

## *Growing with strong momentum; Q1 results exceed guidance*

- A sequential Q-o-Q revenue growth of 6.5% to Rs 1,761.50 mn\*
- Net Profit up Q-o-Q 45.4% to Rs 260.23 mn
- Qtr 2 Revenue Guidance at \$ 42.5 mn, a Q-o-Q growth of 7%

Mumbai – April 20, 2006: Hexaware Technologies Ltd, a leading provider of IT & BPO services globally, today reported Revenues from Operations of Rs.1,761.50 mn (\$39.6 mn) and Net Profit of Rs. 260.23 mn (\$ 5.8 mn) for its first fiscal Quarter ended March 2006, against the guidance of \$ 38.6 mn, and net profit of \$ 5.4 mn.

### Highlights of Q1 ended March 31, 2006\*

- Sequential growth of 6.5% Q-o-Q in revenue from operations; and 23.5% over comparable revenue of the corresponding quarter in the previous year
- Sequential growth of 45.4% in Profit after Tax, and Y-o-Y increase of 69.1%
- Annualised EPS (basic) Rs 8.72
- Operating Margins improved to 14.1% compared to 10.1% in Q1' 05
- Offshore rate up 1% to \$ 22.73
- 11 new clients added
- Global headcount was 4124, up from 3646 at the beginning of the year
- General Atlantic Partners invests Rs 300.20 cr (\$ 67.6 mn)
- Attrition rate declined to 16.5%

"Hexaware is poised for scalable growth opportunities in the coming quarters by building core competencies and investing on world-class infrastructure. To further our business momentum, we are building a strong eco-system to leverage key relationships with various partners including General Atlantic Partners. We also plan to have a headcount of 5000 by this financial year end," commented Atul Nishar, Executive Chairman, Hexaware Technologies Ltd.

"With improvement in most operational metrics, the Peoplesoft BOT business has been effectively replaced within one quarter. With robust IT spending among key clients, our Guidance for next Quarter underlines a continuing growth momentum," said Rusi Brij, Vice Chairman and CEO.

### Guidance for the Q2'06

The Company has provided the following guidance for quarter ending June 30, 2006

- Revenue from Operations at \$ 42.5 mn - a growth of 7% over Q1' 06
- Net Profit of \$ 6 mn

(The impact of salary increase in Q2 will be about \$ 1.5 mn. If this were to be excluded, the net profit guidance would reflect a 27.7% growth over Q1 profit of \$ 5.87 mn)

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\* NOTE: All data comparison shown above relates to FY 05 financials that exclude corresponding Peoplesoft BoT figures. This BoT was transferred to Oracle Corp in Nov 2, 2005.

### Operational Review

Customer acquisition has been robust during the Quarter with 11 new clients, two of which belong to the Fortune 500 list. Of these, 6 were from North America, 3 from Europe, 1 from APAC region and 1 for Caliber Point, the Company's BPO arm. The total number of active clients stood at 130.

During the Quarter, of the 31 clients that recorded more than a million dollar in revenues 5 were in the \$5-\$10 million range while another 3 billed more than \$10 million each (all on trailing 12 month basis). The top client provided 9.7% of total revenues. The top 10 clients together constituted 47.4 % of business (cf. 49.2% in Q4 '05 and 58.8% in Q1 '05).

Margins improved during the quarter\* –

- Offshore revenues were 38.4% in Q1 '06 compared to 37% in previous quarter
- Gross margins were 38.7% compared to 38.1% in Q4' 05
- SG&A costs went down to 22% compared to 24.9% in the last quarter, resulting in the increase in PAT margins at 4.0% Q-o-Q.
- Operating Margin has gone up to 14.1% compared to 10% in the previous quarter.
- The average blended utilization for the quarter increased to 71% Q1 compared to 68.7% in previous quarter.

### General Atlantic invests in Hexaware

On April 13<sup>th</sup> 2006, the Shareholders of Hexaware approved investments of Rs. 300. 20 crores (\$67.2 million) by General Atlantic Partners (GAP). The total investments will be made by issue & allotment of equity shares of 7.5% and 7.49% of Convertible Preference Shares. The entire transaction will be completed on or before April 27, 2006. The proceeds of the allotment will be utilized to create infrastructural assets, enable suitable acquisitions and to meet working capital needs of the Company, resulting in the long term sustained growth and also help Hexaware to realize new growth opportunities.

### Significant Engagements

With several offerings for HR-IT, Asset management, Independent Testing Services, BA/BI, Wealth Management attracting good response, Hexaware has successfully transformed into a global provider of specialized capabilities, with a demonstrated high ability to execute.

During the quarter, Hexaware won 5 new clients in the MS technologies space, 2 in Product Engineering, 2 in Enterprise Solutions, 1 in Business Intelligence and 1 in HR Outsourcing.

A leading receivables management company based in North America selected Hexaware for a multi million, applications outsourcing contract involving modernization and maintenance of their core collection systems. The program involves multiple technologies ranging from

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\* NOTE: All data comparison shown above relates to FY 05 financials that exclude corresponding Peoplesoft BoT figures. This BoT was transferred to Oracle Corp in Nov 2, 2005.



legacy and web technologies to business applications such as ERP, BI and CRM and will be a multi year deal, leveraging Hexaware expertise in the collections domain.

In Europe, Hexaware's capabilities in the Insurance domain have been further strengthened with one of Germany's leading Insurance companies entering into a strategic partner ship with Hexaware for management of CRM systems. The program will be a multi-year, multi-million deal involving business critical client applications.

### Caliber Point

Caliber Point, Hexaware's BPO operation bagged two major HRO deals -covering Payroll, Benefits and Recruitment Process Management. The operation also had additional business in the Healthcare and Knowledge Services domain.

Caliber Point has also expanded its facilities to a state-of-the-art delivery centre in Chennai and is planning to gain strategic entry into Airlines Back-Office space in the coming quarter.

### Hexaware positioned in the Niche Players Quadrant for Offshore Application Services

In the recent 2006 Magic Quadrant report for Offshore Application Services, Gartner analyzed 30 leading offshore application service providers worldwide on a combination of their visions and ability to execute and their capacity to identify the critical aspects of execution that clients expect and need, and then consistently executing on those components.

According to the Gartner report, Niche Players exhibited focus on a particular segment of the market — such as a category of service (packaged application or specific skills) or functional area — vertical industry, targeted client set or project complexity.

The report further adds that Hexaware has demonstrated capabilities in Packaged enterprise application management, Application services specific to the HR domain overall, Legacy application management and its ability, to penetrate Europe, including difficult markets such as Germany.

### Forex Cover

The company has guarded itself against the impact of Rupee appreciation by adequately hedging the foreign exchange inflows. The company has forward cover of \$54mn at an average rate of Rs 44.28.

### Human Resources

Hexaware closed the Quarter with a total headcount of 4124, a net addition of 478 over Q4 '05. The technical manpower comprised 88.5% of the total work force, up from 86.9% in the previous quarter. A welcome feature has been the third straight quarter of improving retention. Attrition rate further decreased to 16.5% on an annualized basis.

### Infrastructure

Work on Hexaware's 27 acres Green Campus in Chennai (Phase I for 3000 people) is on schedule and should be ready by Q1 2007.



## About Hexaware

Hexaware is a leading global provider of IT and BPO services and co-develops innovative IT/Process capabilities for clients. Founded in 1990, the company has achieved deep expertise in domains such as Banking and Financial Services, Insurance, Leasing, Transportation and Healthcare. On the technology front, Hexaware specializes in Business Analytics, Enterprise Applications, Application Modernization/Management, HR-IT and Independent Testing. Hexaware's development centers are assessed at SEI CMMI Level 5 and certified ISO 9001:2000, BS 7799, TickIT and SAS 70 Type 1.

The company is among the fastest growing Indian software services company for the fiscal 2004 and 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](http://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					FY 05
	Q1 FY06	Q4 FY05	Sequential Change (%)	Q1 FY 05	Y-o-Y Change (%)	
Gross Revenues	1,761.50	1,740.00	1.24%	1,640.58	7.4%	6,786.62
Direct Costs	1,080.13	1,056.42	2.24%	1,001.64	7.8%	4,178.04
Gross Profit	681.37	683.58	-0.32%	638.94	6.6%	2,608.58
Selling / General And Administration	387.67	420.57	-7.82%	360.88	7.4%	1,514.22
EBIDTA	293.70	263.01	11.67%	278.06	5.6%	1,094.36
Depreciation and Amortization	45.98	57.35	-19.82%	53.54	-14.1%	220.59
Operating Margin	247.71	205.66	20.45%	224.52	10.3%	873.77
Other Income (net)	34.63	74.13	-53.28%	26.57	30.4%	138.57
Profit Before Tax	282.35	279.79	0.91%	251.09	12.4%	1,012.34
Provision for Tax	22.12	32.26	-31.44%	18.73	18.1%	97.37
Profit After Tax	260.23	247.53	5.13%	232.36	12.0%	914.96

Period Ended : 31st March 2006

INR Mn

Head	As at Mar 31 2006	As at Dec 31 2005	As at March 31 2005
<b>Liabilities</b>			
Equity Share Capital	239.61	238.72	234.84
Share Application Money	2.49	1.11	-
Reserves	3,490.24	3,314.07	2,682.05
Borrowings	55.86	61.66	79.31
Total	3,788.21	3,615.56	2,996.20
<b>Assets</b>			
Gross Fixed Assets	1,580.65	1,553.98	1,566.33
Less: Depreciation	663.86	620.86	554.13
Net Fixed Assets	916.79	933.12	1,012.20
<b>Current Assets</b>			
Cash and cash equivalent	1,381.98	1,177.65	677.44
Debtors	1,578.15	1,852.22	1,363.60
Others	981.99	804.66	966.99
Total Current Assets	3,942.12	3,834.53	3,008.03
Total Current Liabilities	1,099.42	1,181.73	1,081.59
Working Capital	2,842.70	2,652.80	1,926.44
Deferred Tax	28.72	29.64	57.56
Total	3,788.21	3,615.56	2,996.20

Key Ratios	Q1 FY06	Q4 FY05	Q1 FY 05	FY 05
Gross Margin	38.7%	39.3%	38.9%	38.4%
SGnA to Revenue	22.0%	24.2%	22.0%	22.3%
EBIDTA	16.7%	15.1%	16.9%	16.1%
Operating Margin	14.1%	11.8%	13.7%	12.9%
Profit before tax	16.0%	16.1%	15.3%	14.9%
Profit after Tax	14.8%	14.2%	14.2%	13.5%
<b>EPS (INR)</b>				
Basic	2.18	2.08	1.98	7.76
Diluted	2.09	2.02	1.82	7.52

METRICS

Performance Review

Revenue Growth

INR, Mn	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Revenue from Operations	1,761.50	1,740.00	1,755.66	1,650.41	1,640.58	6,786.64
%, q-o-q	1.2	-0.9	6.4	0.6	4.5	24.3
Other Income	34.63	74.13	31.05	19.70	28.54	159.79

Vertical Split

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Airlines / Transportation	18.6	17.0	16.3	15.8	15.5	16.1
BFSI	45.0	46.0	42.2	44.4	46.8	44.9
Manufacturing (largely ERP)	30.4	30.3	35.2	33.4	31.8	32.7
Others	6.0	6.7	6.3	6.4	5.9	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Technology Split

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
E-Commerce/ Appl. Mgt.	48.8	43.1	40.1	41.4	44.3	42.2
R&D / Embedded	0.9	2.0	1.8	1.6	1.7	1.8
Enterprise	34.0	38.2	43.1	41.1	42.3	41.2
HR IT	6.9	6.9	7.0	7.0	3.3	6.0
Others	9.4	9.8	8.0	8.9	8.5	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Americas	70.4	72.3	76.7	75.0	67.0	72.8
Europe	25.7	23.0	20.0	21.8	28.2	23.2
RoW	3.9	4.7	3.3	3.2	4.8	4.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Onsite	61.6	59.8	55.1	56.1	57.2	57.2
Offshore	38.4	40.2	44.9	43.9	42.8	42.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	89.5	89.0	90.4	88.8	91.8

Clients billed

No	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	130	126	120	115	110

Clients added

No	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	11	10	12	9	8

DSO	Days	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
		80	85	77	78	78

Billing Rates	USD/Hour	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
	Onsite	65.65	67.00	67.40	68.05	68.75	67.51
	Offshore	22.73	21.62	21.20	21.10	21.50	21.37

Revenue Concentration	%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
	Top 1	9.7	9.2	12.1	13.1	13.6	10.7
	Top 5	31.9	32.6	42.6	42.6	47.2	40.7
	Top 10	47.4	49.3	59.9	60.2	61.9	57.6

Client Size	Nos.	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	More than USD 1 Mn +	31	30	29	28	27
	Less than USD 5 Mn	23	22	21	20	21
	Between USD 5 to 10 Mn	5	4	4	4	3
	Over USD 10 Mn	3	4	4	4	3

People Numbers	%age*	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	Billable Personnel					
	Onsite	19.7%	19.2%	14.5%	15.0%	15.4%
	Offshore	68.8%	67.5%	75.0%	74.6%	74.4%
	Total	88.5%	86.7%	89.5%	89.6%	89.8%
	Marketing (Incl. Sales Support)	2.1%	2.4%	1.9%	1.7%	1.9%
	Others (Incl. Tech. Support)	9.4%	10.9%	8.6%	8.7%	8.3%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%

\*Excludes Head count for Caliberpoint

Utilization	%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
		71.0	70.2	68.0	66.8	72.0	70.1

Attrition Rate	%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
		16.5	17.0	17.0	16.0	16.0	16.5

Hexaware Technologies Group - WITHOUT ISC

Consolidated Income Statement (as per Indian GAAP)

INR Mn

Head	Quarterly Data					
	Q1 FY06	Q4 FY05	Sequential Change (%)	Q1 FY 05	Y-o-Y Change (%)	FY 05
Gross Revenues	1,761.50	1,653.35	6.54%	1,426.63	23.5%	6,062.58
Direct Costs	1,080.13	1,023.45	5.54%	924.06	16.9%	3,899.50
Gross Profit	681.37	629.90	8.17%	502.57	35.6%	2,163.07
Selling / General And Administration	387.67	411.23	-5.73%	314.16	23.4%	1,375.86
EBIDTA	293.70	218.67	34.31%	188.41	55.9%	787.21
Depreciation and Amortization	45.98	53.75	-14.45%	44.12	4.2%	188.28
Operating Margin	247.71	164.92	50.20%	144.29	71.7%	598.93
Other Income (net)	34.63	29.17	18.75%	28.35	22.2%	105.33
Profit Before Tax	282.35	194.09	45.47%	172.64	63.5%	704.26
Provision for Tax	22.12	15.17	45.85%	18.73	18.1%	80.18
Profit After Tax	260.23	178.92	45.44%	153.91	69.1%	624.09

Key Ratios	Q1 FY06	Q4 FY05	Q1 FY 05	FY 05
Gross Margin	38.7%	38.1%	35.2%	35.7%
SGnA to Revenue	22.0%	24.9%	22.0%	22.7%
EBIDTA	16.7%	13.2%	13.2%	13.0%
Operating Margin	14.1%	10.0%	10.1%	9.9%
Profit before tax	16.0%	11.7%	12.1%	11.6%
Profit after Tax	14.8%	10.8%	10.8%	10.3%

METRICS without ISC

Performance Review

Revenue Growth

INR, Mn	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Revenue from Operations	1,761.50	1,653.35	1,546.62	1,435.97	1,426.63	6,062.58
%, q-o-q	6.5	6.9	7.7	0.7	5.8	26.5
Other Income	34.63	29.17	28.80	19.02	28.35	105.34

Vertical Split

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Airlines / Transportation	18.6	18.0	18.5	18.2	17.9	18.2
BFSI	45.0	48.5	48.1	51.1	54.1	50.3
Manufacturing (largely	30.4	26.5	26.2	23.4	21.3	24.4
Others	6.0	7.0	7.2	7.4	6.8	7.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Technology Split

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
E-Commerce/ Appl. Mgt.	48.8	45.3	45.5	47.9	51.0	47.3
R&D / Embedded	0.9	2.2	2.0	2.0	2.0	2.0
Enterprise	34.0	34.9	37.6	34.3	33.6	35.2
HR IT	6.9	7.2	5.8	5.8	3.4	5.6
Others	9.4	10.4	9.1	10.0	10.0	9.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Geography

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Americas	70.4	70.9	73.6	71.2	62.0	69.6
Europe	25.7	24.7	22.9	25.1	32.5	26.2
RoW	3.9	4.4	3.5	3.6	5.5	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
Onsite	61.6	63.0	62.8	64.6	66.0	64.1
Offshore	38.4	37.0	37.2	35.4	34.0	35.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business

%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	89.5	87.9	89.1	87.1	90.6

Clients billed

No	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	130	125	119	114	109

Clients added

No	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	11	10	12	9	8

METRICS without ISC

DSO	Days	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
		80	87	74	82	78

Billing Rates	USD/Hour	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
	Onsite	65.65	67.0	67.4	68.1	68.8	67.5
	Offshore	22.73	22.5	22.5	23.0	23.5	22.8

Revenue	%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
	Top 1	9.7	9.6	13.3	11.8	15.6	9.8
	Top 5	31.9	33.2	40.3	39.5	44.2	38.3
	Top 10	47.4	49.2	56.8	56.2	58.8	54.7

Client Size	Nos.	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	More than USD 1 Mn +	31	29	28	27	26
	Less than USD 5 Mn	23	22	21	20	21
	Between USD 5 to 10	5	4	4	4	3
	Over USD 10 Mn	3	3	3	3	2

People Numbers	%age*	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05
	Billable Personnel					
	Onsite	19.7%	19.5%	18.7%	18.7%	20.2%
	Offshore	68.8%	67.4%	69.2%	69.7%	68.4%
	Total	88.5%	86.9%	87.9%	88.4%	88.6%
	Marketing (Incl. Sales	2.1%	2.4%	2.4%	2.2%	2.3%
	Others (Incl. Tech. Support)	9.4%	10.7%	9.6%	9.4%	9.1%
	Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%

\*Excludes Head count for Caliberpoint

Utilization	%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
		71.0	68.7	64.7	65.8	67.3	70.1

Attrition Rate	%	Q1 FY 06	Q4 FY 05	Q3 FY 05	Q2 FY 05	Q1 FY 05	FY 05
		16.5	17.0	17.0	16.0	16.0	16.5