

Hexaware – Q3 2009 Results

Analyst Meet

**October 2009
Mumbai**

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

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 (\$ 79.5 mn) in the previous quarter**

Financial Performance

Q3 - P & L (in INR)

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

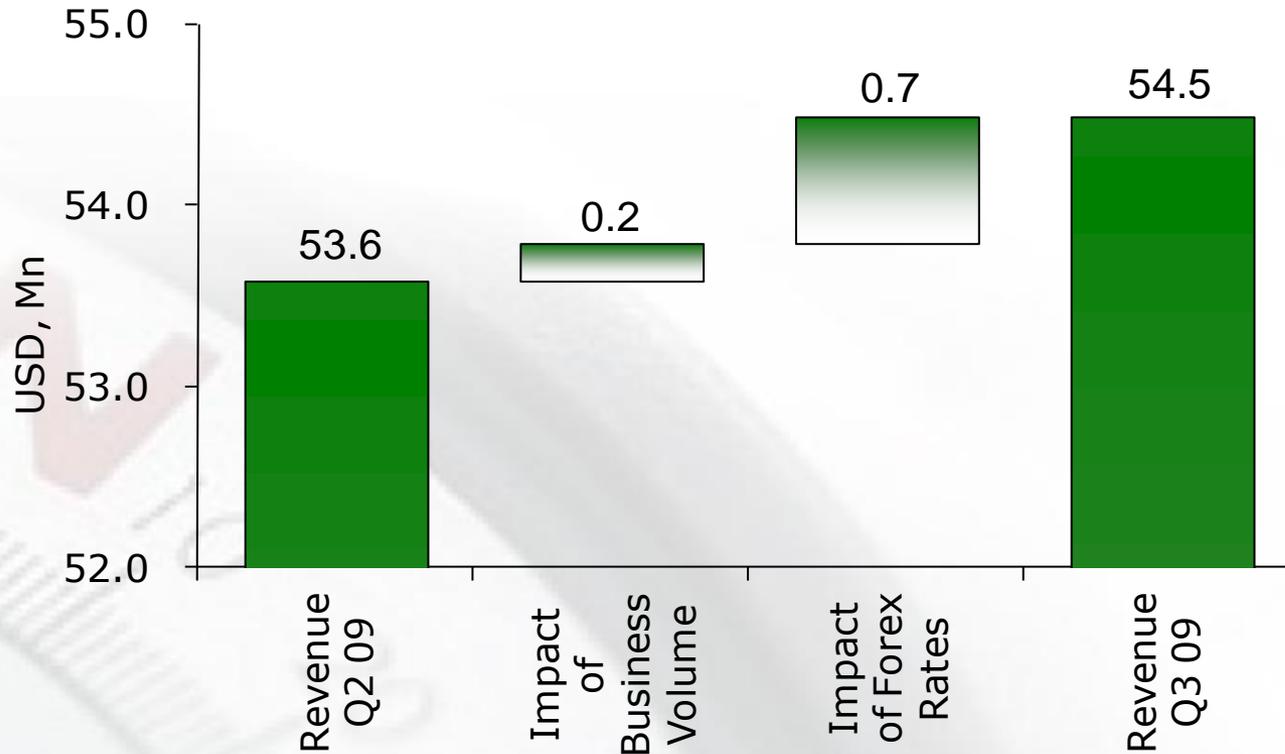
Q3 09 : Forex Losses include MTM losses of Rs. 58.82 Mn (2.24% of revenue) pertaining to \$18.92 mn ineffective hedges

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

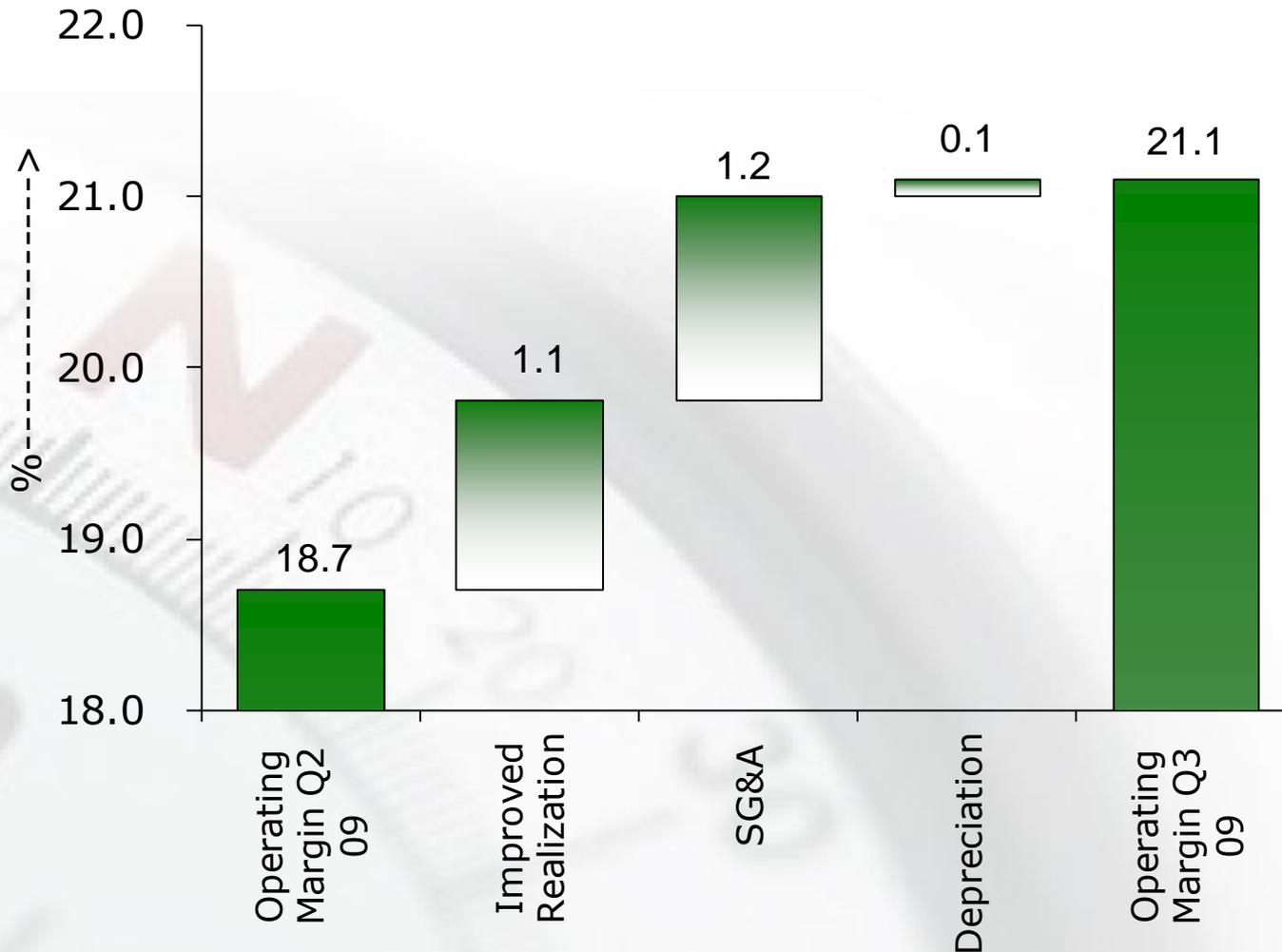
Q3 08 : Forex Losses include MTM losses of Rs. 204.75 Mn (6.95% of revenue) pertaining to \$29.50 mn ineffective hedges

- USD revenue ↑1.7% QoQ; INR revenue ↑1.6% QoQ.
- USD revenue ↓17.8% YoY; ↓10.7% in INR, diff due to 7.9% benefit from FX.
- QoQ reduction in SG&A includes reversal of provision
- ETR : 4.7% this quarter vs 10.4% last quarter and 9.8% in Q308; Lower due to reversal of Fringe Benefit Tax booked in Q2 and benefit in US & UK entities.

Q3 2009 – Revenue Variance Analysis



Q3 2009 – EBIT Margin Variance Analysis



Balance sheet (INR)

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	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

Q3 2009 – Financial Strength

- The cash balance increased by INR 213m sequentially to INR 4,019m at the end of Q3 2009
- The investments increase to INR 3,523m
- Capital expenditure: **Rs 32.7** mn (Rs 44.5 mn last quarter)
- DSO stays flat at 57 days
- Net Worth at INR 8,000 mn (INR 55.7 per share)
- Cash per share: INR 26.7

Update on For-Ex & Tax Rates

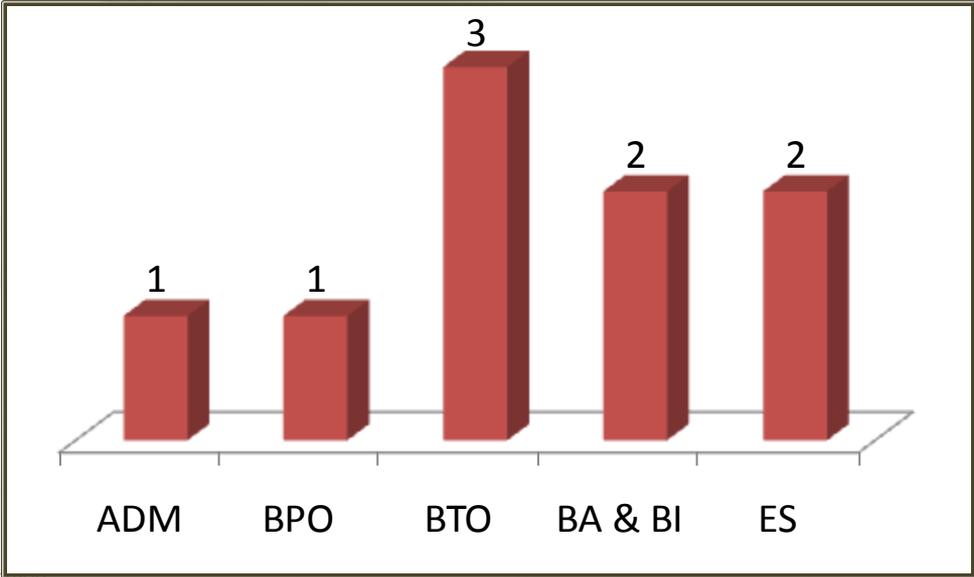
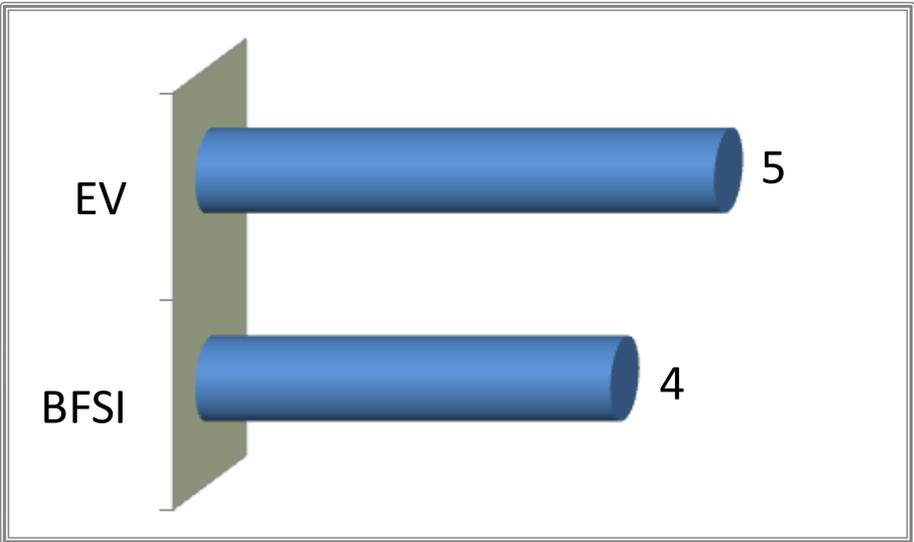
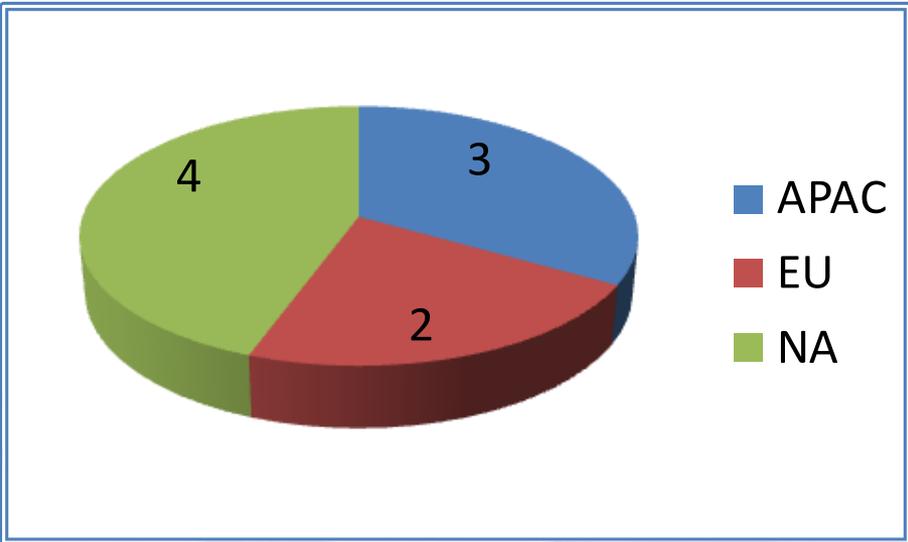
- For-Ex:
 - The Company has forward contracts worth USD 103 mn at an average rate of Rs. 40.60 spread over the next four quarters.
 - For the subsequent four quarters, the company has hedges worth:
 - USD 19 mn at an average rate of Rs. 49.94
 - Hedges worth EUR 5 mn at an average rate of Rs. 73.34.
- Tax Rate:
 - Lower due to reversal of Fringe Benefit Tax booked in Q209 and benefit of business mix & consolidation of entities

Operational Performance

Q3 2009 - Metrics

- **9** new Hexaware clients added in the quarter; 159 active clients
- Repeat Business at **96.4%** (**97.3 %** in previous quarter)
- Bill rates averaged **\$70.12/ hour** (\$66.28 in Q2 09 an increase of 2.0%) and **\$23.74/ hour** (\$23.02 in Q2 09 an increase of 2.18%) for onsite and offshore work respectively
- Global Headcount stood at **5,006** against 5,041 in the previous quarter. Inducted **116 trainees** in September 2009
- Technical Utilization improves by **90 bps to 75.7%**

Q3 09 New Client Addition – Segment



Deals Closed in Q3 2009

- 3 deals with TCV > USD 15m each
 - Life Sciences & Healthcare Space in the Americas
 - BFSI Space in Europe
 - BFSI Space in Americas
- 2 deals with TCV > USD 5m each
 - TTHL Space in the Americas
 - Emerging Vertical in the Americas

Deals worth in excess of USD 80m signed up in Q3 2009

Sales & Marketing - Investments made

- Investments made in 2009
 - 7 new sales members in Americas
 - 2 in Banking
 - 2 in Capital Markets
 - 1 in Manufacturing
 - 2 in Life Sciences & Healthcare
 - 4 new sales members in Caliber Point
 - 1 for FSO and 1 for FAO in Americas
 - 2 for HRO; 1 in Americas and 1 in UK
 - 5 new sales members in the APAC region
 - Hunters in the BTO Organization

Investments continue to be made ...

- In Q1 2009, Hexaware **Launched Remote IMS** as a new horizontal
- In H1 2009, Hexaware has invested in **establishing Life Sciences & Manufacturing Verticals** from Sales & Execution perspective
- 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 & Recognitions

- 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.
- Hexaware ranked among the Top 20 Best IT employers in India by DQ-IDC for five years in a row now. 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 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.

Awards & Recognitions

- 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'.

Summary

- **Q4 2009 Guidance**

- Same guidance as for Q3 2009
- We expect revenues in USD 52.5m – USD 54.5m range

Thank You