

Hexaware's Second Quarter Net Profit rises by 37%

Strengthens client relationship team to accelerate account growth
Country heads appointed for Germany and Canada
Expands its solutions in HR-IT and asset management platforms

Mumbai – July 19, 2005: Hexaware Technologies Ltd, a leading SEI CMMI Level 5 global IT Services company, today announced financial results for its second fiscal quarter ended June 30, 2005.

Revenue for the quarter was Rs 1670.11 million, up 25.8% versus Q2 04 revenue of Rs 1327.40 million.

Net profit for the second quarter increased to Rs 194.55 million, up 37% versus Q2 04. Operating Margins at 11.8% of revenue compared to 10.2% in the corresponding quarter for last year.

Significant Highlights for Q2

- 9 new clients were added during the quarter including 5 PeopleSoft services clients
- Adds new orders worth more than \$28million
- Total headcount for Hexaware and its subsidiaries increased to 4271, up by 227 from last quarter and up by 1392 in Q2 of last year
- Salaries increased from April' 05 – an average of 15% for offshore and 4% for onsite personnel
- Country heads for Germany and Canada appointed
- Moves up 5 places to 12th position in NASSCOM TOP 20 rankings for IT Software and Service Exporters in India

"While we experienced slower than anticipated revenue growth during the second quarter, we remain confident in our ability to build upon our leadership position. Our strategies and key focus areas will continue to yield results in coming quarters as in the past," said **Atul Nishar**, Chairman, Hexaware, adding, "Hexaware has an extremely capable and committed management team that will ensure achieving of our business objectives."

"Delays in commencement of some projects and lower than expected revenues from new clients led to flat revenue growth," stated **Rusi Brij**, Vice-Chairman and CEO. He further added, "Our business strategy remains fundamentally sound, and we believe these issues are now behind us and the company will return to stable growth from next quarter."

Company Operations and Significant Projects

The new order book for the second quarter of 2005 was more than \$28 million. The Company acquired 9 new clients during the quarter. In all, the Company had 115 active clients at the end of the quarter. Of these 38 are Fortune 500/ Global 500 clients.

For the quarter, Hexaware had 28 'million dollar' clients. 4 Clients were \$5-\$10 million in size and another 4 were more than \$10 million in size.

Hexaware has appointed dedicated leadership to these accounts to establish and enhance project execution and account proliferation.

The Company continues to expand its solutions in HR-IT and Asset Management platforms. During the quarter, the Company won 5 key accounts in the PeopleSoft space and one for its SAP practice and for Product Life-cycle support

A large financial services provider based in North America selected Hexaware for a project to implement an asset management product in Eagle Systems, a leading Financial Services product.

Hexaware was also selected by ATHI consortium led by Thai Airports Ground Services (TAGS), to install an information technology, X-Ray and scanning system with RFID technology for the New Bangkok International Airport in Thailand.

The average blended utilization for the quarter was 66.8%.

Geographical Focus

For the quarter, North America's share was 74.9% and Europe was 21.8%. The Company has increased its scope in North America by creating 3 new sales regions in North America including Canada.

The quarter witnessed 6 significant wins from North America, 2 from Europe and 1 from APAC. A European financial services product vendor selected Hexaware for implementing its collection system product.

Human Resources

The total headcount increased to 4271 at the end of the current quarter, an increase of 227 over the preceding quarter. Technical manpower is 89.6% of the total work force. Effective April, salaries for India based personnel were increased by an average of 15% and by 4% for overseas employees.

With an effort to improve its deal closure ratio, Hexaware has constituted a new **SWAT** team to more effectively provide a consultative pre-sales focus.

Two country heads, Alexander Kaffenberger and Bala Pandalangat were appointed for Germany and Canada respectively.

Forex Cover

The company has covered itself against the impact of Rupee appreciation by adequately hedging in foreign exchange inflows. The Company has forward cover of \$81mn at an average rate of Rs 44.24.

The impact of Euro devaluation was \$0.45 million for the quarter. However, the net impact of Forex exposure for the quarter was \$ 0.35 million only.

Hexaware at a glance

Founded in 1990, Hexaware Technologies, a SEI CMMI Level 5 and BS 7799, 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. With more than 4000 people employed in Hexaware's global offices 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, the Company is among the fastest growing Indian software services company for the fiscal 2004. The Company ranked 12th in the latest NASSCOM top 20 list of IT Software and Service Exporters in India

Condensed financials statements of Hexaware Technologies Ltd are also available in the Investor Relations section on 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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Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly data				
	Q2 FY05	Q1 FY 05	Sequential Change (%)	Q2 FY04	Y-o-Y Change (%)
Gross Revenues	1,650.41	1,640.58	0.6%	1,283.11	28.6%
Direct Costs	1,031.86	1,001.64	3.0%	809.81	27.4%
Gross Profit	618.55	638.94	-3.2%	473.30	30.7%
Selling / General And Administration	370.71	360.88	2.7%	308.68	20.1%
EBIDTA	247.84	278.06	-10.9%	164.62	50.6%
Depreciation and Amortization	53.06	53.54	-0.9%	33.94	56.3%
Operating Profit	194.78	224.52	-13.2%	130.68	49.1%
Other Income (net)	18.04	26.57	-32.1%	34.89	-48.3%
Profit Before Tax	212.82	251.09	-15.2%	165.57	28.5%
Provision for Tax	18.27	18.73	-2.5%	23.56	-22.5%
Profit After Tax	194.55	232.36	-16.3%	142.01	37.0%

Head	Year To Date Data			FY 04
	H1 05	H1 04	Growth in %	
Gross Revenues	3,290.99	2,426.82	35.6%	5,458.90
Direct Costs	2,033.50	1,528.59	33.0%	3,391.99
Gross Profit	1,257.49	898.23	40.0%	2,066.91
Selling / General And Administration	731.59	601.76	21.6%	1,279.86
EBIDTA	525.90	296.47	77.4%	787.05
Depreciation and Amortization	106.60	63.15	68.8%	161.08
Operating Profit	419.30	233.32	79.7%	625.97
Other Income (net)	44.61	64.07	-30.4%	97.60
Profit Before Tax	463.91	297.39	56.0%	723.56
Provision for Tax	37.00	40.12	-7.8%	86.21
Profit After Tax	426.91	257.27	65.9%	637.35

Key Ratios	Q2 FY05	Q1 FY 05	Q2 FY04	H1 05	H1 04	FY' 04
Gross Margin	37.5%	38.9%	36.9%	38.2%	37.0%	37.9%
SGnA to Revenue	22.5%	22.0%	24.1%	22.2%	24.8%	23.4%
EBIDTA	15.0%	16.9%	12.8%	16.0%	12.2%	14.4%
Operating Margin	11.8%	13.7%	10.2%	12.7%	9.6%	11.5%
Profit before tax	12.9%	15.3%	12.9%	14.1%	12.3%	13.3%
Profit after Tax	11.8%	14.2%	11.1%	13.0%	10.6%	11.7%
EPS (INR)						
Basic	1.66	1.98	1.24	3.65	2.25	5.51
Diluted	1.57	1.82	1.09	3.46	1.98	5.03

Head	INR Mn		
	As at Jun 30 2005	As at March 31 2005	As at June 30 2004
Liabilities			
Equity Share Capital	242.98	234.84	229.14
Reserves	2,865.85	2,682.05	2,209.21
Borrowings	73.47	79.31	40.63
Total	3,182.30	2,996.20	2,478.99
Assets			
Gross Fixed Assets	1,623.80	1,566.33	1,207.82
Less: Depreciation	604.43	554.13	475.69
Net Fixed Assets	1,019.37	1,012.20	732.13
Current Assets			
Cash and cash equivalent	638.18	677.44	666.97
Debtors	1,410.22	1,363.60	936.60
Others	1,023.20	966.99	831.01
Total Current Assets	3,071.60	3,008.03	2,434.58
Total Current Liabilities	955.47	1,081.59	792.81
Working Capital	2,116.13	1,926.44	1,641.77
Deferred Tax	46.80	57.56	105.09
Total	3,182.30	2,996.20	2,478.99

METRICS
Performance Review
Revenue Growth

INR, Mn	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Revenue	1,650.41	1,640.58	1,570.11	1,461.97	1,283.11	1,143.71	5,458.90
% , q-o-q	0.6	4.5	7.4	13.9	12.2	11.3	61.0
Total, including OI (net)	1,670.11	1,669.12	1,589.20	1,476.50	1,327.42	1,172.89	5,566.01
% , q-o-q	0.1	5.0	7.6	11.2	13.2	10.1	61.8

Vertical Split

%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Airlines / Transportation	15.8	15.5	13.9	16.0	16.1	15.6	15.3
BFSI	44.4	46.8	43.8	41.6	44.1	46.6	43.9
Manufacturing (largely ERP)	33.4	31.8	37.3	37.4	34.8	32.8	35.8
Others	6.4	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	100.0

Technology Split

%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
E-Commerce/ Appl. Mgt.	41.4	44.3	42.0	40.2	41.4	43.0	41.6
R&D / Embedded	1.6	1.7	2.3	2.9	3.0	3.6	2.9
Enterprise	41.1	42.3	43.3	40.0	39.0	36.3	39.9
HR IT	7.0	3.3	3.3	2.6	3.6	3.8	3.3
Others	8.9	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	100.0

Geography

%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Americas	74.9	67.0	69.8	72.6	70.0	67.0	70.0
Europe	21.8	28.2	24.8	21.1	23.8	26.7	24.0
RoW	3.2	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	100.0

Onsite: Offshore Mix

%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
Onsite	56.1	57.2	58.4	60.5	61.7	61.0	60.3
Offshore	43.9	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	100.0

Client data
Repeat Business

%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	88.8	91.8	87.8	82.9	79.0	78.0	82.4

Clients billed

No	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	115	110	107	103	97	91	107

Clients added

No	Q1 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	9	8	12	10	8	8	38

DSO	Days	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04
		78	78	75	70	70	73

Billing Rates	USD/Hour	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	Onsite	68.05	68.75	68.88	68.68	65.00	65.00	67.40
	Offshore	21.10	21.50	21.37	21.00	21.50	22.00	21.03

Revenue Concentration	%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
	Top 1	13.1	13.6	14.1	13.4	11.3	10.0	12.4
	Top 5	42.6	47.2	43.3	41.3	40.6	45.0	42.5
	Top 10	60.2	61.9	58.6	55.4	57.3	60.0	57.7

Client Size	Nos.	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04
	More than USD 1 Mn +	28	27	25	25	25	23
	Less than USD 5 Mn	20	21	20	19	20	18
	Between USD 5 to 10 Mn	4	3	3	4	4	4
	Over USD 10 Mn	4	3	2	2	1	1

People Numbers	%age*	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04
	Billable Personnel						
	Onsite	15.0%	15.4%	15.8%	17.2%	17.9%	18.5%
	Offshore	74.6%	74.4%	73.6%	72.9%	71.6%	70.7%
	Total	89.6%	89.8%	89.4%	90.1%	89.4%	89.2%
	Marketing (Incl. Sales Support)	1.7%	1.9%	2.0%	1.8%	2.0%	2.2%
	Others (Incl. Tech. Support)	8.7%	8.3%	8.6%	8.0%	8.5%	8.6%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Excludes Head count for Specsoft and Caliberpoint

Utilization	%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
		66.8	72.0	71.2	70.0	70.0	69.0	70.0

Attrition Rate	%	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	Q1 FY 04	FY 04
		16.0	16.0	16.0	14.0	16.0	14.0	15.0