

Press Release

**HEXAWARE CONSOLIDATED REVENUES ZOOM 28%**  
**SEQUENTIALLY TO Rs 652mn in Q2 2002**

*Incremental revenue from new client wins and higher offshore volumes drive strong results in the second Quarter*

July 23, 2002

**Financial Highlights:** Hexaware Technologies recorded consolidated revenues of Rs 652 mn for its second quarter ended June, 2002 compared to Rs 509 mn in Q1 2002 - a sequential rise of 28 % quarter-on-quarter. Consolidated net profit for the company and its subsidiaries was Rs8.2 mn for the quarter compared to a consolidated loss of Rs 93.8mn in the preceding quarter.

The key profitability drivers in Q2 were:

- **Incremental revenues from new clients.** Hexaware acquired 10 major customers, many with the potential of billing over a million dollar each in the next 12 –18 months. Two of the newly acquired customers are from the Airlines industry, while four are from the Peoplesoft practice.
  - **Improving margins.** Offshore revenues grew from 29.4% in Q1 '02 to 33% in Q2, thereby **increasing gross margins from 27.3% to 37.0 %** during the same period.
  - **Cost reduction.** The company has rationalized its operations, by reducing its onsite staff, and bringing its work offshore.
- Commenting on the strong performance, Mr. Rusi Brij, CEO said, "Despite a prolonged uncertain market environment, the company has been able to slightly exceed its projections, and return to profitability. **We have reached an important milestone in our progress towards transforming ourselves into a high quality project business. Our differentiation strategy has also helped win several important new customers against strong competition. We recorded important new wins in both our Airlines vertical and in the Peoplesoft practice - the two sectors where we would like to become market leaders by the end of the current year.**"

**Company Operations:** Hexaware focuses primarily on marketing its three technology practices – Peoplesoft services, Application Mgmt. Solutions, and e-Solutions - largely to the Banking/Financial Services, Insurance, and Transportation/Airlines industries in N America, Europe, Singapore, and India. In addition, the Company is setting up an

offshore R&D solutions practice comprising embedded software and chip development and testing.

Hexaware made significant progress towards its goal of building a sustainable business during the last six months. The company bagged several new clients in the Banking (five wins in last six months), Insurance (one) and Airlines (two) verticals.

In a major strategic win for its Peoplesoft practice, the company has begun implementing Peoplesoft CRM for one of the world's largest banks. Hexaware also maintains and supports several modules of v 7.5 of the product for Peoplesoft Inc. The Company is currently working on nine Peoplesoft engagements. These include post-implementation support, new implementations, and version upgrades for customers across the world.

The Mahape center with state-of-the-art infrastructure in New Mumbai and all the four centers in Chennai have been re-certified for quality against the ISO 9001:2000 standards and the TickIT scheme by DNV in an external audit conducted by DNV. These two locations have been already assessed at Level 5 of the SEI-CMM process.

**Customers:** Significant growth has been achieved from incremental revenues generated from new customers added during the current fiscal year. Major wins during the quarter included American Express, Citibank NA, and ANA.

Exult is Hexaware's largest customer, providing over 11% of total project revenues. Other major customers include IBM/Air Canada, Citibank, Axa Financial Group, and Royal Sun Alliance insurance group.

A significant measure of building a sustainable projects business is the growing number of customers billing at least \$ 1 mn each. Compared to just four such customers in FY 01, there are over 10 customers today, each with an annualized billing exceeding \$ 1million.

Fifteen of the active customers belong to the *Fortune 500* list. Two recent initiatives: increasing business activity in Europe, and enlarging business from large SIs are bearing fruit. The company now works with leading SIs like IBM, Unisys, Valtech, and Exult. Europe region is also expected to start showing significant progress in the next couple of quarters.

**Employees:** Hexaware closed the quarter with a total headcount of 1099, a reduction of 37 employees over the preceding quarter. The technical manpower comprising 85% of total headcount, saw an addition of 45 new consultants in India at the two offshore development centers. However, the Onsite technical staff reduced by 35, leading to a net addition of 10 overall.

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30<sup>TH</sup> JUNE, 2002

(Rs. in Lacs except per share data)

Particulars	Three months Ended 30th June'02 (unaudited)	Three months Ended 31st March'02 (unaudited)	Three months Ended 30th June'01 (unaudited)	Six months Ended 30th June'02 (Limited review)	Six months Ended 30th June'01 (Limited review)	Year Ended 31st Dec'01 (Audited)
<b>Consolidated revenue and profit-including of subsidiaries</b>						
Software and consulting	6518.82	5091.83	3360.27	11610.65	7441.11	22233.87
Training and education			7119.78		13250.71	6130.93
Other income (net)	61.18	75.64	392.24	136.82	608.13	1295.39
<b>Total Consolidated Revenue</b>	<b>6580.00</b>	<b>5167.47</b>	<b>10872.29</b>	<b>11747.47</b>	<b>21299.95</b>	<b>29660.19</b>
<b>Total Consolidated Profit</b>	<b>81.71</b>	<b>(938.35)</b>	<b>-</b>	<b>(856.64)</b>	<b>-</b>	<b>-</b>
<b>Income - Hexaware Technologies Ltd.</b>						
Software and consulting	2133.58	1458.56	574.44	3592.14	1265.15	5066.91
Training and education	-	-	7055.70	-	13063.34	6007.65
Other income (net)	36.46	60.77	350.20	97.23	622.87	649.05
<b>Total income</b>	<b>2170.04</b>	<b>1519.33</b>	<b>7980.34</b>	<b>3689.37</b>	<b>14951.36</b>	<b>11723.61</b>
Employment expenditure	1195.44	934.40	1008.41	2129.84	1812.89	2721.92
Software, development & training expenses	68.20	67.06	5292.91	135.26	9552.09	5172.27
Administration expenditure	574.32	516.28	919.14	1090.60	1606.83	2175.34
<b>Total expenditure</b>	<b>1837.96</b>	<b>1517.74</b>	<b>7220.46</b>	<b>3355.70</b>	<b>12971.81</b>	<b>10069.53</b>
<b>Gross profit after interest but Before depreciation and taxation</b>	<b>332.08</b>	<b>1.59</b>	<b>759.88</b>	<b>333.67</b>	<b>1979.55</b>	<b>1654.08</b>
Depreciation	276.10	285.53	540.16	561.63	1488.06	1491.69
<b>Profit before tax</b>	<b>55.98</b>	<b>(283.94)</b>	<b>219.72</b>	<b>(227.96)</b>	<b>491.49</b>	<b>162.39</b>
Provision for taxation	-	-	-	-	-	1.68
<b>Profit after tax</b>	<b>55.98</b>	<b>(283.94)</b>	<b>219.72</b>	<b>(227.96)</b>	<b>491.49</b>	<b>160.71</b>
Paid up equity share capital	2209.83	2209.83	3024.57	2209.83	3024.57	2209.83
Reserve and surplus						19379.77
<b>EPS</b>						
Basic	0.25	-	0.73	-	0.90	0.67
Diluted	0.25	-	0.99	-	0.90	0.66
<b>Aggregate of non-promoters shareholding</b>						
Number of shares	13,436,596	13,436,596	-	13,436,596	-	-
Percentage of shareholding	60.61%	60.61%	-	60.61%	-	-

**SEGMENT REPORTING**

PARTICULARS	THREE MONTHS ENDED 30th JUNE'2002	THREE MONTHS ENDED 31st MARCH'2002	SIX MONTHS ENDED 30th JUNE'2002
<b>REVENUE BY INDUSTRY SEGMENT</b>			
AIRLINES & TRANSPORT	320.46	255.74	576.20
FINANCE & BANKING	1030.23	551.39	1581.62
INSURANCE	317.54	200.88	518.42
OTHERS	465.35	450.55	915.90
<b>TOTAL</b>	<b>2133.58</b>	<b>1458.56</b>	<b>3592.14</b>
LESS : INTER-SEGMENT REVENUE	-	-	-
<b>NET REVENUE FROM OPERATIONS</b>	<b>2133.58</b>	<b>1458.56</b>	<b>3592.14</b>
<b>SEGMENT PROFIT BEFORE TAX</b>			
AIRLINES & TRANSPORT	139.82	2.21	142.03
FINANCE & BANKING	379.73	(6.09)	373.64
INSURANCE	(71.99)	(16.24)	(88.23)
OTHERS	(151.94)	(39.06)	(191.00)
<b>TOTAL</b>	<b>295.62</b>	<b>(59.18)</b>	<b>236.44</b>
ADD : OTHER INCOME (NET)	36.46	60.77	97.23
LESS : OTHER UN-ALLOCABLE EXPENDITURE (EXCLUDING UN-ALLOCABLE INCOME)	276.10	285.53	561.63
<b>PROFIT BEFORE TAX</b>	<b>55.98</b>	<b>(283.94)</b>	<b>(227.96)</b>

**Notes on segment information**Principal segments

The company's operations mainly relates to providing Information Technology ("IT") services to customers operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out above.

Segmental capital employed

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and liabilities contracted are used interchangeably between segments. Accordingly, no disclosures relating to total segment assets and liabilities are made

**Notes :-**

- 1) The above results were received and taken on record by the Board of Directors in their meeting held on 23rd July, 2002.
- 2) A limited review for the six months ended 30th June 2002 was carried out by the Statutory Auditors of the Company, pursuant to Clause 41 of the Listing Agreement with the Stock Exchanges.
- 3) The standard on accounting for taxes on income became mandatory effective April 1, 2001. However, on conservative basis, the company has not recognised the deferred tax asset.
- 4) The corresponding quarter for the previous year figures include transactions of Training & Education Division of Aptech Limited (now renamed as Hexaware Technologies Limited) and excludes the figures in respect of erstwhile Hexaware Technologies Limited. Accordingly the current quarter figures are not comparable to that of previous quarter.
- 5) Figures have been regrouped / rearranged wherever necessary.

Place : Mumbai  
Date : 23rd July, 2002.

For Hexaware Technologies Limited

P. K. Sridharan  
(Executive Director)

## ANNEXURE

Hexaware Technologies Ltd - Key Metrics			
		Q2-FY'02	Q1-FY'02
1	<b><i>Geographic Revenue Break-up</i></b>		
	- USA	80%	75%
	- Europe	15%	12%
	- Rest of World	5%	13%
	<b>Total</b>	<b>100%</b>	<b>100%</b>
2	<b><i>Technology concentration risks</i></b>		
	- E-commerce	4%	2%
	- Application Management	53%	63%
	- Research & Development	19%	22%
	- Peoplesoft	21%	11%
	- Others	3%	2%
	<b>Total</b>	<b>100%</b>	<b>100%</b>
3	<b><i>Domain concentration risks</i></b>		
	- Airlines and Transport	13%	13%
	- Finance and Banking	32%	28%
	- Insurance	14%	12%
	- Others	41%	47%
	<b>Total</b>	<b>100%</b>	<b>100%</b>
4	<b><i>Client data</i></b>		
	- Repeat Business	67%	70%
	- Number of clients billed	58	48
	- Number of new clients added	10	8
5	<b><i>Client concentration</i></b>		
	- Top client	11%	10%
	- Share of top 5 clients in total revenue	39%	30%
	- Share of top 10 clients in total revenue	52%	43%
6	<b><i>Average Billing Rates(USD/ hour)</i></b>		
	- Onsite	71	70
	- Offshore	22	22
7	<b><i>Human Resource Mix</i></b>		
	- Technical		
	- On-site	258	293
	- Off Shore	680	635
	- Marketing	55	73
	- Non-technical Support	106	135
	- Attrition rate (%) (Avg.)	12.0%	12.0%
8	<b><i>Revenue Mix</i></b>		
	- Onsite	64%	69%
	- Offshore	36%	31%
9	<b><i>Revenue - Utilisation Levels</i></b>		
	- Onsite	97%	97%
	- Offshore	68%	66%
10	<b><i>Debtors</i></b>		
	- Global Debtors	91 days	80 days