

FY 2009 - Annual Results

Analyst Meet

Mumbai

February 2010

Safe Harbour

Certain statements on this presentation 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, 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

Headlines

Headlines – for FY 2009

- Revenue from operations stood at Rs. 10,386 mn (\$ 214.7 mn)
 - Y-o-Y decrease of 9.8% in INR terms and Y-o-Y decrease of 18.3% in \$ terms
- Net Profit after Tax at Rs. 1,342 mn (\$ 27.9 mn)
 - Y-o-Y increase of 127.5% in INR terms and Y-o-Y increase of 107.4 % in \$ terms
- Operating Margin for the year 2009 increased to 16.9%, up from 8.2% in FY '08
- Board recommends final dividend of 40%; total dividend of 70% recommended for 2009 as against 50% for 2008
- Days sales outstanding (DSO) improved from 63 days last year to 56 days in Q4 '09
- Total headcount stood at 5,137 at the end of the year
- 35 new clients added during the year
- 157 active clients; 4 clients billed more than \$10 million during the year

Headlines – for Q4 2009

- Hexaware met revenue guidance with revenues of Rs. 2,520 mn (\$ 54 mn)
 - Q-o-Q decrease of 4.2% in INR terms and Q-o-Q decrease of 0.9% in \$ terms
- Net Profit after Tax was Rs. 360 mn (\$7.7 mn)
 - Q-o-Q decrease of 12.8% in INR terms and Q-o-Q decrease of 9.4% in \$ terms
- Gross Margin stood at 43.1% and PAT margin was at 14.3%
- Cash & Cash Equivalents increased to Rs. 4,262 mn (\$ 91.6 mn), an increase of Rs. 243 mn (\$8.1 mn) over the last quarter
- 7 new clients added during the quarter of which 5 are Fortune 500 corporations
- Days sales outstanding (DSO) further improved to 56 days
- Global headcount stood at 5,137; up by 131 from 5,006 last quarter

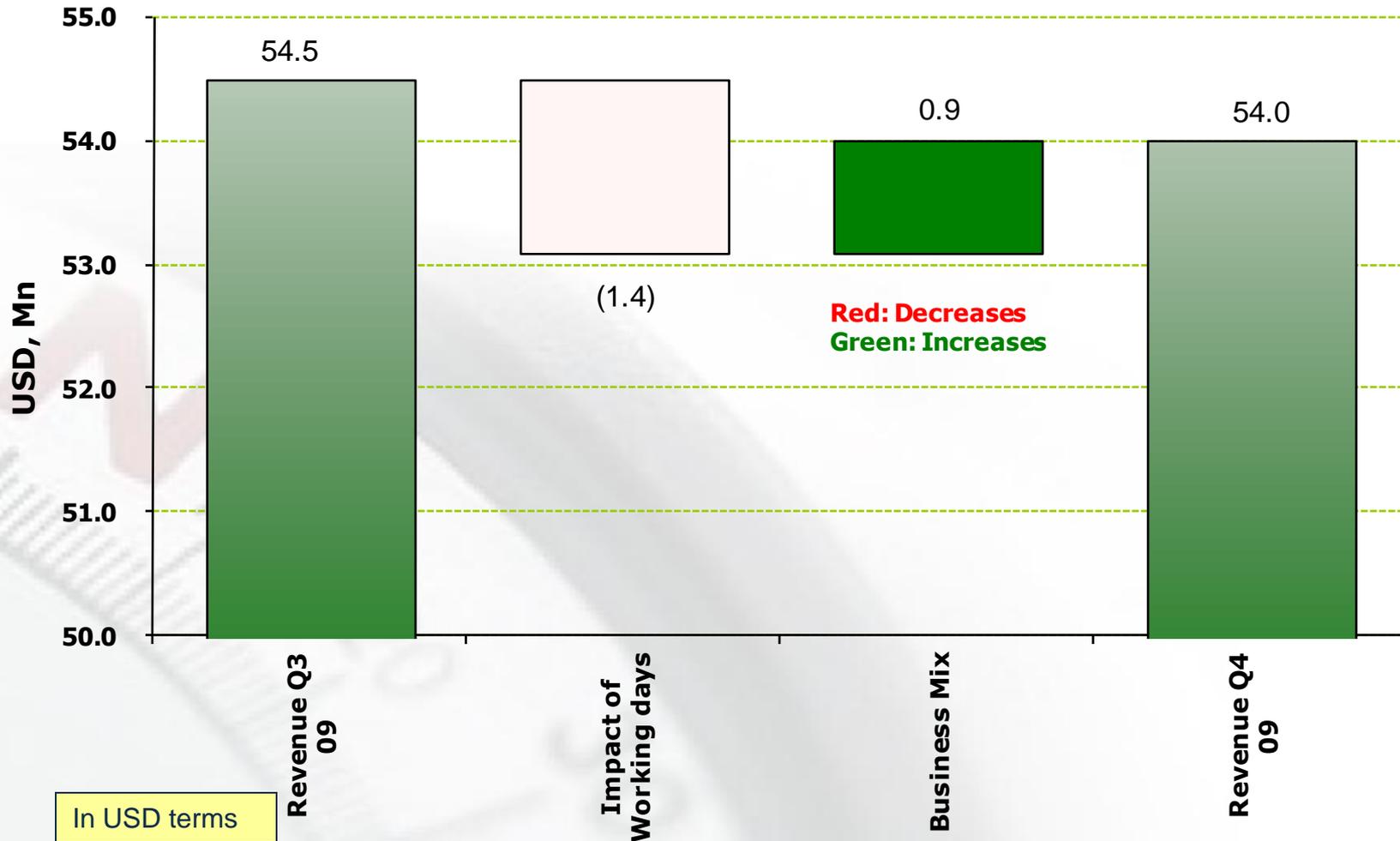
Financial Performance

Q4 2009 – P&L (in INR Mn)

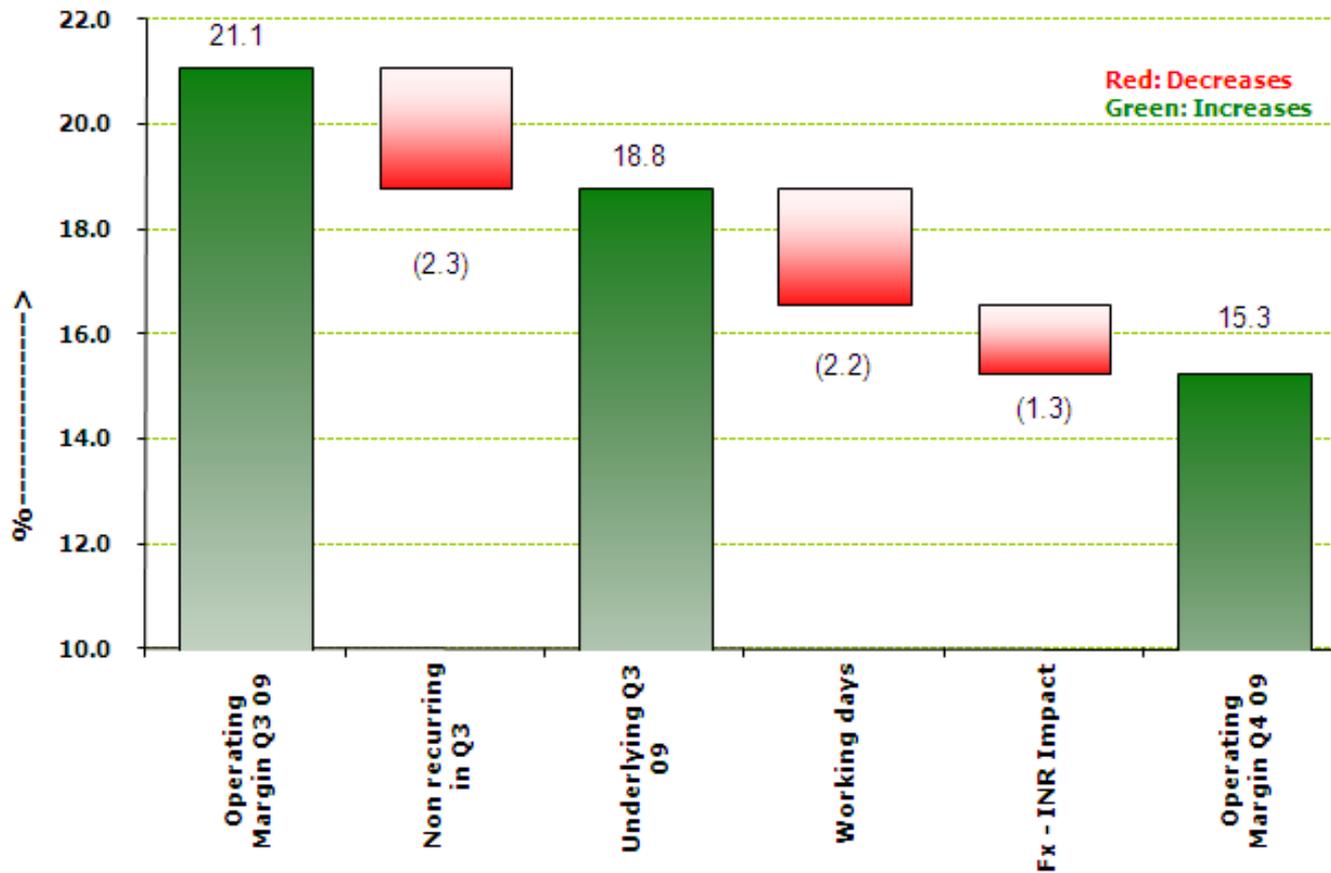
Consolidated Income Statement (as per Indian GAAP)					INR Mn
Head	Quarterly Data				
	Q4 09	Q3 09	QoQ%	Q4 08	YoY%
Gross Revenues	2,520	2,632	-4.2%	3,059	-17.6%
Direct Costs	1,435	1,365	5.1%	1,739	-17.5%
Gross Profit	1,086	1,267	-14.3%	1,319	-17.7%
SG&A Costs	635	644	-1.5%	770	-17.5%
EBITDA	451	623	-27.6%	550	-18.0%
Depreciation and Amortization	65	67	-3.5%	70	-6.8%
Operating Profit = EBIT	386	555	-30.5%	480	-19.7%
Other Income (net)	84	77	8.4%	54	54.2%
Forex (Gains) / Losses#	105	198	-46.7%	288	-63.4%
Profit Before Tax	364	435	-16.3%	246	47.9%
Provision for Tax	4	21	-82.1%	75	-94.9%
Profit After Tax	360	413	-12.8%	171	110.7%

Key Ratios	Q4 FY09	Q3 FY09	QoQ	Q4 FY08	YoY
Gross Margin	43.1%	48.1%	-5.1%	43.1%	-0.1%
SG&A to Revenue	25.2%	24.5%	0.7%	25.2%	0.0%
EBITDA	17.9%	23.7%	-5.8%	18.0%	-0.1%
Operating / EBIT Margin	15.3%	21.1%	-5.8%	15.7%	-0.4%
Profit before tax	14.5%	16.5%	-2.1%	8.1%	6.4%
Profit after Tax	14.3%	15.7%	-1.4%	5.6%	8.7%

Q4 2009 – Revenue Analysis



Q4 2009 – Operating Margin Analysis



In % of revenue terms

FY 2009 – P&L (in INR Mn)

Consolidated Income Statement (as per Indian GAAP)			INR Mn
Head	FY 09	FY 08	YoY%
Gross Revenues	10,386	11,519	-9.8%
Direct Costs	5,642	7,061	-20.1%
Gross Profit	4,743	4,458	6.4%
Selling / General And Administration	2,720	3,231	-15.8%
EBITDA	2,023	1,227	64.9%
Depreciation and Amortization	271	284	-4.6%
Operating Profit = EBIT	1,752	943	85.8%
Other Income (net)	310	181	71.1%
Forex (Gains) / Losses#	617	379	62.6%
Profit Before Tax	1,445	745	94.0%
Provision for Tax	103	155	-33.4%
Profit After Tax	1,342	590	127.5%

Key Ratios	YTD 09	YTD 08	YoY
Gross Margin	45.7%	38.7%	7.0%
SG&A to Revenue	26.2%	28.0%	-1.9%
EBITDA	19.5%	10.7%	8.8%
Operating / EBIT Margin	16.9%	8.2%	8.7%
Profit before tax	13.9%	6.5%	7.4%
Profit after Tax	12.9%	5.1%	7.8%
EPS-INR			
Basic	9.34	4.11	5.23
Diluted	9.00	4.07	4.93

Balance Sheet (as at December 31, 2009)

Consolidated Balance Sheet (as per Indian GAAP)

INR Mn

Head	As at Dec 31 2009	As at Sept 30 2009	As at Dec 31 2008
Liabilities			
Equity Share Capital	290	288	288
Reserves	8,613	8,460	7,572
Forex MTM	(405)	(748)	(1,234)
Borrowings	163	180	195
Total	8,660	8,180	6,820
Assets			
Gross Fixed Assets	5,762	5,859	5,700
Less: Depreciation	1,404	1,389	1,202
Net Fixed Assets	4,358	4,470	4,498
Current Assets			
Cash and cash equivalent	4,262	4,019	2,849
Debtors	1,526	1,606	2,065
Others	1,113	1,112	1,035
Total Current assets	6,901	6,737	5,950
Current Liability - Forex (MTM)	444	865	1,269
Other Current Liabilities	2,265	2,320	2,442
Deferred Tax	110	159	84
Total	8,660	8,180	6,820

Q4 2009 – Financial Update

- The cash balance increased by INR 243m sequentially to INR 4,262m at the end of Q4 2009
- The investments comprise of INR 2,599m and INR 1,269m
- Capital expenditure: **Rs 46.1 mn** (Rs 32.7 mn last quarter)
- DSO stays improves further to **56 days**
- Net Worth at INR 8,497 mn (INR 59.0 per share)
- Net Cash per share: INR 28.5

Update on For-Ex & Tax Rates

- For-Ex:
 - The Company has forward contracts worth USD 70.5 mn at an average rate of Rs. 40.58 spread over the next three quarters.
 - For the subsequent nine quarters, the company has hedges worth:
 - USD 60 mn at an average rate of Rs. 47.45
 - EUR 17 mn at an average rate of Rs. 70.75
- Tax Rate:
 - Benefit of business mix & consolidation of entities
 - Benefit of TP study

Business Updates

Key Highlights of 2009

- Improvement in technical utilization; Attained a level of ~ 75%
- Reduced SG&A on a y-o-y basis despite strengthening the focus Verticals and Horizontals
- Closed the year with PAT of USD 27.9m; after FX-related losses of USD 12.6m in 2009
- Added 330 fresh graduate engineers in H2 2009; back in hiring mode

Key Initiatives

- Launch of Remote IMS in Q2 2009
 - Currently servicing 11 customers
- Launch of Shared Services Delivery Model in H2 2009
 - Currently servicing 4 customers
- Innovation Council
 - First Commercial Sale of Hexaware's own IP framework (Akiva)
- Strengthening the front-end
 - Investments made in BPO & for practice building beyond HRO and Healthcare

Business Areas

- Focussed Verticals:
 - Banking, Capital Markets and Insurance
 - Travel (Airlines), Transportation and Logistics
 - Healthcare and
 - Manufacturing
- Existing Arrowheads
 - ERP – Peoplesoft, Oracle and SAP
 - Quality Assurance & Testing Services
 - Business Intelligence / Business Analytics (BA/BI)
 - Business Process Outsourcing (BPO)
 - Remote Infrastructure Management Services (IMS)

Strengthening the Horizontals Front-End

– Enterprise Solutions

- Added practitioners in the Americas and in the United Kingdom

– BPO

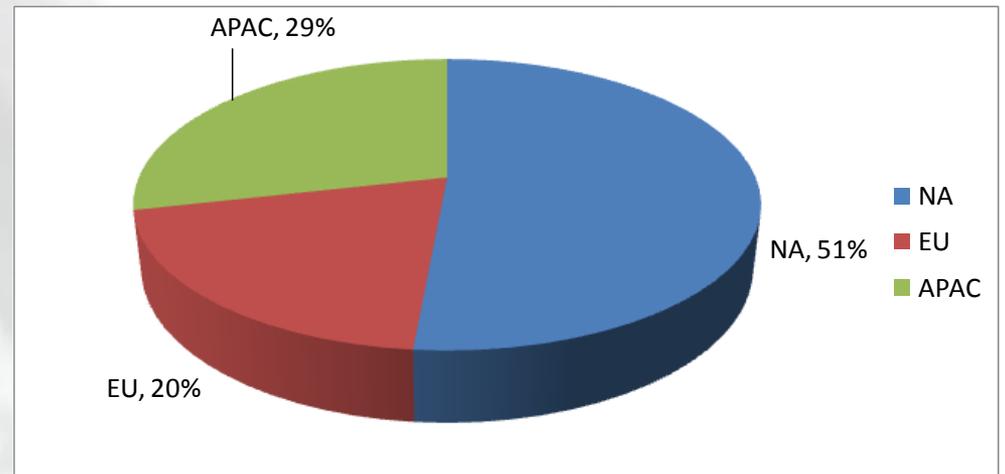
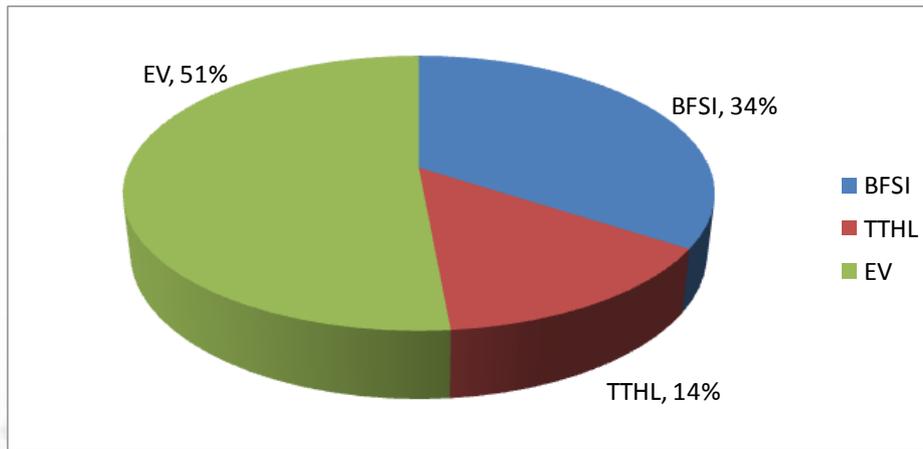
- Recruited the practice head for F&A Outsourcing
- Inducted the practice head for HRO Services
- Added the practice head for Analytics
- Strengthened the field sales organization
 - 1 for FSO and 1 for FAO in Americas
 - 2 for HRO; 1 in Americas and 1 in UK

– Quality Assurance & Testing Services

- New Global Head

New Client Additions in 2009

- 35 clients added in 2009



Healthy mix across all Geographies and Verticals

Summary

- **Q1 2010 Guidance**

- We expect revenues in USD 48.0m – USD 50.0m range
- Exchange Rates:
 - 1 GBP = 1.60 USD and 1 EUR = 1.40 USD
- While Q1 '10 will be soft, we expect the revenue growth to pick up from Q2 '10