Press Release: **July 27, 2004** ***For Immediate Publication***

Hexaware 2nd quarter revenue rises by 64% y-o-y

Guidance raised to $ 114 mn and PAT of $ 12.5 mn

Highlights of 2nd Quarter ended 30 June 2004:

- **Consolidated revenue from software services amounted to Rs. 1,283.11 mn for the second quarter ended 30 June 2004, an increase of 64.2% over the corresponding quarter in the previous year (Q2'03).**
- **PAT for the quarter Rs. 142.01 mn grew by 379.8% over PAT of 2nd Quarter '03 of Rs.29.6 Mn.**
- **A sequential revenue growth of 12.2% QoQ was recorded for its 2nd quarter ended June 30, 2004 (compared to Rs. 1,143.71 mn in the preceding quarter – Q1 '04).**
- **PAT of Rs. 142.01 mn, helped post a sequential growth of 23.2% over comparable figure for Q1'04.**
- **8 new clients were added during the quarter.**
- **EPS for the quarter was Rs. 24.88 on an annualized basis.**
- **Headcount increased by 243 to 2,879 at the end of this quarter, up from 2,636 in the preceding quarter Q1'04.**
- **Estimated life of certain fixed assets reduced: Depreciation period for furniture & fixtures, office equipment, electrical fittings and motor vehicles lowered to between 4 to 8 years from 10 to 20 years.**
- **Average offshore salary increase of 12% implemented effective April 04.**
- **Guidance for FY '04 revised upwards to revenue of $114 mn and PAT of $ 12.5 mn.**

Management comments:

Atul Nishar, Chairman, Hexaware said, "The market outlook is brightening, and our performance reflects the improving sentiment. The Company has recorded its fifth consecutive quarter of double-digit growth in both revenues and profits. Based on growing confidence in the visibility of current business opportunities, we have also raised our FY '04 guidance significantly".

Mr. Rusi Brij, Chief Executive Officer, said: "This quarter's performance strongly bears out our operating leverage story. SG&A costs decreased by 1.5% over the last quarter, while PAT margins rose to 11%. Despite a 2.2% impact from salary increases, gross margin declined by just 0.3%".

Mumbai, July 27, 2004: The Board of Directors of Hexaware Technologies, a leading SEI CMM Level 5 global software company, today approved the results for Q2 ended June 30, 2004.

Financial Highlights:

Hexaware Technologies posted record consolidated revenues of Rs. 1,283.11 million for Q2 ended 30th June 2004, an increase of 64.2% over comparable revenue for the corresponding quarter in the previous year. Profit after tax for the quarter was Rs. 142.01 million, as against profits of Rs. 29.60 million, an increase of 379.8 % in the corresponding quarter of the previous year.

Second quarter revenues recorded a sequential growth of 12.2% compared to revenues of Rs 1,143.71 million in the prior quarter (Q1'04). Net profit rose by 23.2 % sequentially from Rs. 115.25 million in Q1 '04.

Salaries were hiked by an average of 12% offshore and under 3% for onsite personnel. This hike impacted the gross margins by 2.2%. SG&A costs went down by 1.5% compared to last quarter, resulting in the highest-ever PAT margins - at 11% of revenues.

Guidance:

Annual revenue guidance for FY '04 has been raised to $114 million (from $108 million earlier in Q1 '04) and a PAT of $12.5 million ($11.2 million earlier in Q1'04).

Forex Cover:

The company had proactively guarded its shareholder interest by taking a forward cover for the total dollar receipts into India for the entire year. From July '04 to December '04, the company is covered at an average rate of Rs. 45.57 to the dollar. At the current exchange rate, Hexaware expects minimal impact over the next two quarters.

Company Operations:

Hexaware acquired 8 new customers during the quarter across US (5), Asia (1) and Europe (2). In all, the company had 97 active clients (of these 32 are Fortune 500/ Global 500 clients) at the end of the quarter. Customers were added in all lines of business and geographies during this quarter.

On an annualized basis, Hexaware now has 25 'million dollar' clients (as against – 23 in Q1'04), of which 4 are more than $5 million and 1 is more than $10 million in size. The top client contributed 11.3 % of revenues, while the top 10 clients together contributed 57.3% of revenues. 23.8% of revenues came from Europe, while North American share has increased marginally to 70.0% while the balance 6.2 % came in from rest of the world.

In line with its active growth, Hexaware has increased its headcount to 2,879 at the end of the current quarter, an increase of 9.2% over the preceding quarter. Of the 2,879, technical personnel were 2,575.

To further enhance its delivery capabilities, Rakesh Bhatia has recently joined as Senior Vice President to head all Bangalore delivery operations. He comes from Satyam and iGate Corp where he last served as MD of Australia operations. Junaid Sheikh has joined as Sales Head for the North East Region in US. Junaid worked in a similar capacity in HCL Tech.

Continuing to adopt conservative accounting principles, the company has reduced the depreciation period for vehicles, office equipment, furniture & fixtures and electrical fittings to between 4 and 8 years with immediate effect. This has resulted in an enhanced depreciation of Rs. 33.08 million during the quarter.

The company appointed Deloitte Haskins & Sells as the Statutory Auditors at its AGM held in June 2004. Deloitte will also carry out audit under US GAAP.

About Hexaware:

Hexaware Technologies Limited is a global IT services company specializing in Application Management, EAI, e-Commerce, ERP and Embedded Systems. Subspecialties include the new Affirma PeopleSoft specific post-production support services, and B2B extraprise integration. Hexaware is one of the few companies worldwide to achieve SEI CMM Level 5 the highest quality accreditation. Hexaware's U.S. offices are located in Jamesburg, Chicago, San Jose, Boston internationally – Germany, Japan, France, Singapore, Switzerland, United Kingdom; Chennai, Bangalore and Mumbai, in India.

Safe Harbour:

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.

Please visit: http://www.hexaware.com

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Consolidated Income Statement (as per Indian GAAP) INR Mn

Head	Quarterly Data				
	Q2 FY04	Q1 FY 04	Sequential Change (%)	Q2 FY03	Q-o-Q Change (%)
Gross Revenues	**1,283.11**	**1,143.71**	**12.2%**	**781.21**	**64.2%**
Direct Costs	809.81	718.78	12.7%	493.18	64.2%
Gross Profit	**473.30**	**424.93**	**11.4%**	**288.03**	**64.3%**
Selling / General And Administration	308.68	293.08	5.3%	227.19	35.9%
EBIDTA	**164.62**	**131.85**	**24.9%**	**60.84**	**170.6%**
Depreciation and Amortization	33.94	29.21	16.2%	25.16	34.9%
Other Income (net)	34.89	29.18	19.6%	1.35	-2492.2%
Profit Before Tax	**165.57**	**131.82**	**25.6%**	**37.03**	**347.1%**
Provision for Tax	23.56	16.56	42.2%	7.43	0.0%
Profit After Tax	**142.01**	**115.26**	**23.2%**	**29.60**	**379.8%**
Share of income of equity investee	-	-		20.06	
Profit After Tax, including share from associate	**142.01**	**115.26**		**49.66**	
Profit from sale of stake of associate	-	-		-	
Net Profit	**142.01**	**115.26**		**49.66**	

Head	H1' 04	H1' 03	Growth	FY' 03
Gross Revenues	**2,426.82**	**1,448.14**	67.6%	**3,389.85**
Direct Costs	1,528.60	949.34	61.0%	2,149.91
Gross Profit	**898.22**	**498.80**	80.1%	**1,239.94**
Selling / General And Administration	601.75	391.64	53.7%	929.26
EBIDTA	**296.47**	**107.16**	176.7%	**310.68**
Depreciation and Amortization	63.15	64.53	-2.1%	149.74
Other Income (net)	64.07	1.66	3759.6%	49.75
Profit Before Tax	**297.39**	**44.29**	571.5%	**210.69**
Provision for Tax	40.12	7.43	440.0%	39.09
Profit After Tax, before share of income in associate	**257.27**	**36.86**	598.0%	**171.60**
Share of income of equity investee	-	30.31	-	68.05
Profit After Tax, including share from associate	**257.27**	**67.17**	283.0%	**239.65**
Profit from sale of stake of associate	-	-	-	89.21
Net Profit	**257.27**	**67.17**	283.0%	**328.86**

Balance Sheet INR

Head	As at June 30 2004	As at March 31 2004	As at Dec 31 2003
Liabilities			
Equity Share Capital	229.14	230.13	229.17
Reserves	2,209.21	2,052.73	1,932.17
Borrowings	40.63	23.34	25.92
Total	**2,478.99**	**2,306.20**	**2,187.27**
Assets			
Gross Fixed Assets	1,207.82	1,162.39	1,165.20
Less: Depreciation	475.69	430.38	418.87
Net Fixed Assets	732.13	732.01	746.33
Current Assets			
Cash and cash equivalent	666.97	683.35	707.35
Debtors	936.60	855.42	888.23
Others	831.01	765.58	328.04
Total Current assets	**2,434.58**	**2,304.35**	**1,923.62**
Total Current Liabilities	**792.81**	**846.12**	**612.36**
Working Capital	**1,641.77**	**1,458.23**	**1,311.26**
Deferred Tax	105.09	115.96	129.68
Total	**2,478.99**	**2,306.20**	**2,187.27**

Key Ratios	Q2 FY04	Q1 FY 04	Q2 FY03	HY 04	HY 03	FY 03
Gross Margin	36.9%	37.2%	36.9%	37.0%	34.4%	36.6%
SGnA to Revenue	24.1%	25.6%	29.1%	24.8%	27.0%	27.4%
EBITDA	12.8%	11.5%	7.8%	12.2%	7.4%	9.2%
Profit before tax	12.9%	11.5%	4.7%	12.3%	3.1%	6.2%
Profit after Tax	11.1%	10.1%	3.8%	10.6%	2.5%	5.1%

Metrics

Performance Review

Revenue Growth

INR, Mn	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
Revenue	1,283.11	1,143.71	1,027.27	914.44	781.20	3,389.85	2,485.92
%, q-o-q	12.2	11.3	12.3	17.1	17.1	36.4	-
Total, including OI (net)	1,318.00	1,172.89	1,065.29	924.51	782.50	3,439.60	2,497.27
%, q-o-q	12.4	10.1	15.2	18.1	17.3	37.7	-

Vertical Split

%	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
Airlines / Transportation	16.1	15.6	13.7	12.2	12.0	12.9	12.0
BFSI	44.1	46.6	47.8	56.9	45.0	47.5	44.0
Manufacturing/Enterprise	34.8	32.8	30.8	21.9	33.0	30.0	33.4
Others	5.0	5.0	7.7	9.0	10.0	9.6	10.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Technology Split

%	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
E-Commerce/ Appl. Mgt.	41.4	43.0	45.0	47.0	49.0	46.0	55.0
R&D / Embedded	3.0	3.6	4.2	6.0	6.0	6.0	17.0
Enterprise Packages	39.0	36.3	31.0	31.0	31.0	29.0	21.0
HR IT	3.6	3.8	3.8	4.0	2.0	3.0	-
Others	13.0	13.3	16.0	12.0	12.0	16.0	7.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
Americas	70.0	67.0	71.0	68.0	68.0	69.0	74.0
Europe	23.8	26.7	23.2	27.0	27.0	24.9	18.0
RoW	6.2	6.3	5.8	5.0	5.0	6.1	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
Onsite	61.7	61.0	63.0	65.0	66.0	64.0	63.0
Offshore	38.3	39.0	37.0	35.0	34.0	36.0	37.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
	79.0	78.0	76.0	77.0	77.0	76.0	54.0

Clients billed

No	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
	97	91	85	77	73	93	70

Clients added

No	Q2 FY 04	Q1 FY 04	Q4 FY03	Q3 FY03	Q2 FY03	FY03	FY02
	8	8	8	6	8	28	28