92	2.74	143.67
HSBC Bank Ltd	129.03	-	129.03
Standard Chartered Bank	-	90.15	90.15
Dresdner Bank	84.76	4.37	89.13
DBS bank	29.12	-	29.12
CITI Bank	21.44	-	21.44
ABN Amro Bank	19.82	-	19.82
National Australia Bank Ltd	13.90	-	13.90
Societe Generale	13.34	-	13.34
ING Bank	10.34	-	10.34
Metropolitian Bank	9.26	-	9.26
Scotia Bank	8.16	-	8.16
Rabo	5.53	-	5.53
Wells Fargo Bank	4.83	-	4.83
BANAMEX	4.57	-	4.57
Mizuho Bank	2.78	-	2.78
CIC Paris Boetie	2.50	-	2.50
Handelsbanken	2.22	-	2.22
UBS Bank	2.11	-	2.11
ICICI bank Ltd	1.21	-	1.21
Deutsche Bank	0.78	-	0.78
Andhra Bank	0.07	0.71	0.78
Silicon Valley Bank	0.64	-	0.64
State Bank of India	0.43	-	0.43
UCO Bank	0.23	-	0.23
Canara Bank	0.14	-	0.14
<i>Remittance in Transit</i>	24.42	-	24.42
<i>Cash</i>	0.07	-	0.07
Grand Total	852.84	1,996.29	2,849.12