

# Q2 2010 – Financial Results

**Analyst Meet**

**July 29, 2010**

**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

# Q2 2010 - Key Headlines

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- Hexaware reports 13% Q-o-Q revenue growth
- Signs transformational IT deal, largest contract till date worth \$ 110 mn
- Additionally, wins an extension worth \$ 60 mn with another strategic client
- Added 12 new clients during the quarter
- Headcount increased by 727 to 6,031 at the end of June 2010
- Revenue Guidance for Q3 2010 is: 5.5% - 7.5% sequential revenue growth

# Q2 2010 - Results

# Q2 2010 - Key Highlights

- Revenue from operations stood at \$ 54.9 mn (₹ 2,512 mn) exceeding the upper-end of the revenue guidance of \$ 53 mn.
  - Q-o-Q increase of 13.1 % in \$ terms and Q-o-Q increase of 13.2 % in ₹ terms
  - In constant currency terms, Hexaware delivered \$ 55.9 mn (₹ 2,558 mn) an increase of 15% on a sequential basis
- 12 new clients added during the quarter; 156 active clients
- Global headcount increased to 6,031, an addition of 727 employees from 5,304 at the end of March 2010
- Net cash & cash equivalents increased by ₹ 218 mn to ₹ 4,452 mn (\$ 95.9 mn) from ₹ 4,234 mn (\$ 94.3 mn)
- Days sales outstanding (DSO) improved by 9 days to 53 days, from 62 days last quarter

# Q2 2010 - New Client Wins

12 new Hexaware clients added in the quarter; 156 active clients

Revenues from New Clients is: 5.5% (compared to 4.1% in last quarter)

## Geography

Americas – 5

EU – 1

APAC – 6

## Verticals

BFSI – 1

TTHL – 2

## Horizontals

PSFT – 4

ORCL – 1

QATS – 1

BPO – 2

BA / BI – 1

New account wins in: Focus Areas

# Business Updates

- USD 110m deal
  - Client
    - North American
    - Fortune 500
    - Existing Customer
  - Deal Contours
    - USD 110m over 5-year period
    - Incremental business: USD 70m (Existing: USD 40m)
    - Revenue stream of USD 20+m per annum
  - Scope and Services
    - Peak Head Count: 500
    - 13 Countries Globally
    - All Service Lines: ERP – PSFT & ORCL, BA/ BI, QATS, Remote IMS and ADM

# Business Update

- Contract Extension worth USD 60m
  - Client
    - Global Client
    - Existing Customer
  - Deal Contours
    - Extension of USD 60m over 3-year period
    - Recurring revenue stream of USD 20m per annum
  - Scope and Services
    - Countries: USA, UK and certain regions in APAC
    - ADM, ERP – PSFT, BA/ BI, QATS

# Revenue Guidance for Q3 2010

Revenue range: USD 58m – USD 59m

Equates to: 5.5% - 7.5% revenue growth

Exchange Rates Assumptions: Currently prevalent  
1 GBP = 1.55 USD and 1 EUR = 1.30 USD

# Q2 2010 - Analysis

# Q2 2010 – P & L

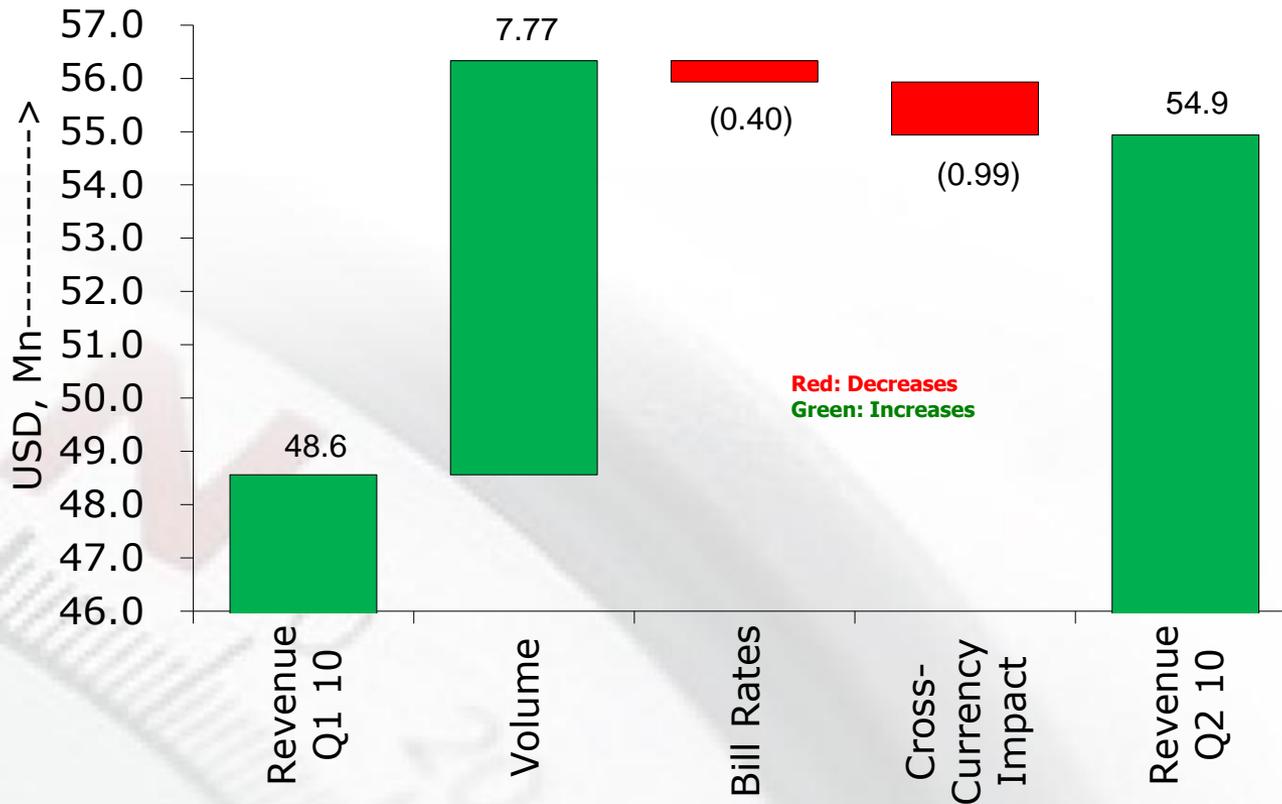
Consolidated Income Statement (as per Indian GAAP)

₹ Mn

Head	Quarterly Data				
	Q2 10	Q1 10	QoQ%	Q2 09	YoY%
<b>Gross Revenues</b>	<b>2,512</b>	<b>2,220</b>	<b>13.2%</b>	<b>2,591</b>	<b>-3.0%</b>
Direct Costs	1,659	1,420	16.8%	1,357	22.3%
<b>Gross Profit</b>	<b>853</b>	<b>799</b>	<b>6.7%</b>	<b>1,234</b>	<b>-30.8%</b>
Selling / General And Administration	683	617	10.7%	676	1.0%
<b>EBITDA</b>	<b>170</b>	<b>182</b>	<b>-6.6%</b>	<b>558</b>	<b>-69.5%</b>
Depreciation and Amortization	59	59	-1.2%	71	-17.8%
<b>Operating Profit = EBIT</b>	<b>112</b>	<b>123</b>	<b>-9.2%</b>	<b>486</b>	<b>-77.0%</b>
Other Income (net)	272	77	250.7%	71	282.8%
Forex (Gains) / Losses	192	75	154.1%	116	65.1%
<b>Profit Before Tax &amp; Exceptional Item</b>	<b>191</b>	<b>125</b>	<b>53.2%</b>	<b>441</b>	<b>-56.6%</b>
Exceptional item*	28	-		-	
<b>Profit Before Tax</b>	<b>163</b>	<b>125</b>	<b>30.5%</b>	<b>441</b>	<b>-63.0%</b>
Provision for Tax	19	9	109.1%	46	-58.5%
<b>Profit After Tax</b>	<b>144</b>	<b>116</b>	<b>24.3%</b>	<b>395</b>	<b>-63.6%</b>

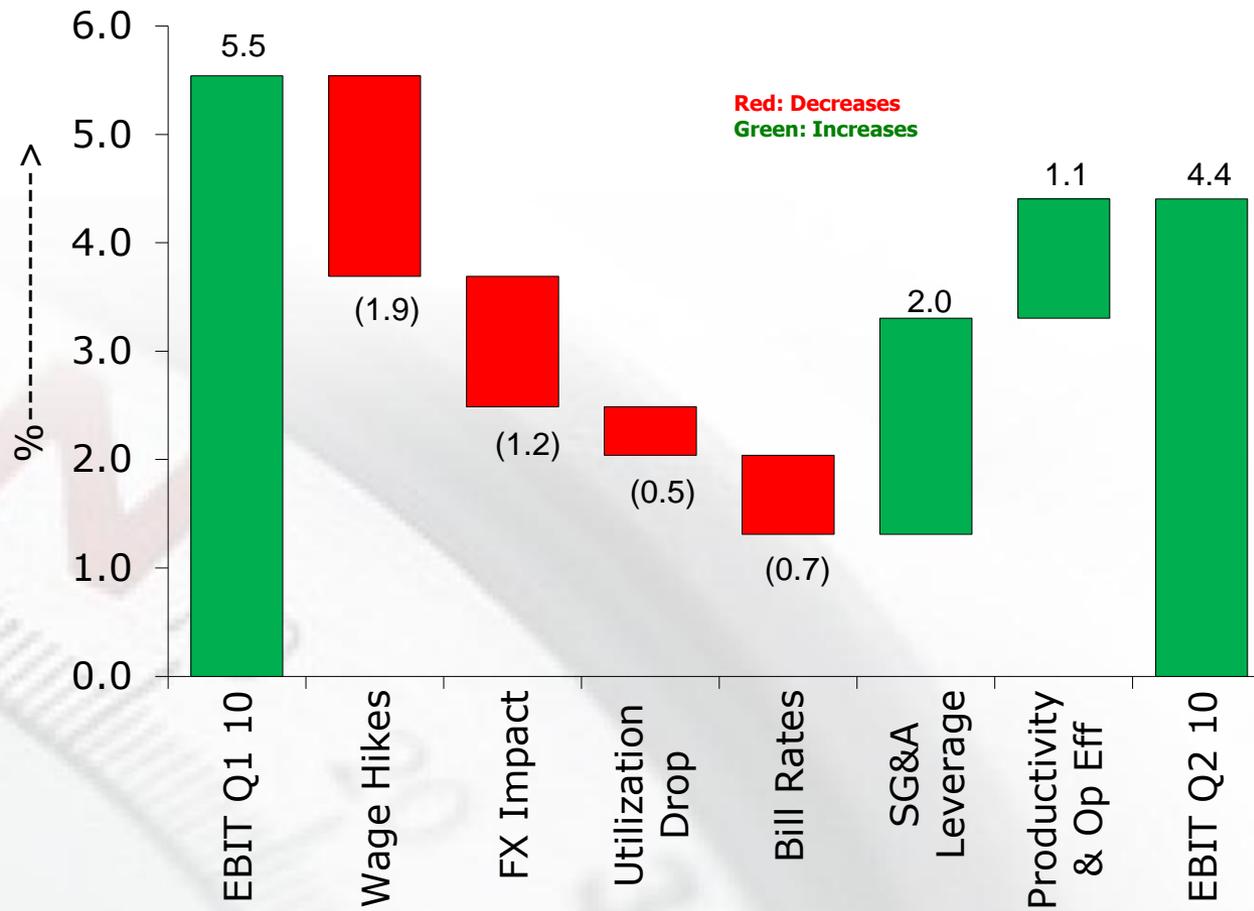
\* Costs associated with the Large Deal

# Q2 2010 - Revenue Variance Analysis



**Quarterly Revenue Growth: 13% sequential**  
**Constant Currency Growth: 15% sequential**  
**Volume Growth: 16% sequential**

# Q2 2010 – EBIT Margin Analysis



# Balance Sheet as on June 30, 2010

Consolidated Balance Sheet (as per Indian GAAP)			₹ Mn
Head	As at June 30 2010	As at Mar 31 2010	As at June 30 2009
<b>Liabilities</b>			
Equity Share Capital	290	290	288
Reserves	8,850	8,628	8,135
Forex MTM	45	(32)	(941)
Borrowings	798	640	192
<b>Total</b>	<b>9,983</b>	<b>9,526</b>	<b>7,674</b>
<b>Assets</b>			
Gross Fixed Assets	5,660	5,732	5,849
Less: Depreciation	1,417	1,442	1,333
<b>Net Fixed Assets</b>	<b>4,243</b>	<b>4,290</b>	<b>4,516</b>
<b>Current Assets</b>			
Cash and cash equivalent*	5,250	4,808	3,738
Debtors	1,484	1,500	1,516
Current Asset - Forex (MTM)	21	-	-
Others	1,405	1,268	1,186
<b>Total Current assets</b>	<b>8,159</b>	<b>7,576</b>	<b>6,440</b>
Current Liability - Forex (MTM)	-	40	1,035
Other Current Liabilities	2,532	2,411	2,355
Deferred Tax	113	110	108
<b>Total</b>	<b>9,983</b>	<b>9,526</b>	<b>7,674</b>

\*: Interest accrued on FD reclassified to other Current Assets

# Q2 2010 – Financial Updates

- Net Worth at ₹ 9,186 mn (₹ 63.4 per share)
- Cash: ₹ 30.7 per share
- Foreign Exchange Hedges:
  - Company has forward contracts worth USD 19 mn at an average rate of ₹. 40.60 spread for the next quarter
  - For the subsequent nine quarters, the company has hedges worth:
    - USD 74 mn at an average rate of ₹. 48.0
    - Hedges worth EUR 17 mn at an average rate of ₹. 71.9
- The cash balance increased by ₹. 218m sequentially to ₹. 4,452m at the end of Q2 2010
- Cap Ex: In Q2 2010: ₹ 60.9m (In Q1 2010: ₹ 41.9m)
- DSO improves materially to 53 days

# Field Updates

# Business: Growth Areas in Americas

## Leadership in Focus Areas

Consolidate our presence as premier provider in Oracle/PeopleSoft, Testing (QATS), Capital markets and TTHL

## New Domain Growth Areas

Develop BI/BA , BPO and Healthcare to drive next level of growth

## New Service Offerings

Enhance capability in Remote IMS and SAP to become challengers

## Diversify into New Geo

Establish a solid presence in Canada and Mexico

# Market Commentary: Americas

## Farming

- Top accounts showing robust growth
- Appointment of dedicated client partners for all Strategic Accounts
- Cross selling into focused vertical accounts by vertical sales owners
- Introduced Key Account Unit resulting in significant account penetration

## Hunting

- Go-to-Market aligned along verticals and horizontals
  - Capital Markets and TTHL hunting with deep domain competency
  - Peoplesoft and QATS direct sales approach to open new accounts
  - Hunters assigned Must Have and Target account lists

# Thank You