

Hexaware Q3 PAT grows 3.0% sequentially; pipeline indicates robust momentum

- ***Signs a large deal in excess of US \$50 mn***
- ***Quarter records Highest Order Book addition of \$100 mn***
- ***Revenue grows 29.9% Y-o-Y to \$63.09 mn***
- ***Net headcount addition of 1041; highest addition in any quarter***
- ***Company has a forward cover of over \$400 mn, up from \$90 mn in Q2'07***
- ***Board to meet again to consider Equity Buy Back***

Mumbai – October 18, 2007: Hexaware Technologies Ltd, a leading provider of IT & BPO services globally, today announced financial results for the third quarter ending September 30, 2007.

Revenue from Operations was Rs.2546.15 mn (\$63.09 mn); down 2.7% Q-o-Q (down 1.5% in USD). Profit after Tax rose 3.0% Q-o-Q to Rs.269.16 mn (\$6.71 mn; up 5.5% Q-o-Q).

Highlights of Q3 ended September 30, 2007

- In INR terms, Revenue was up 13.2% and PAT was down 22.4% y-o-y
- In USD terms, Revenue was up 29.9% and PAT was down 10.4% y-o-y
- 15 new clients added
- Highest ever Order Book of \$100 mn was added; the previous highest order book was \$61 mn
- Global headcount up by 1041 to 6767, highest addition in any quarter
- First batch of Mexican recruits successfully complete training in India
- **General Atlantic converts Hexaware's preference shares into equity share @ Rs 142.10 per share**

"The external demand environment continues to remain favourable. Though quarterly revenues have reduced marginally, the outlook for the next year looks positive. Strong momentum in signing of new deals and an increased hiring represents excellent visibility for next year's growth. Of the \$100 mn new order book, almost \$55 mn will be accrued in 2008," commented **Atul Nishar**, Executive Chairman, Hexaware Technologies Ltd.

"In order to maximise client mining opportunities, the company is currently trimming its client roster by 20 clients to defocus from marginal billing clients. Though this has marginal impact on current and Q4 revenues, the total value of the current pipeline exceeding \$150 mn is likely to get decided by early 2008. Within a quarter of commencing operations, RiskTech has already amassed a pipeline worth \$10mn. FocusFrame had one client with exposure to sub-prime mortgage and that has impacted their current quarter revenues. The Company has no further exposure to sub-prime mortgage sector," said **Rusi Brij**, Vice Chairman and CEO.

Guidance for Q4'07

Expected revenue for Q4'07 is likely to be same as Q3'07 or thereabout.

General Atlantic converts Hexaware Shares into equity

GA Global Investments Limited (General Atlantic) opted to exercise their conversion option of 1,055,570 preference shares into unregistered American Depository Receipts (ADR) represented by underlying 10,555,700 equity shares @ Rs.142.10 per share.

Buy Back

The Board of Directors of the Company will meet shortly to review, consider and approve the buy back of the Company's equity shares.

ESOP 2007 Scheme

As approved by the members of the Company at the Extraordinary General Meeting held on September 11, 2007, the Board of Directors of the Company have adopted the ESOP 2007 Scheme and granted 44,57,000 options @ Rs.109 per option amounting to 3.1% of total present equity capital exercised into 44,57,000 shares over a period of 4 years from the date of grant to the permanent employees of the Company and its subsidiaries under the Hexaware Technologies Limited – Employee Stock Option Scheme 2007

Billing rates

The average hourly billing rate increased for onsite to \$67.18 and stood at \$23.40 for offshore.

Forex Cover

The company has a forward cover of over \$400 mn at an average rate of Rs 41.07 covering the next 10 quarters. This is in-line with the strategy of pursuing an active and longer duration management of currency.

Operational Review

Hexaware acquired 15 new clients during the Quarter. Of these, 11 were from North America, 2 from Europe, and 2 from APAC region. Total orders booked during Q3'07 was \$100 mn, the highest recorded ever. Of this, \$55mn is towards the 2008 order book alone.

The number of million dollar clients grew from 51 to 54 in this Quarter. While 5 were in the \$5 - \$10 mn range and a further 4 clients billed more than \$10 mn each (all on a trailing 12 month basis). The steady increase in the number of million dollar clients every quarter indicates that growth is coming from a wider base of clients.

The number of active clients increased to 166. Of these, 55 were from Fortune 500 / Global 500. In order to maximise client mining opportunities, the company is currently trimming its client roster by 20 clients to defocus from low margins, limited growth potential, or sub-scale engagements. 86.3% of the revenue was from existing clients. Intake of lateral hires to drive future growth saw the average blended utilization (excluding trainees) for the quarter at 71%.

Margins were as under:

- Gross margins 35.6% compared to 36.4% in the previous quarter
- Operating margins were at 9.7% compared to 10% in Q2'07
- PAT margins were up 60 basis points at 10.6% in Q3'07

Significant Engagements

Based on business competencies, 5 new clients were added in ERP solutions, 3 in Testing, 3 in the Travel-Transportation-Hospitality and Logistics, 2 in Application Development and Management, 1 in Capital markets and 1 in BPO.

One of Hexaware's strategic customers extended the duration of their total application management contract. Hexaware has been managing a set of internal applications including BI/BA, PeopleSoft, Siebel and Mainframe Systems for the past 3 years. The total size of the deal is in excess of \$50 mn.

FocusFrame has won a large order from a leading telecommunications product company to offer accelerated functional testing services of finance and procurement modules. This unique account leverages the core competencies of SAP and PeopleSoft.

A leading international developer and operator of destination resorts selected Hexaware for implementing PeopleSoft 9.0 version of HCM, Talent Acquisition Manager, Candidate Gateway, US Payroll, Benefit Administration & Global Payroll extension.

Another existing large customer based in Germany has engaged Hexaware to implement and customize a third party product for the next phase of its leasing system. The total value of the deal is in excess of Euro 5 mn.

A world-renowned specialty retailer has engaged Hexaware in developing a solution to consolidate its PeopleSoft instances located in 4 different locations into one global instance. The scope of the project would involve an initial study; a data consolidation methodology followed by Development, Data migration & Testing.

Developments at RiskTech

Within a quarter of commencing operations, Risk Technology International (RiskTech) is continuing its partnership strategy with leading risk technology vendors. This has resulted in 3 new projects and RiskTech has already amassed a pipeline worth \$10mn.

During the quarter, Hexaware invested Rs.8.50 mn in RiskTech

Human Resources

Hexaware added a record number of 1041 of professionals taking the total headcount to 6767. Of these, 635 are campus recruits. The attrition rate (on an annualised basis) was 18%.

During the quarter a batch of Mexican campus recruits were trained in India by HexaVarsity, Hexaware's in-house university. Post the successful completion of their orientation program, the batch has been inducted at Hexaware's Mexico Global Delivery Centre. This has been the Company's first initiative to induct and train non-Indian talent.

The technical manpower comprised 90.7% of the total work force.



Awards and Recognition

Hexaware was positioned by Gartner Inc. in the niche quadrant for 'Magic Quadrant for ERP Service Providers, North America 2007' report as well as in the 'Magic Quadrant for North American Offshore Applications Services, 2007' report. The report states, 'Niche players focus on a particular segment of the market, as defined by such characteristics as functional area vertical industry, client size or project complexity. A niche player has invested in more-defined ERP technology skills.

Hexaware was also ranked among the Top 20 Best IT employers in India by DQ-IDC.

A recent survey of 'Women in IT' by Dataquest-IDC recognised Hexaware among the top 3 employers with highest number of women working for the organisation. Hexaware ranked second in the survey for the highest number of women in the managerial cadre.

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 17 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 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 Consolidated

INR Mn

| Head | Quarterly data | | | | |
|--------------------------------------|-----------------|-----------------|-----------------------|-----------------|------------------|
| | Q3 FY07 | Q2 FY07 | Sequential Change (%) | Q3 FY06 | Y-o-Y Change (%) |
| Gross Revenues | 2,546.15 | 2,616.40 | -2.7% | 2,249.69 | 13.2% |
| Direct Costs | 1,640.02 | 1,663.06 | -1.4% | 1,412.29 | 16.1% |
| Gross Profit | 906.13 | 953.34 | -5.0% | 837.40 | 8.2% |
| Selling / General And Administration | 602.32 | 632.81 | -4.8% | 476.73 | 26.3% |
| EBIDTA | 303.81 | 320.53 | -5.2% | 360.67 | -15.8% |
| Depreciation and Amortization | 57.18 | 57.68 | -0.9% | 55.47 | 3.1% |
| Operating Profit | 246.63 | 262.85 | -6.2% | 305.20 | -19.2% |
| Other Income (net) | 74.96 | 50.46 | 48.6% | 80.29 | -6.6% |
| Profit Before Tax | 321.59 | 313.31 | 2.6% | 385.49 | -16.6% |
| Provision for Tax | 52.43 | 52.10 | 0.6% | 38.65 | 35.7% |
| Profit After Tax | 269.16 | 261.21 | 3.0% | 346.84 | -22.4% |

INR Mn

| Head | Yearly Data | | | FY 06 |
|--------------------------------------|-----------------|-----------------|--------------|-----------------|
| | YTD 07 | YTD 06 | Growth in % | |
| Gross Revenues | 7,806.24 | 6,079.96 | 28.4% | 8,482.14 |
| Direct Costs | 4,906.41 | 3,816.43 | 28.6% | 5,317.77 |
| Gross Profit | 2,899.83 | 2,263.53 | 28.1% | 3,164.37 |
| Selling / General And Administration | 1,880.16 | 1,298.53 | 44.8% | 1,842.10 |
| EBIDTA | 1,019.67 | 965.00 | 5.7% | 1,322.27 |
| Depreciation and Amortization | 171.24 | 147.36 | 16.2% | 200.16 |
| Operating Margin | 848.43 | 817.64 | 3.8% | 1,122.11 |
| Other Income (net) | 193.46 | 161.40 | 19.9% | 240.68 |
| Profit Before Tax | 1,041.89 | 979.04 | 6.4% | 1,362.79 |
| Provision for Tax | 159.57 | 74.26 | 114.9% | 120.46 |
| Profit After Tax | 882.32 | 904.78 | -2.5% | 1,242.33 |

| Key Ratios | Q3 FY07 | Q2 FY07 | Q3 FY06 | YTD 07 | YTD 06 | FY 06 |
|-------------------|---------|---------|---------|--------|--------|-------|
| Gross Margin | 35.6% | 36.4% | 37.2% | 37.1% | 37.2% | 37.3% |
| SGnA to Revenue | 23.7% | 24.2% | 21.2% | 24.1% | 21.4% | 21.7% |
| EBIDTA | 11.9% | 12.3% | 16.0% | 13.1% | 15.9% | 15.6% |
| Operating Margin | 9.7% | 10.0% | 13.6% | 10.9% | 13.4% | 13.2% |
| Profit before tax | 12.6% | 12.0% | 17.1% | 13.3% | 16.1% | 16.1% |
| Profit after Tax | 10.6% | 10.0% | 15.4% | 11.3% | 14.9% | 14.6% |
| EPS (INR) | | | | | | |
| Basic | 1.99 | 1.87 | 2.55 | 6.42 | 6.99 | 9.46 |
| Diluted | 1.96 | 1.84 | 2.38 | 6.33 | 6.67 | 8.99 |

| Head | INR Mn | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| | As at Sept 30 2007 | As at June 30 2007 | As at Sept 30 2006 |
| Liabilities | | | |
| Share Capital | | | |
| Equity | 277.69 | 266.46 | 264.15 |
| Preference | - | 1,499.96 | 1,499.96 |
| Share Application Money | 1.21 | 2.23 | 1.06 |
| Reserves | 7,694.14 | 6,007.35 | 5,480.84 |
| Borrowings | - | - | 2.27 |
| Total | 7,973.04 | 7,776.00 | 7,248.28 |
| Assets | | | |
| Gross Fixed Assets | 3,916.68 | 3,705.92 | 1,917.95 |
| Less: Depreciation | 947.33 | 889.22 | 756.49 |
| Net Fixed Assets | 2,969.35 | 2,816.70 | 1,161.46 |
| Current Assets | | | |
| Cash and cash equivalent | 3,238.81 | 3,337.29 | 4,439.88 |
| Debtors | 2,252.25 | 2,171.62 | 1,852.95 |
| Others | 1,472.76 | 1,350.20 | 1,081.33 |
| Total Current assets | 6,963.82 | 6,859.11 | 7,374.16 |
| Total Current Liabilities | 2,010.40 | 1,897.31 | 1,321.91 |
| Working Capital | 4,953.42 | 4,961.80 | 6,052.25 |
| Deferred Tax | 50.27 | (2.50) | 34.57 |
| Total | 7,973.04 | 7,776.00 | 7,248.28 |

METRICS

Performance Review

Revenue Growth

| INR, Mn | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
|-------------------------|----------|----------|----------|----------|----------|----------|----------|
| Revenue from Operations | 2,546.18 | 2,616.40 | 2,643.69 | 2,402.18 | 2,249.69 | 2,068.77 | 8,482.14 |
| % q-o-q | -2.7 | -1.0 | 10.1 | 6.8 | 8.7 | 17.4 | 25.0 |
| Other Income | 74.96 | 50.46 | 68.04 | 79.29 | 80.29 | 46.47 | 240.69 |

Vertical Split

| % | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
|-------------------------|----------|----------|----------|----------|----------|----------|-------|
| BFSI | 39.6 | 37.6 | 39.5 | 40.6 | 41.0 | 41.6 | 41.1 |
| Travel & Transportation | 18.5 | 20.3 | 18.0 | 16.5 | 17.5 | 19.3 | 18.1 |
| Cap Mkt / Asst Mgt | 5.6 | 5.3 | 6.3 | 6.5 | 6.1 | 5.9 | 6.1 |
| Others (largely ERP) | 36.3 | 36.8 | 36.2 | 36.4 | 35.4 | 33.2 | 34.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Technology Split

| % | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
|-----------------------------------|----------|----------|----------|----------|----------|----------|-------|
| E-Commerce/ Appl. Mgt. | 35.8 | 35.6 | 34.9 | 43.1 | 48.0 | 48.8 | 46.9 |
| Enterprise Application (ERP) | 31.5 | 32.7 | 33.5 | 33.1 | 33.8 | 32.6 | 33.4 |
| Testing Services | 16.3 | 17.0 | 17.5 | 9.1 | 4.4 | 3.8 | 5.3 |
| HR IT | 7.0 | 6.9 | 7.1 | 7.0 | 7.1 | 7.0 | 7.0 |
| Business Intelligence & Analytics | 3.0 | 1.7 | 2.0 | 1.9 | 2.1 | 2.0 | 2.1 |
| Others | 6.5 | 6.1 | 5.0 | 5.8 | 4.6 | 5.8 | 5.3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Geography

| % | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
|----------|----------|----------|----------|----------|----------|----------|-------|
| Americas | 66.7 | 66.9 | 67.1 | 69.1 | 68.5 | 69.4 | 69.3 |
| Europe | 26.1 | 27.1 | 27.6 | 25.5 | 25.7 | 26.5 | 25.8 |
| RoW | 7.2 | 6.0 | 5.3 | 5.4 | 5.8 | 4.1 | 4.9 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Onsite: Offshore Mix

| % | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
|----------|----------|----------|----------|----------|----------|----------|-------|
| Onsite | 64.7 | 64.7 | 62.1 | 61.6 | 61.1 | 60.4 | 61.2 |
| Offshore | 35.3 | 35.3 | 37.9 | 38.4 | 38.9 | 39.6 | 38.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Client data

Repeat Business

| % | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 |
|---|----------|----------|----------|----------|----------|----------|
| | 86.3 | 86.9 | 88.7 | 88.4 | 88.2 | 85.9 |

Clients billed

| No | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 |
|----|----------|----------|----------|----------|----------|----------|
| | 166 | 164 | 151 | 129 | 119 | 141 |

Clients added

| No | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 |
|----|----------|----------|----------|----------|----------|----------|
| | 15 | 15 | 20 | 12 | 11 | 15 |

| | | | | | | | |
|------------|------|----------|----------|----------|----------|----------|----------|
| DSO | Days | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 |
| | | 82 | 76 | 80 | 79 | 76 | 75 |

| | | | | | | | | |
|----------------------|-----------|----------|----------|----------|----------|----------|----------|-------|
| Billing Rates | USD/Hour* | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
| | Onsite | 67.18 | 66.91 | 66.50 | 66.10 | 66.00 | 65.80 | 65.91 |
| | Offshore | 23.40 | 23.40 | 23.26 | 22.92 | 22.95 | 22.80 | 22.86 |

| | | | | | | | | |
|------------------------------|--------|----------|----------|----------|----------|----------|----------|-------|
| Revenue Concentration | % | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
| | Top 1 | 9.0 | 9.1 | 8.5 | 8.3 | 8.0 | 9.1 | 8.1 |
| | Top 5 | 32.6 | 33.5 | 33.6 | 32.7 | 32.5 | 31.1 | 32.3 |
| | Top 10 | 46.8 | 47.0 | 48.1 | 47.7 | 47.1 | 45.8 | 47.1 |

| | | | | | | | |
|--------------------|------------------------|----------|----------|----------|----------|----------|----------|
| Client Size | Nos.** | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 |
| | More than USD 1 Mn + | 54 | 51 | 46 | 41 | 40 | 36 |
| | Less than USD 5 Mn | 45 | 42 | 37 | 32 | 31 | 28 |
| | Between USD 5 to 10 Mn | 5 | 4 | 4 | 5 | 5 | 5 |
| | Over USD 10 Mn | 4 | 5 | 5 | 4 | 4 | 3 |

| | | | | | | | |
|-----------------------|---------------------------------|----------|----------|----------|----------|----------|----------|
| People Numbers | %age*** | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 |
| | Billable Personnel | | | | | | |
| | Onsite | 18.9% | 22.5% | 21.2% | 17.2% | 17.1% | 19.5% |
| | Offshore | 71.8% | 67.2% | 68.4% | 72.4% | 72.5% | 69.1% |
| | Total | 90.7% | 89.7% | 89.6% | 89.6% | 89.6% | 88.6% |
| | Marketing (Incl. Sales Support) | 1.8% | 2.1% | 2.1% | 2.2% | 2.2% | 2.3% |
| | Others (Incl. Tech. Support) | 7.5% | 8.2% | 8.3% | 8.2% | 8.2% | 9.1% |
| | Grand Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| | | | | | | | | |
|--------------------|----|----------|----------|----------|----------|----------|----------|-------|
| Utilization | %* | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
| | | 71.0 | 73.7 | 70.7 | 68.2 | 72.0 | 71.5 | 70.5 |

| | | | | | | | | |
|-----------------------|----|----------|----------|----------|----------|----------|----------|-------|
| Attrition Rate | %* | Q3 FY 07 | Q2 FY 07 | Q1 FY 07 | Q4 FY 06 | Q3 FY 06 | Q2 FY 06 | FY 06 |
| | | 18.0 | 16.8 | 16.1 | 15.0 | 14.2 | 14.0 | 14.9 |

* These metrics do not include Focus Frame
 ** Computed on a trailing 12 months
 *** Excludes head count of Caliber Point