



Hexaware records a strong Third Quarter; Net Profit up by 45.4%

Net profit guidance revised upwards to \$ 19.5 million

Rated among Top 10 Best Employers by IDC-DQ

Board to meet again to consider Interim dividend

Mumbai – October 18, 2005: Hexaware Technologies Ltd, a global IT & BPO services provider, today announced financial results for its third fiscal quarter ended September 30, 2005.

The third quarter saw significant improvement in Hexaware's key service offerings and new client wins. Net profit for the third quarter jumped 45.4% over Q3 '04 - to Rs. 240.63 million. Revenue for the quarter was Rs. 1755.66 million - up 20.1% versus Q3 '04.

Significant Highlights for Q3

- 12 new clients added during the quarter; 120 active clients
- Growth in PeopleSoft services was reinforced with 7 clients added in this space
- A sequential revenue growth of 6.4% Q-o-Q; Net profit growth of 23.7% over Q2' 05
- Gross margins at 38.3% compared to 37.5% in the corresponding quarter for last year
- Operating Margins improved considerably to 13.8% of revenue compared to 11.9% in the corresponding quarter for last year
- Total headcount for Hexaware and its subsidiaries increased to 4438, up by 167 from 4271 in Q2
- Ranked 6th for overall employee satisfaction in the IDC-DQ Best Employers Survey
- Hexaware is US GAAP compliant
- Inaugurates new sales office in Japan

Business Outlook

"We witnessed a strong and promising quarter. Business grew from both new wins and more business from existing clients. More than 90% was repeat business. Our million-dollar clientele has risen to 29, with 8 clients billing over \$ 5 mn each. 37 of our active clients belong to Fortune 500 / Global 500," stated Atul Nishar, Chairman Hexaware Technologies.

"The market for Peoplesoft services has taken off again, and we are seeing robust demand for our market-leading solutions. The pipeline for both our Testing services and the recently launched Business Analytics solutions has also improved significantly. With a strengthened pre-sales team, we are confident of improving our win ratio." added Rusi Brij, Vice-Chairman and CEO.

Guidance

Annual Net Profit guidance for FY '05 has been raised to \$19.5 million from \$18 -19 million announced earlier, while maintaining the revenue outlook at \$ 153 million.



Company Operations and Significant Projects

Overall, market demand continues to be stable. With the recent launch of the new version of Peoplesoft Financials by Oracle, there is renewed interest to outsource Peoplesoft applications maintenance and upgrades. Our Peoplesoft pipeline is the strongest in the last three quarters.

Hexaware continues to dominate the offshore Peoplesoft market with 7 new wins from this space. Key projects won include implementing EPM and a global financial system, besides maintenance of HRM modules for its clients.

Of the dozen clients added during the quarter, a third each came from each of the three regions – N America, Europe, and Asia Pacific. Clients were added in each of our service offerings – Transportation, ERP, Testing, Business Intelligence, and Asset management solutions. The number of 'million dollar' clients reached 29. Clients between \$5-\$10 million were 4 and another 4 were in the over \$10 million category – the highest ever.

During the quarter, Hexaware won two contracts worth \$ 5 million from two major financial conglomerates for its Independent Testing Services. Hexaware is a Center of Excellence partner for Rational suite of testing solutions.

A leading airline from APAC region engaged Hexaware for developing interfaces between their cargo and freight systems predominantly for its Unisys USAS expertise.

Offshore volumes increased to 44.9% of revenues, with blended utilization level improving to 68% - from 66.8% in the last quarter.

With better margins recorded during the quarter, EPS has increased from Rs 1.44 in Q3' 04 to Rs 2.04 in Q3' 05.

The Company also inaugurated its new office in Tokyo, Japan. Malcolm Mehta has been appointed as the country head for Japan. The office is staffed with technical professionals as well as local language consultants. Hexaware won two large deals in Japan.

US GAAP

This quarter, Hexaware also announced its financial statements under the Generally Accepted Accounting Principles of the United States of America (US GAAP) format beginning with the years 2003 & 2004. The financials statements were audited by one of the top four Audit firms, Messer's Deloitte Haskins & Sells. Revenues, profits and net worth were higher under US GAAP as compared with Indian GAAP.

Dividend Declaration

The Board of Directors will meet on Thursday, October 27, 2005 to consider an interim dividend.

Human Resources

Hexaware's employee-oriented policies and work environment received a considerable boost in the recent IDC-Dataquest best Employer Survey. Though a first time entrant, Hexaware was ranked sixth among the Top-10 Best IT Employers in the country. Hexaware ranked among the top ten companies on many parameters like Salary (#8), Dream Company (#9), Power of Retention (#2) and Job Content (#4).

The total headcount for Hexaware and its subsidiaries at the end of the quarter was 4438. Technical manpower is 89.5% of the total work force.

The company has covered itself against the impact of Rupee appreciation by adequately hedging in foreign exchange inflows. The Company has forward cover of \$65.5mn at an average rate of Rs 44.15.

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 11th 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, 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 FY05	Q2 FY05	Sequential Change (%)	Q3 FY04	Y-o-Y Change (%)
Gross Revenues	1,755.66	1,650.41	6.4%	1,461.97	20.1%
Direct Costs	1,083.38	1,031.86	5.0%	913.54	18.6%
Gross Profit	672.28	618.55	8.7%	548.43	22.6%
Selling / General And Administration	373.89	370.71	0.9%	327.06	14.3%
EBIDTA	298.39	247.84	20.4%	221.37	34.8%
Depreciation and Amortization	56.65	53.06	6.8%	48.02	18.0%
Operating Margin	241.74	194.78	24.1%	173.35	39.5%
Other Income (net)	26.89	18.04	49.1%	27.45	-2.0%
Profit Before Tax	268.63	212.82	26.2%	200.80	33.8%
Provision for Tax	28.01	18.27	53.3%	35.27	-20.6%
Profit After Tax	240.62	194.55	23.7%	165.53	45.4%

Period Ended : 30th September

INR Mn

Head	Year to Date Data			FY' 04
	YTD 05	YTD 04	Growth in %	
Gross Revenues	5,046.65	3,888.79	29.8%	5,458.90
Direct Costs	3,116.88	2,442.13	27.6%	3,391.99
Gross Profit	1,929.77	1,446.66	33.4%	2,066.91
Selling / General And Administration	1,093.51	915.82	19.4%	1,279.86
EBIDTA	836.26	530.84	57.5%	787.05
Depreciation and Amortization	163.25	111.17	46.8%	161.08
Operating Margin	673.01	419.67	60.4%	625.97
Other Income (net)	59.52	78.52	-24.2%	97.60
Profit Before Tax	732.53	498.19	47.0%	723.57
Provision for Tax	65.01	75.39	-13.8%	86.21
Profit After Tax	667.52	422.80	57.9%	637.36

Balance Sheet

INR Mn

Head	As at Sept 30 2005	As at Jun 30 2005	As at Dec 31 2004
Liabilities			
Equity Share Capital	236.88	234.82	233.04
Share Application Money	4.33	8.16	6.20
Reserves	3,117.86	2,865.85	2,438.72
Borrowings	67.46	73.47	52.14
Total	3,426.53	3,182.30	2,730.10
Assets			
Gross Fixed Assets	1,677.95	1,623.80	1,510.95
Less: Depreciation	660.22	604.43	541.05
Net Fixed Assets	1,017.73	1,019.37	969.90
Current Assets			
Cash and cash equivalent	690.76	638.18	775.07
Debtors	1,468.29	1,410.22	1,360.58
Others	1,207.95	1,023.20	580.64
Total Current Assets	3,367.00	3,071.60	2,716.29
Total Current Liabilities	1,009.30	955.47	1,022.82
Working Capital	2,357.70	2,116.13	1,693.47
Deferred Tax	51.10	46.80	66.73
Total	3,426.53	3,182.30	2,730.10

Key Ratios	Q3 FY05	Q2 FY05	Q3 FY04	YTD 05	YTD 04	FY' 04
Gross Margin	38.3%	37.5%	37.5%	38.2%	37.2%	37.9%
SGnA to Revenue	21.3%	22.5%	22.4%	21.7%	23.6%	23.4%
EBIDTA	17.0%	15.0%	15.1%	16.6%	13.7%	14.4%
Operating Margin	13.8%	11.8%	11.9%	13.3%	10.8%	11.5%
Profit before tax	15.3%	12.9%	13.7%	14.5%	12.8%	13.3%
Profit after Tax	13.7%	11.8%	11.3%	13.2%	10.9%	11.7%
EPS (INR)						
Basic	2.04	1.66	1.44	5.68	3.71	5.51
Diluted	1.95	1.57	1.31	5.40	3.37	5.03

METRICS

Performance Review

Revenue Growth

INR, Mn	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
Revenue	1,755.66	1,650.41	1,640.58	1,570.11	1,461.97	1,283.11	5,458.90
% , q-o-q	6.4	0.6	4.5	7.4	13.9	12.2	61.0
Total, including OI (net)	1,786.29	1,670.11	1,669.12	1,589.20	1,489.42	1,327.42	5,578.93
% , q-o-q	7.0	0.1	5.0	6.7	12.2	13.2	62.2

Vertical Split

%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
Airlines / Transportation	16.3	15.8	15.5	13.9	16.0	16.1	15.3
BFSI	42.2	44.4	46.8	43.8	41.6	44.1	43.9
Manufacturing (largely ERP)	35.2	33.4	31.8	37.3	37.4	34.8	35.8
Others	6.3	6.4	5.9	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

%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
E-Commerce/ Appl. Mgt.	40.1	41.4	44.3	42.0	40.2	41.4	41.6
R&D / Embedded	1.8	1.6	1.7	2.3	2.9	3.0	2.9
Enterprise	43.1	41.1	42.3	43.3	40.0	39.0	39.9
HR IT	7.0	7.0	3.3	3.3	2.6	3.6	3.3
Others	8.0	8.9	8.5	9.2	14.3	13.0	12.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
Americas	76.7	75.0	67.0	69.8	72.6	70.0	70.0
Europe	20.0	21.8	28.2	24.8	21.1	23.8	24.0
RoW	3.3	3.2	4.8	5.4	6.3	6.2	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
Onsite	55.1	56.1	57.2	58.4	60.5	61.7	60.3
Offshore	44.9	43.9	42.8	41.6	39.5	38.3	39.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
	90.4	88.8	91.8	87.8	82.9	79.0	82.4

Clients billed

No	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
	120	115	110	107	103	97	107

Clients added

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

DSO	Days	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04
		77	78	78	75	70	70

Billing Rates	USD/Hour	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
	Onsite	67.40	68.05	68.75	68.88	68.68	65.00	67.40
	Offshore	21.20	21.10	21.50	21.37	21.00	21.50	21.03

Revenue Concentration	%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
	Top 1	12.1	13.1	13.6	14.1	13.4	11.3	12.4
	Top 5	42.6	42.6	47.2	43.3	41.3	40.6	42.5
	Top 10	59.7	60.2	61.9	58.6	55.4	57.3	57.7

Client Size	Nos.	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04
	More than USD 1 Mn +	29	28	27	25	25	25
	Less than USD 5 Mn	21	20	21	20	19	20
	Between USD 5 to 10 Mn	4	4	3	3	4	4
	Over USD 10 Mn	4	4	3	2	2	1

People Numbers	%age*	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04
	Billable Personnel						
	Onsite	14.5%	15.0%	15.4%	15.8%	17.2%	17.9%
	Offshore	75.0%	74.6%	74.4%	73.6%	72.9%	71.6%
	Total	89.5%	89.6%	89.8%	89.4%	90.1%	89.4%
	Marketing (Incl. Sales Support)	1.9%	1.7%	1.9%	2.0%	1.8%	2.0%
	Others (Incl. Tech. Support)	8.6%	8.7%	8.3%	8.6%	8.0%	8.5%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Excludes Head count for Specsoft and Caliberpoint

Utilization	%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
		68.00	66.8	72.0	71.2	70.0	70.0	70.0

Attrition Rate	%	Q3 FY 05	Q2 FY 05	Q1 FY 05	Q4 FY 04	Q3 FY 04	Q2 FY 04	FY 04
		17.0	16.0	16.0	16.0	14.0	16.0	15.0