



## **Hexaware Qtr 1 Net Profit rises by 101.6%; Revenue up 43.4%**

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### **Acquires \$32mn of new business orders Strengthens global marketing & APAC operations**

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**Mumbai – April 19, 2005:** Hexaware Technologies Ltd, a global IT service provider, today reported global revenues of Rs 1,640.58mn for the first quarter ended March 2005.

Revenues rose 43.4% over the global revenues of Rs 1,143.71mn, achieved during the same quarter in 2004. Net Profit recorded for the quarter was Rs 232.36mn, a 101.6% increase over net profit of Rs 115.25mn attained in the first quarter of 2004.

### **Significant Highlights for Q1**

- Global Revenue from operations was Rs 1,640.58mn, an increase of 43.4 % on Y-o-Y basis
- Net profit after tax for the quarter was Rs 232.36 mn, an increase of 101.6 % Y-o-Y
- Annualised EPS (basic) increased to Rs 39.68
- Acquired \$ 32mn of new business orders; 3 orders over \$5mn each
- 8 new clients added in the quarter
- Two US clients award HR projects worth \$15mn
- Total headcount crosses the 4000 mark
- Australian operations commence

“The success of our focus on domain knowledge in BFSI and Airlines is reflected in the new order book of \$22.3mn and \$9.7mn respectively. Operating Margin has gone up to 13.7%. Existing client revenues also went up to 91.8% underlying both the success of our account mining and the potential of our client base,” said **Atul Nishar**, Executive Chairman.

“The quarter performance is in line with our annual guidance of Revenue of \$ 170 mn and Net Profit of \$25.2mn. With 3 new orders in excess of \$5mn each, the Company has added 9 such major orders since July '04,” stated **Rusi Brij**, Vice-Chairman and CEO.

### **Operational highlights**

During the first quarter of Fiscal 2005, Hexaware added new orders worth more than \$32mn.

The continued focus on aggressively growing the Enterprise Solutions business has resulted in new orders signed in Siebel, Filenet, SAP, Oracle and Peoplesoft. A Filenet Center of Excellence has been established to implement and support orders worth \$ 7 mn in this space. HR continues to remain a focus initiative, with \$ 15mn worth of business added on HR platforms this quarter. The Transportation business is also growing and clients now include over 12 major international airlines.



### **Geographical Focus**

The Company served 110 customers during this quarter, while new clients were added across N America, Europe, and APAC regions. The Top Ten customers accounted for 61.9% of revenues. The total of North American operations was 67% with Europe increasing to 28.2%.

“With the India-based Campaign and Marketing team being further strengthened with the addition of a Marketing Head based out of North America, the Company intends to launch several new market initiatives during the current year. A strong marketing focus will create direct sales impact and further nuance our core differentiators,” reinforced **Hari Murthy**, President of North American operations.

### **APAC Operations**

The company strengthened APAC operations and won 3 new clients during the quarter. “With the commencement of our Australian operations, we have opened up a new market for Hexaware services in the APAC region,” commented **Yogen Shah**, head of the APAC business.

### **Human Resources**

The total headcount increased to 4044 at the end of the current quarter, an increase of 211 over the preceding quarter. The Technical manpower is 89.4% of the total work force.

### **Infrastructure**

The Company's new building in Millennium Business Park, Navi Mumbai became fully functional during this quarter with a seating capacity of about 550 people. The India Service Center operations in Bangalore moved to its own dedicated campus in Whitefield. In Chennai, a new building with a seating capacity of 285 commenced operations during the quarter.

### **Forex Cover**

The company has covered itself against the impact of Rupee appreciation by adequately hedging the foreign exchange inflows. The Company has forward cover of \$72mn at an average rate of Rs 44.43.

### **Stock Split**

At the 12th AGM held in Mumbai on April 4, 2005, the shareholders of the company approved a sub-division of equity shares in the ratio of 5 equity shares of Rs 2 each for every 1 equity share of Rs 10 each. The record date for the issue / credit of the new shares in physical / demat form is May 5th, 2005.



### **Hexaware at a glance**

Founded in 1990, Hexaware Technologies, a SEI CMMI 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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Hexaware Technologies Group

Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly Data					
	Q1 FY 05	Q4 FY 04	Sequential Change (%)	Q1 FY 04	Y-o-Y Change (%)	FY 04
<b>Gross Revenues</b>	<b>1,640.58</b>	<b>1,570.11</b>	<b>4.5%</b>	<b>1,143.71</b>	<b>43.4%</b>	<b>5,458.90</b>
Direct Costs	1,001.64	949.86	5.5%	718.79	39.4%	3,391.99
<b>Gross Profit</b>	<b>638.94</b>	<b>620.25</b>	<b>3.0%</b>	<b>424.92</b>	<b>50.4%</b>	<b>2,066.91</b>
Selling / General And Administration	360.88	364.03	-0.9%	293.08	23.1%	1,279.86
<b>EBIDTA</b>	<b>278.06</b>	<b>256.22</b>	<b>8.5%</b>	<b>131.84</b>	<b>110.9%</b>	<b>787.05</b>
Depreciation and Amortization	53.54	49.91	7.3%	29.21	83.3%	161.08
<b>Operating Profit</b>	<b>224.52</b>	<b>206.31</b>	<b>8.8%</b>	<b>102.63</b>	<b>118.8%</b>	<b>625.97</b>
Other Income (net)	26.57	19.09	39.2%	29.18	-8.9%	97.60
<b>Profit Before Tax</b>	<b>251.09</b>	<b>225.39</b>	<b>11.4%</b>	<b>131.81</b>	<b>90.5%</b>	<b>723.56</b>
Provision for Tax	18.73	10.82	73.1%	16.56	13.1%	86.21
<b>Profit After Tax</b>	<b>232.36</b>	<b>214.57</b>	<b>8.3%</b>	<b>115.25</b>	<b>101.6%</b>	<b>637.35</b>

Key Ratios	Q1 FY 05	Q4 FY04	Q1 FY04	FY 04
Gross Margin	38.9%	39.5%	37.2%	37.9%
SGnA to Revenue	22.0%	23.2%	25.6%	23.4%
EBIDTA	16.9%	16.3%	11.5%	14.4%
Operating Margin	13.7%	13.1%	9.0%	11.5%
Profit before tax	15.3%	14.4%	11.5%	13.3%
Profit after Tax	14.2%	13.7%	10.1%	11.7%
EPS (INR)				
Basic	9.92	9.36	5.08	27.57
Diluted	9.11	8.54	4.44	25.15

Hexaware Technologies Group

INR Mn

Head	As at March 31 2005	As at Dec 31 2004	As at March 31 2004
<b>Liabilities</b>			
Equity Share Capital	234.84	239.24	230.13
Reserves	2,682.05	2,438.72	2,052.73
Borrowings	79.31	52.14	23.34
<b>Total</b>	<b>2,996.20</b>	<b>2,730.10</b>	<b>2,306.20</b>
<b>Assets</b>			
<b>Gross Fixed Assets</b>	<b>1,566.33</b>	<b>1,510.95</b>	<b>1,162.39</b>
Less: Depreciation	554.13	541.05	430.38
Net Fixed Assets	1,012.20	969.90	732.01
<b>Current Assets</b>			
Cash and cash equivalent	677.44	775.07	683.35
Debtors	1,363.60	1,360.58	855.42
Others	966.99	580.64	765.58
<b>Total Current Assets</b>	<b>3,008.03</b>	<b>2,716.29</b>	<b>2,304.35</b>
<b>Total Current Liabilities</b>	<b>1,081.59</b>	<b>1,022.82</b>	<b>846.12</b>
<b>Working Capital</b>	<b>1,926.44</b>	<b>1,693.47</b>	<b>1,458.23</b>
Deferred Tax	57.56	66.73	115.96
<b>Total</b>	<b>2,996.20</b>	<b>2,730.10</b>	<b>2,306.20</b>

**METRICS**

**Performance Review**

**Revenue Growth**

INR, Mn	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Revenue	1,640.58	1,570.11	1,461.97	1,283.11	1,143.71	5,458.90
%, q-o-q	4.5	7.4	13.9	12.2	11.3	61.0
Total, including OI (net)	1,669.12	1,589.20	1,476.50	1,318.00	1,172.89	5,556.59
%, q-o-q	5.0	7.6	12.0	12.4	10.1	61.5

**Vertical Split**

%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Airlines / Transportation	15.5%	13.9	16.0	16.1	15.6	15.3
BFSI	46.8%	43.8	41.6	44.1	46.6	43.9
Manufacturing (largely ERP)	31.8%	37.3	37.4	34.8	32.8	35.8
Others	5.9%	5.0	5.0	5.0	5.0	5.0
Total	100.0%	100.0	100.0	100.0	100.0	100.0

**Technology Split**

%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
E-Commerce/ Appl. Mgt.	44.3	42.0	40.2	41.4	43.0	41.6
R&D / Embedded	1.7	2.3	2.9	3.0	3.6	2.9
Enterprise	42.3	43.3	40.0	39.0	36.3	39.9
HR IT (non ERP)	3.3	3.3	2.6	3.6	3.8	3.3
Others	8.5	9.2	14.3	13.0	13.3	12.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

**Geography**

%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Americas	67.0	69.8	72.6	70.0	67.0	70.0
Europe	28.2	24.8	21.1	23.8	26.7	24.0
RoW	4.8	5.4	6.3	6.2	6.3	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

**Onsite: Offshore Mix**

%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Onsite	57.2	58.4	60.5	61.7	61.0	60.3
Offshore	42.8	41.6	39.5	38.3	39.0	39.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

**Client data**

**Repeat Business**

%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	91.8	87.8	82.9	79.0	78.0	82.4

**Clients billed**

No	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	110	107	103	97	91	107

**Clients added**

No	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	8	12	10	8	8	38



<b>DSO</b>	Days	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04
		78	75	70	70	73

<b>Billing Rates</b>	USD/Hour	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	Onsite	68.75	68.88	68.68	65.00	65.00	67.40
	Offshore	21.50	21.37	21.00	21.50	22.00	21.03

<b>Revenue Concentration</b>	%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	Top 1	13.6	14.1	13.4	11.3	10.0	12.4
	Top 5	47.2	43.3	41.3	40.6	45.0	42.5
	Top 10	61.9	58.6	55.4	57.3	60.0	57.7

<b>Client Size</b>	Nos.	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04
	More than USD 1 Mn +	27	25	25	25	23
	Less than USD 5 Mn	21	20	19	20	18
	Between USD 5 to 10 Mn	3	3	4	4	4
	Over USD 10 Mn	3	2	2	1	1

<b>People Numbers</b>	%age*	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04
	Billable Personnel					
	Onsite	15.4%	15.8%	17.2%	17.9%	18.5%
	Offshore	74.4%	73.6%	72.9%	71.6%	70.7%
	Total	89.4%	89.4%	90.1%	89.4%	89.2%
	Marketing (Incl. Sales Support)	1.9%	2.0%	1.8%	2.0%	2.2%
	Others (Incl. Tech. Support)	8.3%	8.6%	8.0%	8.5%	8.6%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%

\*Excludes Head count for Specsoft and Caliberpoint

<b>Utilization</b>	%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
		72.0	71.2	70.0	70.0	69.0	70.0

<b>Attrition Rate</b>	%	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
		16.0	16.0	14.0	16.0	14.0	15.0