



## ***Hexaware 2004 revenue rises 61%; Profit up 271%***

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### ***Announces 50% dividend***

### ***Board to meet again to consider stock split***

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**Mumbai – January 27, 2004:** Hexaware Technologies Ltd, a global IT service provider, today reported financials for the fourth quarter and audited results for the fiscal year ended December 31, 2004.

At a growth rate of 61%, Hexaware is the fastest growing software services company for the fiscal 2004 (among the Nasscom Top 20). The Company has recorded double-digit sequential growth both in revenues (in dollar terms) and profits for the seventh consecutive quarter.

### **Financial Highlights**

#### **Fourth Quarter ended December 31, 2004**

- Revenue from software services was Rs 1570.11mn, an increase of 52.8% on Y-o-Y basis
- On Q-o-Q basis, revenue went up by 11.8% in Dollar terms and 7.4% in INR
- Net profit after tax for the quarter was Rs 214.57mn, an increase of 184.6% Y-o-Y
- On Q-o-Q basis net profit after tax increased 29.6%
- Annualised EPS (basic) increased to Rs 37.44
- Acquired \$31mn of new business orders
- 12 new clients added in the quarter
- 302 net employee addition

#### **Fiscal year ended December 31, 2004**

- Income from software services was Rs 5,458.90mn, an increase of 61% over the fiscal year 2003.
- Net PAT was Rs 637.36mn, comparable with 171.59 net PAT for the fiscal 2003, an increase of 271.4%.\*
- 38 new clients were added during the year; 107 active clients
- During the year 25 clients billed more than \$1 million each

### **Significant milestones**

- The company has declared a dividend of 50% (Rs 5/- per share) for the year ended December 31, 2004
- The Board of Directors will meet on February 21, 2005 for review and recommendation of split of shares
- 3,833 employees as on December 31, 2004 for Hexaware and its subsidiaries; Net addition of 1490
- Hexaware was assessed at BS 7799 and SEI CMMI Level 5, the highest standards in security and quality compliances

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\* excludes one-time profit from sale of Mentorix shares



- Deloitte Haskins & Sells appointed as Statutory Auditors and also as auditors for US GAAP reporting
- Hexaware acquired 27.78 acres of land in Chennai for development of state-of-the-art Campus
- Hexaware ranked in the prestigious Deloitte Technology Fast 500 Asia Pacific 2004

### **Business Outlook for 2005**

"This year's record all round performance is a clear validation of our growth strategies. 82% repeat business and significant recent wins have fuelled a strong momentum for FY'05." commented **Atul Nishar**, Chairman.

"Coming off a very strong quarter, we continue to see robust demand for our services. Pricing has remained stable while offshore volumes have increased significantly. We signed \$61 mn of new business in the last six months" said **Rusi Brij**, CEO and Vice Chairman.

### **Guidance for 2005**

Buoyed by growth in customers and new initiatives, the Company has provided the following guidance for year ending December 31, 2005

- Revenue of \$ 170 mn, a growth of 40% over 2004
- Net Profit of \$25.2 mn, a growth of 80%

### **Company Review for Q4**

An increase of 52.8% on Y-o-Y to Rs 1570.11mn in the revenues of the fourth quarter reflects Hexaware's capabilities as a company positioned for a strong long-term growth.

Hexaware acquired 12 new customers during the quarter across all regions. For the quarter, the software revenue for the North America region was 69.8%, European region was 24.8%, and Asia-Pacific was 5.4%.

For the year, Hexaware had 25 'million dollar' clients of which 15 are Fortune 500 / Global 500 clients. 3 Clients were in \$5-\$10 million and another 2 were more than \$10 million in size. In all, the company had 107 active clients.

The average blended utilization for the quarter increased to 71.2%. The offshore ratio has gone up from 39.5% to 41.6%.

Post PeopleSoft acquisition by Oracle, Hexaware continues to operate the India Services Center (ISC) for PeopleSoft suite of products and technology. The Company is currently engaged with Oracle to further enhance the relationship.

The newly launched website, [www.caliberpoint.com](http://www.caliberpoint.com) for Caliber Point, the BPO arm of Hexaware received the Perfect Vision award for elegant and skilful presentation of unique content, intuitive navigation and creativity par excellence.

### **Significant Engagements**

During the quarter, Hexaware successfully completed several projects for Deutsche Leasing. "Delivery of the UCS project marked a significant milestone as it was the largest single project completely handled by Hexaware. Further additional orders from the customer also reiterates their confidence in our relationship," said P K Sridharan, Executive Director.



Hexaware emerged as the largest offshore vendor for HR-IT solutions with 22% coming from this segment. It also manages the third largest party product support centre globally. The company was also the dominant offshore vendor in IT services for the airline sector.

The Company also accomplished a noteworthy feat by successfully implementing an eRecruit system a large US bank, well before schedule.

A large US wireless carrier selected Hexaware to support several of their Oracle and PeopleSoft applications.

The Company also won a US \$1 million SAP implementation project for a Fortune 500 company.

#### **Dividend Declaration**

The Board also recommended a dividend of 50% (Rs.5 per share) for the year ended December 31<sup>st</sup> 2004.

#### **Stock Split**

The Board of Directors will meet on February 21, 2005 for review and recommendation of split of shares subject to shareholders approval.

#### **Forex Cover**

The company has guarded itself against the impact of Rupee appreciation by adequately hedging the foreign exchange inflows. The company has forward cover of \$67mn at an average rate of Rs 44.37

#### **Billing rates**

The average billing rate per hour for the quarter has gone up to \$ 68.88 for onsite work, and at \$ 21.37 for work done offshore.

#### **Human Resources**

The total headcount increased to 3,833 at the end of the current quarter, an increase of 302 over the preceding quarter. Technical personnel made 89% of the total work force. The net addition to employees during the year was 1490.

The year also saw important appointments. Recognising his significant contributions to the growth of the company, Rusi Brij was elevated to Vice Chairman, additionally along with his current post of CEO. Hari Murthy joined as the President of North America operations and Rakesh Bhatia took over as Sr. VP to manage delivery of operations in Mumbai and Bangalore centres. Yogen Shah was appointed as head of sales for Asia-Pacific region.

#### **Infrastructure**

The company spruced up its infrastructure during the year. Hexaware inaugurated a near shore development centre in Bad Homburg, Germany.

The Company acquired 27.78 acres of land in Chennai to build a state-of-the-art campus facility. The Company also acquired additional 55,088sq ft facility at Mahape, Navi Mumbai.

#### **Quality Credentials**

During the year, the Company was also certified for security compliance on BS 7799, a globally recognized information security standard. Hexaware was also assessed at Level 5 of the SEI CMMI by KPMG Consulting. The assessment covered all the development centres in Chennai and Mumbai.



### **Community Contribution**

In the wake of the Tsunami disaster Hexaware contributed Rs 1 Crore for the relief and rehabilitation of the affected families. Many of the Company's employees in Chennai volunteered to work with local relief agencies.

### **About Hexaware**

Founded in 1990, Hexaware Technologies, a SEI CMM Level 5 global IT services provider specializes in Enterprise solutions, Application Management, EAI, e-Commerce, and Embedded System. The Company provides software services to the Airlines, Banking and Financial services, Insurance and Healthcare industries. Hexaware's global offices are located in New Jersey, Boston, Chicago, and San Jose in USA; Toronto and Montreal in Canada, UK, Germany, Netherlands and Belgium in Europe and Singapore in Asia-Pacific; Mumbai, Bangalore and Chennai in India.

*Condensed financials statements of Hexaware Technologies Ltd are also available in the Investor Relations section on [www.hexaware.com](http://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.

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Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly Data				
	Q4 FY04	Q3 FY04	Sequential Change (%)	Q4 FY03	Y-o-Y Change (%)
<b>Gross Revenues</b>	<b>1,570.11</b>	<b>1,461.97</b>	<b>7.4%</b>	<b>1,027.27</b>	<b>52.8%</b>
Direct Costs	949.86	913.54	4.0%	629.63	50.9%
<b>Gross Profit</b>	<b>620.25</b>	<b>548.43</b>	<b>13.1%</b>	<b>397.64</b>	<b>56.0%</b>
Selling / General And Administration	364.03	314.06	15.9%	285.39	27.6%
<b>EBIDTA</b>	<b>256.22</b>	<b>234.37</b>	<b>9.3%</b>	<b>112.25</b>	<b>128.3%</b>
Depreciation and Amortization	49.91	48.02	3.9%	59.92	-16.7%
<b>Operating Margin</b>	<b>206.31</b>	<b>186.35</b>	<b>10.7%</b>	<b>52.33</b>	<b>294.2%</b>
Other Income (net)	19.08	14.45	32.1%	38.02	-49.8%
<b>Profit Before Tax</b>	<b>225.39</b>	<b>200.80</b>	<b>12.2%</b>	<b>90.35</b>	<b>149.5%</b>
Provision for Tax	10.82	35.27	-69.3%	14.95	-27.6%
<b>Profit After Tax</b>	<b>214.57</b>	<b>165.53</b>	<b>29.6%</b>	<b>75.40</b>	<b>184.6%</b>

INR Mn

Head	Yearly Data		
	FY - 04	FY - 03	Growth in %
<b>Gross Revenues</b>	<b>5,458.90</b>	<b>3,389.85</b>	<b>61.0%</b>
Direct Costs	3,391.99	2,149.91	57.8%
<b>Gross Profit</b>	<b>2,066.91</b>	<b>1,239.94</b>	<b>66.7%</b>
Selling / General And Administration	1,279.86	929.27	37.7%
<b>EBIDTA</b>	<b>787.05</b>	<b>310.67</b>	<b>153.3%</b>
Depreciation and Amortization	161.08	149.73	7.6%
<b>Operating Margin</b>	<b>625.97</b>	<b>160.94</b>	<b>288.9%</b>
Other Income (net)	97.60	49.75	96.2%
<b>Profit Before Tax</b>	<b>723.57</b>	<b>210.69</b>	<b>243.4%</b>
Provision for Tax	86.21	39.09	120.5%
<b>Profit After Tax *</b>	<b>637.36</b>	<b>171.60</b>	<b>271.4%</b>

\* Profit for FY 03 excludes share of profit from associate and profit from sale of stake in associate.

Key Ratios	Q4 FY04	Q3 FY04	Q4 FY03	YTD - 04	YTD - 03
Gross Margin	39.5%	37.5%	38.7%	37.9%	36.6%
SGnA to Revenue	23.2%	21.5%	27.8%	23.4%	27.4%
EBIDTA	16.3%	16.0%	10.9%	14.4%	9.2%
Operating Margin	13.1%	12.7%	5.1%	11.5%	4.7%
Profit before tax	14.4%	13.7%	8.8%	13.3%	6.2%
Profit after Tax	13.7%	11.3%	7.3%	11.7%	5.1%
EPS (INR)					
Basic	9.36	7.18	3.38	27.79	14.76
Diluted	8.54	6.53	3.13	25.36	13.65



Balance Sheet

INR Mn

Head	As at Dec 31 2004	As at Sept 30 2004	As at Dec 31 2003
<b>Liabilities</b>			
Equity Share Capital	239.24	235.75	229.17
Reserves	2,438.72	2,386.28	1,932.17
Borrowings	52.14	24.98	25.92
<b>Total</b>	<b>2,730.10</b>	<b>2,647.01</b>	<b>2,187.27</b>
<b>Assets</b>			
<b>Gross Fixed Assets</b>	<b>1,510.95</b>	<b>1,261.16</b>	<b>1,165.20</b>
Less: Depreciation	541.05	508.80	418.87
Net Fixed Assets	969.90	752.36	746.33
<b>Current Assets</b>			
Cash and cash equivalent	775.07	556.23	707.35
Debtors	1,360.58	1,099.24	888.23
Others	580.64	979.69	328.04
<b>Total Current Assets</b>	<b>2,716.29</b>	<b>2,635.16</b>	<b>1,923.62</b>
<b>Total Current Liabilities</b>	<b>1,022.82</b>	<b>817.52</b>	<b>612.36</b>
<b>Working Capital</b>	<b>1,693.47</b>	<b>1,817.64</b>	<b>1,311.26</b>
Deferred Tax	66.73	77.01	129.68
<b>Total</b>	<b>2,730.10</b>	<b>2,647.01</b>	<b>2,187.27</b>

## METRICS

### Performance Review

#### Revenue Growth

INR, Mn	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
Revenue	1,570.11	1,461.97	1,283.11	1,143.71	1,027.27	5,458.90	3,389.85
% , q-o-q	7.4	13.9	12.2	11.3	12.3	61.0	36.4
Total, including OI (net)	1,589.20	1,476.50	1,318.00	1,172.89	1,065.29	5,556.59	3,439.60
% , q-o-q	7.6	12.0	12.4	10.1	15.2	61.5	37.7

#### Vertical Split

%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
Airlines / Transportation	13.9	16.0	16.1	15.6	13.7	15.3	12.9
BFSI	43.8	41.6	44.1	46.6	47.8	43.9	47.5
Manufacturing/Enterprise	37.3	37.4	34.8	32.8	30.8	35.8	30.0
Others	5.0	5.0	5.0	5.0	7.7	5.0	9.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### Technology Split

%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
E-Commerce/ Appl. Mgt.	42.0	40.2	41.4	43.0	45.0	41.6	46.0
R&D / Embedded	2.3	2.9	3.0	3.6	4.2	2.9	6.0
Enterprise Packages	43.3	40.0	39.0	36.3	31.0	39.9	29.0
HR IT	3.3	2.6	3.6	3.8	3.8	3.3	3.0
Others	9.2	14.3	13.0	13.3	16.0	12.3	16.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### Geography

%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
Americas	69.8	72.6	70.0	67.0	71.0	70.0	69.0
Europe	24.8	21.1	23.8	26.7	23.2	24.0	24.9
RoW	5.4	6.3	6.2	6.3	5.8	6.0	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### Onsite: Offshore Mix

%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
Onsite	58.4	60.5	61.7	61.0	63.0	60.3	64.0
Offshore	41.6	39.5	38.3	39.0	37.0	39.7	36.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### Client data

##### Repeat Business

%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
	87.8	82.9	79.0	78.0	76.0	82.4	76.0

##### Clients billed

No	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
	107	103	97	91	85	107	93

##### Clients added

No	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
	12	10	8	8	8	38	28

<b>DSO</b>	Days	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03
		75	70	70	73	73

<b>Billing Rates</b>	USD/Hour	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
	Onsite	68.88	68.68	65.00	65.00	65.00	67.40	63.50
	Offshore	21.37	21.00	21.50	22.00	22.50	21.03	22.25

<b>Revenue Concentration</b>	%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
	Top 1	14.1	13.4	11.3	10.0	11.0	12.4	12.5
	Top 5	43.3	41.3	40.6	45.0	44.0	42.5	46.3
	Top 10	58.6	55.4	57.3	60.0	65.0	57.7	64.0

<b>Client Size</b>	Nos.	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03
	More than USD 1 Mn +	25	25	25	23	16
	Less than USD 5 Mn	20	19	20	18	12
	Between USD 5 to 10 Mn	3	4	4	4	4
	Over USD 10 Mn	2	2	1	1	

<b>People Numbers</b>	%age*	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03
	Billable Personnel					
	Onsite	15.8%	17.2%	17.9%	18.5%	18.2%
	Offshore	73.6%	72.9%	71.6%	70.7%	71.9%
	Total	89.4%	90.1%	89.4%	89.2%	90.1%
	Marketing (Incl. Sales Support)	2.0%	1.8%	2.0%	2.2%	2.5%
	Others (Incl. Tech. Support)	8.6%	8.0%	8.5%	8.6%	7.4%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%

\*Excludes Head count for Specsoft and Caliberpoint

<b>Utilization</b>	%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
		71.2	70.0	70.0	69.0	72.0	70.0	71.0

<b>Attrition Rate</b>	%	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	Q4 FY03	FY 04	FY03
		16.0	14.0	16.0	14.0	11.0	15.0	12.0