

Hexaware meets top-end of Q3 '09 guidance; continues strong operational performance

- Q3 '09 Revenue increased by 1.6% q-o-q to Rs. 2,632 mn (up by 1.7% at \$ 54.5 mn)
- Profit after Tax increased by 4.7% sequentially to Rs. 413 mn (\$8.5 mn)
- Operating Margin (EBIT) increased by 230 basis points on a q-o-q basis to 21.1%
- EBITDA Margin was up at 23.7% from 21.5% last quarter
- 3 deals with Total Contract Value > \$15 mn each and 2 deals worth > \$5 mn each signed; 9 new clients added in Q3 '09
- Cash & Cash Equivalents at the end of Q3 '09 increased to Rs. 4,019 mn (\$ 83.5 mn) from Rs. 3,806 mn (\$79.5mn) in the previous quarter

Mumbai – October 28, 2009: Hexaware Technologies Ltd., a leading global provider of IT & BPO services and consulting, today reported financial results for the third quarter ended September 30, 2009.

Highlights of Q3 ended September 30, 2009

- Revenue from operations stood at \$ 54.5 mn (Rs. 2,632 mn)
 - Q-o-Q increase of 1.7% in USD terms and increase of 1.6% in INR terms
- Profit after Tax up to \$ 8.5 mn (Rs. 413 mn)
 - Q-o-Q increase of 4.1 % in USD terms and increase of 4.7 % in INR terms
- Gross Margin improved 50 basis points to 48.1% against 47.6% last quarter
- EBITDA Margin improved to 23.7%, up from 21.5% in the previous quarter
- Operating Margin (EBIT) increased 230 basis points to 21.1%, up from 18.8% in Q2 '09
- PAT margin increased 50 basis points to 15.7% reaching Rs. 413 mn after a forex loss of Rs. 198 mn (as compared to Rs. 116 mn in the last quarter)
- Cash & Cash Equivalents increased by Rs. 213 million to Rs.4,019 mn (\$ 83.5 mn)
- 9 new clients added during the quarter; 159 active clients
- Days sales outstanding (DSO) at 57 days
- Global headcount stood at 5,006, 116 Engineering Graduates inducted in Q3 2009

"This has been a good quarter for Hexaware, where we have improved all our margins. During the last quarter, we signed five noteworthy deals, three deals worth \$15 mn each and two deals worth in excess of \$5 mn each in our focused verticals. It is clear that the sentiment in the market has improved," said Atul Nishar, Executive Chairman, Hexaware Technologies Ltd.

"We have met the top-end of our quarterly revenue guidance and have reported another quarter of strong performance, in terms of both our operational and profitability metrics. In view of our current utilization levels combined with the deal closures and expected business recovery in 2010, we have inducted 116 engineering graduates in the organization in Q3 2009. We have further augmented our sales force and have added five horizontal practitioners, continuing our strategy of judicious investments while focusing on managing our overall levels of efficiency," stated P. R. Chandrasekar, CEO and Vice Chairman, Hexaware Technologies Ltd.

Guidance

For Q4 2009, the Company has issued the same guidance as given for Q3 2009, that is, Q4 '09 revenue is likely to be in the range of \$ 52.5mn - \$ 54.5mn, assuming exchange rates of 1 GBP = 1.65 USD and 1 EUR = 1.45 USD.

Financial Review

The financial ratios for the quarter stood at:

- Profit after Tax increased to Rs. 413 mn. Margin of 15.7%, q-o-q increase of 50 bps
- EBITDA margin improved to 23.7% from 21.5% in the previous quarter.
- Operating margin (EBIT Margin) improved by 230 basis points sequentially to 21.1%
- Blended utilisation for the quarter improved to 75.7%

Operational Updates

The quarter witnessed an addition of 9 new clients. In terms of verticals, 4 clients were added in Banking Financial Services and Insurance (BFSI) and 5 clients in Emerging Verticals. The total number of active clients stood at 159.

In terms of the service offerings, 1 client was added in Application Development and Maintenance (ADM), 2 clients in Enterprise Solutions, 2 in Business Intelligence/ Business Analytics (BI/BA), 1 in Business Process Outsourcing (BPO) and 3 in the Business Technology Optimisation (BTO)/ Testing services.

Of the 9 clients added, 4 customers were based in North America, 2 were based in Europe and 3 in APAC. 64.6% of revenues came from North America, with the European share at 29.2% and the balance 6.2% coming from the rest of the world.

The number of clients registering \$1mn+ in revenues stood at 47, with 38 clients in the \$1 - \$5 mn category, 6 clients are in the \$5 - \$10 mn range and 3 clients billed over \$10 mn each – on a trailing 12 months basis.

Significant Updates

In the third quarter, Hexaware secured a multi-million order with a Fortune 500 company. Hexaware is commissioned to create an Integrated Enterprise wide Human Resources (HR) Management system, which would help the company achieve a reduced time to market and address other business issues for the company. In addition to providing best in class skills, Hexaware intends to deploy its tools and IPs to help lower the total cost of ownership for the company. The knowledge derived from this engagement will further strengthen the position of Hexaware as an expert in the HRM / Human Capital Management (HCM) space.

In Q3 '09, Hexaware emerged as a preferred partner for one of its largest customers in the Healthcare and Life sciences Vertical to support a portfolio of its internal corporate applications, including Finance, HR and other applications. Spanning over a term of 5 years, Hexaware will also help construct state of the art MIS reporting systems, adopting the blend of its IP-based approach and bringing in an optimal mix of the domain knowledge in the Healthcare space, coupled with its expertise in the ERP and Business Intelligence services. This contract global in nature, will support the customer in over 100+ countries covering the US, Europe and Asia Pac.

Hexaware has been awarded a five year contract extension from an existing 'Top 10' customer who is a major financial services provider in continental Europe for providing IT Application Management, support and development services. Hexaware will be responsible for enhancing and maintaining the customer's systems, contracts, refinancing, asset management, partner data and collections systems along with being the preferred integration partner to provide integration solutions for all other products and applications in the IT Landscape. This client has been Hexaware's strategic customer for seven years now and the extension was bagged this quarter. Hexaware has already helped this customer migrate from legacy applications to the latest technology based



- Financial Release September 30, 2009

platforms. The engagement will help the customer further reduce costs and control these on an ongoing basis, in addition to providing them 24/7 support.

In the quarter ending September 2009, Hexaware bagged a multi-year deal with a leading financial services firm. Through this multi-million dollar engagement, Hexaware would drive the transformational initiative at this global giant to restructure their IT department and deliver significant cost savings. Hexaware would perform services across all its horizontal competencies and would demonstrate intensive knowledge in the BFSI vertical and Enterprise Solutions horizontal.

In the previous quarter, Hexaware successfully completed the transitioning phase of a multi-million outsourcing engagement with a leading global system integrator. This multi-year order was bagged in the face of stiff competition primarily on account of Hexaware's extensive domain knowledge in verticals such as Travel and Manufacturing and strength in multitude of service offerings including ERP, Business Intelligence, Business Technology Optimization (Testing) and Remote IMS. The successful roll-out of the transition phase enhanced the immediate financial savings, strengthening the strategic relationship with Hexaware and opening further avenues of growth with this Fortune 500 giant.

Forex Cover

The Company has forward contracts worth USD 103 mn at an average rate of Rs. 40.60 spread over the next four quarters. For the subsequent four quarters, the company has hedges worth USD 19 mn at an average rate of Rs. 49.94 and hedges worth EUR 5 mn at an average rate of Rs. 73.34.

Pricing

The average billing rate per hour for the quarter improved to \$70.12 / hour for onsite services and \$23.74 / hour for offshore projects.

Human Resources

Global headcount at the end of Q3 '09 stood at 5,006. Technical personnel comprised 87.6% of the total work force. Attrition stood at 19.5 % on an annualized basis.

During the past quarter, 116 engineering graduates selected on campuses joined Hexaware. They are currently undergoing a rigorous training program under the aegis of Hexavarsity, the in-house university at Hexaware and would be inducted into the billable pool in early 2010.

Corporate Updates

In Q3 '09, Hexaware announced the launch of a new service offering - ERP Shared Services Support. Through this 24x7 service offering, Hexaware will provide maintenance and support services for ERP applications including SAP, PeopleSoft and Oracle E- Business Suite using a common pool of highly skilled consultants. In addition to ensuring 100% utilization of resources, this alternative delivery model will also provide demand based pricing flexibility, scalability of services and predictability of IT expenditure for the customers.

Awards and Recognition

Hexaware was ranked 18th in the NASSCOM Top 20 IT Software and Services Exporters from India (2008-2009).

Hexaware Technologies has been selected for a "Special Commendation" by the Jury for the Golden Peacock Award for Excellence in Corporate Governance for the year 2009.



- Financial Release September 30, 2009

Hexaware ranked among the Top 20 Best IT employers in India by DQ-IDC for five years in a row. Hexaware was ranked 15th and was rated highly on different parameters in the survey, including a noteworthy mention on women constituting 28% of Hexaware's overall workforce.

Hexaware was presented the CIO 100 Ingenious award by IDG at the 4th Annual CIO 100 Symposium and Awards Ceremony for HexaPower - An integrated suite of processes, applications and interfaces addressing the internal system automation using PeopleSoft as a core engine.

Hexaware Technologies was covered in a Gartner's report "The Gartner BI, PM and IM Services Vendor Guide" by Susanne Matson et al, 10 September 2009.

Hexaware was covered in a Gartner's report "BPO for Analytics in Banking and Investment Services" by Peter Redshaw, 18 August 2009.

Forrester Research, Inc. mentioned Hexaware as one of the new players growing in scale in their August 2009 report on 'How Europeans Tune Global IT Service Delivery Models'.

About Hexaware

Hexaware is a leading global provider of IT & BPO services and consulting. The Company focuses on key domains such as Banking, Financial Services, Insurance, Travel, Transportation, Hospitality, Logistics, Manufacturing, Life Sciences and Healthcare. Our business philosophy, "Your Success is Our Focus", is demonstrated through the success we ensure for our clients. Hexaware focuses on delivering business results, and leveraging technology solutions by specializing in Business Intelligence & Analytics, Enterprise Applications, Testing and Legacy Modernization. Founded in 1990, Hexaware has a well-established global delivery model armed with proven proprietary tools and methodologies, skilled human capital and SEI CMMI-Level 5 certification. For additional information logon to www.hexaware.com

Safe Harbour Statement

Certain statements on this press note 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				
	Q3 09	Q2 09	QoQ%	Q3 FY08	YoY%
Gross Revenues	2,632	2,591	1.6%	2,946	-10.7%
Direct Costs	1,365	1,357	0.6%	1,712	-20.3%
Gross Profit	1,267	1,234	2.7%	1,234	2.6%
Selling / General And Administr	644	676	-4.7%	841	-23.4%
EBITDA	623	558	11.7%	393	58.5%
Depreciation and Amortization	67	71	-5.4%	67	0.2%
Operating Profit = EBIT	555	486	14.2%	326	70.5%
Other Income (net)	77	71	9.1%	47	66.1%
Forex (Gains) / Losses#	198	116	70.1%	246	-19.8%
Profit Before Tax	435	441	-1.4%	126	245.5%
Provision for Tax	21	46	-53.4%	11	99.9%
Profit After Tax	413	395	4.7%	115	259.1%

Key Ratios	Q3 09	Q2 09	QoQ	Q3 FY08	YoY
Gross Margin	48.1%	47.6%	0.5%	41.9%	6.2%
SG&A to Revenue	24.5%	26.1%	-1.6%	28.6%	-4.1%
EBITDA	23.7%	21.5%	2.1%	13.3%	10.3%
Operating / EBIT Margin	21.1%	18.8%	2.3%	11.1%	10.0%
Profit before tax	16.5%	17.0%	-0.5%	4.3%	12.3%
Profit after Tax	15.7%	15.2%	0.5%	3.9%	11.8%
EPS-INR					
Basic	2.88	2.75	0.13	0.80	2.08
Diluted	2.79	2.70	0.09	0.80	1.99

Q3 09 : Forex Losses include MTM losses of Rs. 58.82 Mn (2.24% of revenue) pertaining to \$18.92 mn ineffective hedges

Q2 09 : Forex Losses include MTM gains of Rs. 34.31 Mn (1.32% of revenue) pertaining to \$13.50 mn ineffective hedges

Q3 08 : Forex Losses include MTM losses of Rs. 204.75 Mn (6.95% of revenue) pertaining to \$29.50 mn ineffective hedges

Consolidated Income Statement (as per Indian GAAP) INR Mn

Head	YTD 09	YTD 08	YoY%
Gross Revenues	7,865	8,461	-7.0%
Direct Costs	4,208	5,322	-20.9%
Gross Profit	3,658	3,138	16.6%
Selling / General And Administrative	2,086	2,461	-15.3%
EBITDA	1,572	677	132.2%
Depreciation and Amortization	206	214	-3.8%
Operating Profit = EBIT	1,366	463	195.2%
Other Income (net)	226	127	78.3%
Forex (Gains) / Losses#	512	91	461.6%
Profit Before Tax	1,081	499	116.8%
Provision for Tax	100	80	25.3%
Profit After Tax	981	419	134.1%

Key Ratios	YTD 09	YTD 08	YoY
Gross Margin	46.5%	37.1%	9.4%
SG&A to Revenue	26.5%	29.1%	-2.6%
EBITDA	20.0%	8.0%	12.0%
Operating / EBIT Margin	17.4%	5.5%	11.9%
Profit before tax	13.7%	5.9%	7.8%
Profit after Tax	12.5%	5.0%	7.5%
EPS-INR			
Basic	6.83	2.92	3.91
Diluted	6.61	2.89	3.72

Consolidated Balance Sheet (as per Indian GAAP)		INR Mn		
Head	As at Sept 30 2009	As at June 30 2009	As at Sept 30 2008	
Liabilities				
Equity Share Capital	288	288	288	
Reserves	8,460	8,135	7,417	
Forex MTM	(748)	(941)	(1,020)	
Borrowings	180	192	188	
Total	8,180	7,674	6,873	
Assets				
Gross Fixed Assets				
Gross Fixed Assets	5,859	5,849	5,408	
Less: Depreciation	1,389	1,333	1,164	
Net Fixed Assets	4,470	4,516	4,244	
Current Assets				
Cash and cash equivalent	4,019	3,806	2,440	
Debtors	1,606	1,516	2,260	
Others	1,112	1,118	1,278	
Total Current assets	6,737	6,440	5,978	
Current Liability - Forex (MTM)	865	1,035	1,281	
Other Current Liabilities	2,320	2,355	2,141	
Deferred Tax	159	108	73	
Total	8,180	7,674	6,873	

Performance Review

Revenue Growth	INR, Mn	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
Revenue from Operations		2,631.6	2,590.6	2,643.1	3,058.6	2,946.2	11,519.2
% , q-o-q		1.6	(2.0)	(13.6)	3.8	3.6	10.8
Other Income		77.4	70.9	78.1	54.4	46.6	163.6

Vertical Split	%	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
BFSI		41.9	40.4	41.7	40.5	38.8	41.1
TTHL		17.1	17.1	17.1	15.4	15.1	16.5
Emerging Segments		29.4	30.4	29.2	32.1	31.4	28.8
Others		11.6	12.1	12.0	12.0	14.7	13.8
Total		100.0	100.0	100.0	100.0	100.0	100.0

Service Lines Split	%	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
Application Devt & Maint (ADM)		46.6	44.7	44.0	40.4	38.8	39.2
Enterprise Application Services (EAS)		26.3	26.7	28.3	29.4	33.6	32.4
Testing / BTO (Business Technology Optimisation)		11.4	13.9	13.1	16.3	13.6	15.9
Business Intelligence & Analytics		7.4	6.7	6.4	6.6	7.3	5.8
BPO		6.7	7.0	6.8	6.0	5.3	5.3
Others		1.6	1.0	1.4	1.3	1.4	1.5
Total		100.0	100.0	100.0	100.0	100.0	100.0

Geography	%	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
Americas		64.6	65.2	66.1	67.6	64.1	64.8
Europe		29.2	27.7	26.1	26.0	30.2	29.0
RoW		6.2	7.1	7.8	6.4	5.7	6.2
Total		100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix	%	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
Onsite		60.6	58.9	58.8	62.6	62.6	63.4
Offshore		39.4	41.1	41.2	37.4	37.4	36.6
Total		100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business	%	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08
		96.4	97.3	93.4	90.2	89.8

Clients billed	No	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08
		159	166	168	178	177

Clients added	No	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08
		9	10	9	12	4



DSO	Days	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	
		57	57	62	63	67	
Billing Rates	USD/Hour*	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
	Onsite	70.12	68.28	66.22	66.35	68.73	68.39
	Offshore	23.74	23.02	22.43	22.46	23.36	23.32
Revenue Concentration	%*	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
	Top 1	11.5	12.6	11.9	13.1	13.6	12.6
	Top 5	34.7	33.7	34.2	32.7	30.6	32.1
	Top 10	50.6	49.9	50.0	48.1	46.9	47.9
Client Size	Nos.**	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	
	More than USD 1 Mn +	47	49	51	56	56	
	Between USD 1 to 5 Mn	38	40	40	43	43	
	Between USD 5 to 10 Mn	6	6	7	9	9	
	Over USD 10 Mn	3	3	4	4	4	
People Numbers	%age***	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	
	Billable Personnel						
	Onsite	19.2%	18.7%	17.9%	18.6%	18.7%	
	Offshore	68.4%	68.8%	69.4%	68.1%	68.6%	
	Total	87.6%	87.5%	87.3%	86.7%	87.3%	
	Marketing (Incl. Sales Support)	2.6%	2.5%	2.2%	2.3%	2.3%	
	Others (Incl. Tech. Support)	9.8%	10.0%	10.5%	11.0%	10.4%	
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%		
Utilization	%*	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
		75.7	74.8	72.2	73.8	65.9	67.1
Attrition Rate	%*	Q3 FY 09	Q2 FY 09	Q1 FY 09	Q4 FY 08	Q3 FY 08	FY 08
		19.5	16.9	17.2	28.5	28.3	27.9

* These metrics do not include Focus Frame and Caliber Point

** Computed on a trailing 12 months

*** Excludes head count of Caliber Point

Details of Cash and Bank (Global)

	INR Mn		
Bank Name	Current Account	Deposit Account	Total
State Bank of India	1.01	626.80	627.81
IDBI Bank Ltd	38.56	545.27	583.82
Oriental Bank of Commerce	-	556.92	556.92
Standard Chartered Bank	-	474.57	474.57
Axis Bank	-	212.74	212.74
Bank of America	201.27	-	201.27
The Royal Bank of Scotland	92.82	87.50	180.32
Bank of India	-	156.77	156.77
CITI Bank	29.33	-	29.33
Dresdner Bank	6.56	21.99	28.55
National Australia Bank Ltd	8.92	16.80	25.72
DBS bank	18.66	-	18.66
ING Bank	17.11	-	17.11
HSBC Bank Ltd	14.55	0.11	14.66
Dena Bank	-	14.62	14.62
SBI	-	10.12	10.12
Handelsbanken	9.63	-	9.63
Metropolitan Bank	8.99	-	8.99
BANAMEX	8.41	-	8.41
Andhra Bank	7.22	0.71	7.93
HDFC Bank Ltd	7.87	-	7.87
Punjab National Bank	-	5.22	5.22
Scotia Bank	4.82	-	4.82
Rabo	4.43	-	4.43
Deutsche Bank	3.48	-	3.48
Mizuho Bank	2.97	-	2.97
CIC Paris Boetie	2.16	-	2.16
UBS Bank	1.60	-	1.60
Societe Generale	1.41	-	1.41
ICICI bank Ltd	1.13	-	1.13
Silicon Valley Bank	0.91	-	0.91
UCO Bank	0.23	-	0.23
Canara Bank	0.14	-	0.14
ABN Amro Bank	0.07	-	0.07
Wells Fargo Bank	0.00	-	0.00
CASH	0.15		0.15
<i>Remittance in Transit</i>	1.32		1.32
Grand Total	495.70	2,730.14	3,225.84

Details of Investments in Mutual Funds

	INR Mn
Kotak Mutual Fund	270.41
IDFC mutual Fund	265.83
Fortis Mutual Fund	157.93
ICICI Prudential Mutual Fund	95.28
HDFC Mutual Fund	3.52
Grand Total	792.97