

FY 2010 – Financial Results

Hexaware – Investor Meet

Mumbai

February 2011

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

Agenda

Corporate Updates

Financial Performance

Business Overview

Field Updates – Americas

Field Updates – Europe

Q4 2010 – Performance Highlights

➤ Revenue Growth Intact

- Surpassed Q4 2010 Revenue Guidance of \$64m - \$65m
- Sequential Quarterly Revenue Increase: 9% q-o-q in \$-terms

➤ Operating Margins Expansion continue

- Q4 2010 EBITDA Margin back in double-digits; at 11.5% from 8.5%
- Q4 2010 EBIT Margins expands to 9.3%; up 290 bps from Q3 2010

➤ 11 new clients added in Q4 2010; 45 for full year

➤ End of Forex Hedging Losses with effect from Sept 2010

- Hedge Book of \$130m and €15.8m at effective hedge rate of ₹ 48.25/ \$ and ₹ 72.13/ € respectively

➤ Financial Health

- Net Cash at December 31, 2010 surges past \$100m (\$103.8m)

Corporate Updates

➤ Commemoration of 20th Anniversary

- **Bonus Share Issue of 1:1**

- Approved by shareholders at EGM held yesterday (15-Feb-11)
- Record Date: February 25, 2011

- **Dividends announced for FY 2010**

150%

- H1 2010 Interim Dividend

30%

- Special 20th Anniversary Dividend

50%

- FY 2010 Final Dividend

70%

- We are positive about a minimum annual revenue growth of 25% and are confident of attaining double-digit operating margin for 2011 which allows us to offer a consistent stream of healthy dividend outflows even on an expanded share capital base

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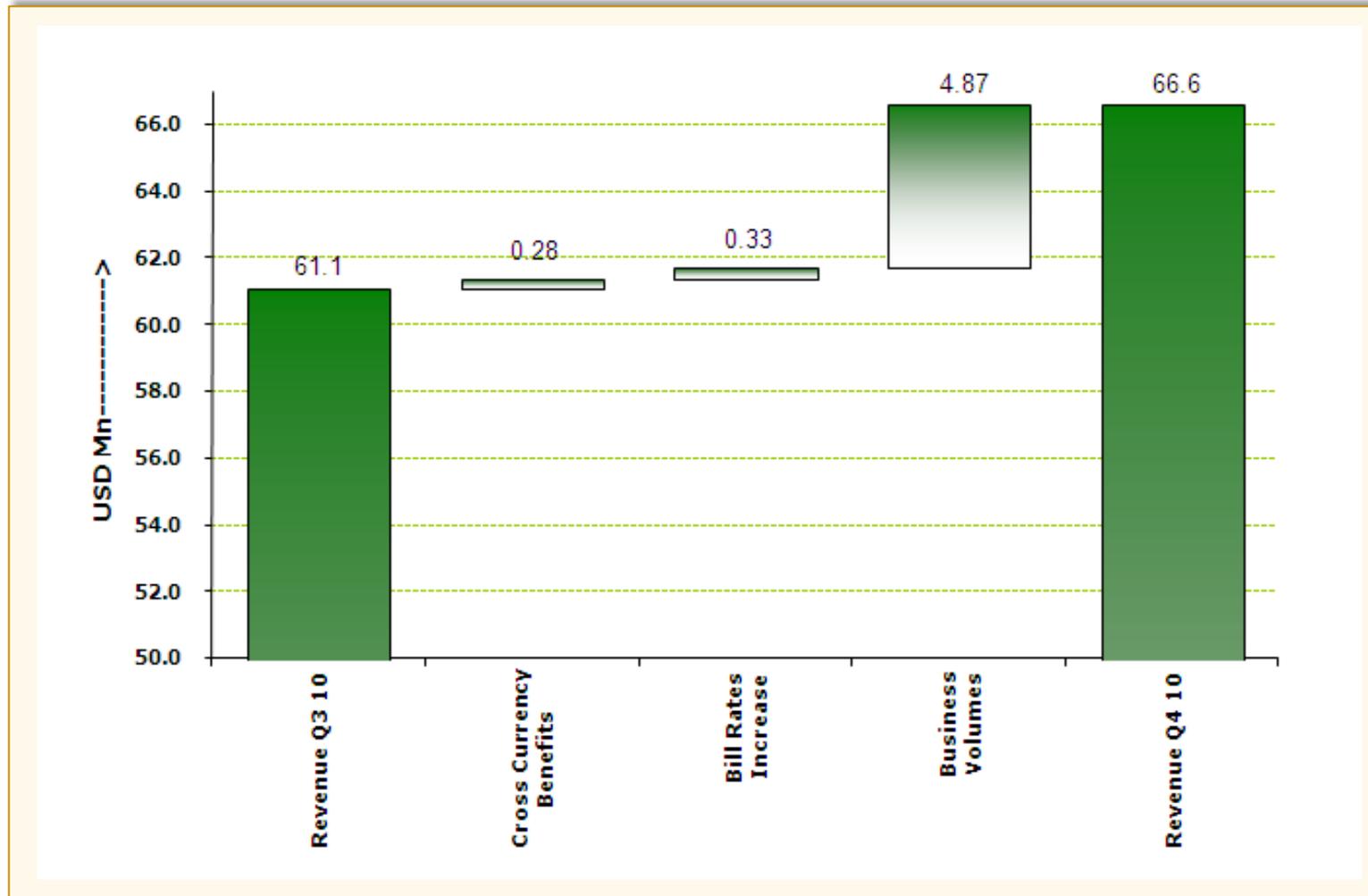
Field Updates – Americas

Field Updates – Europe

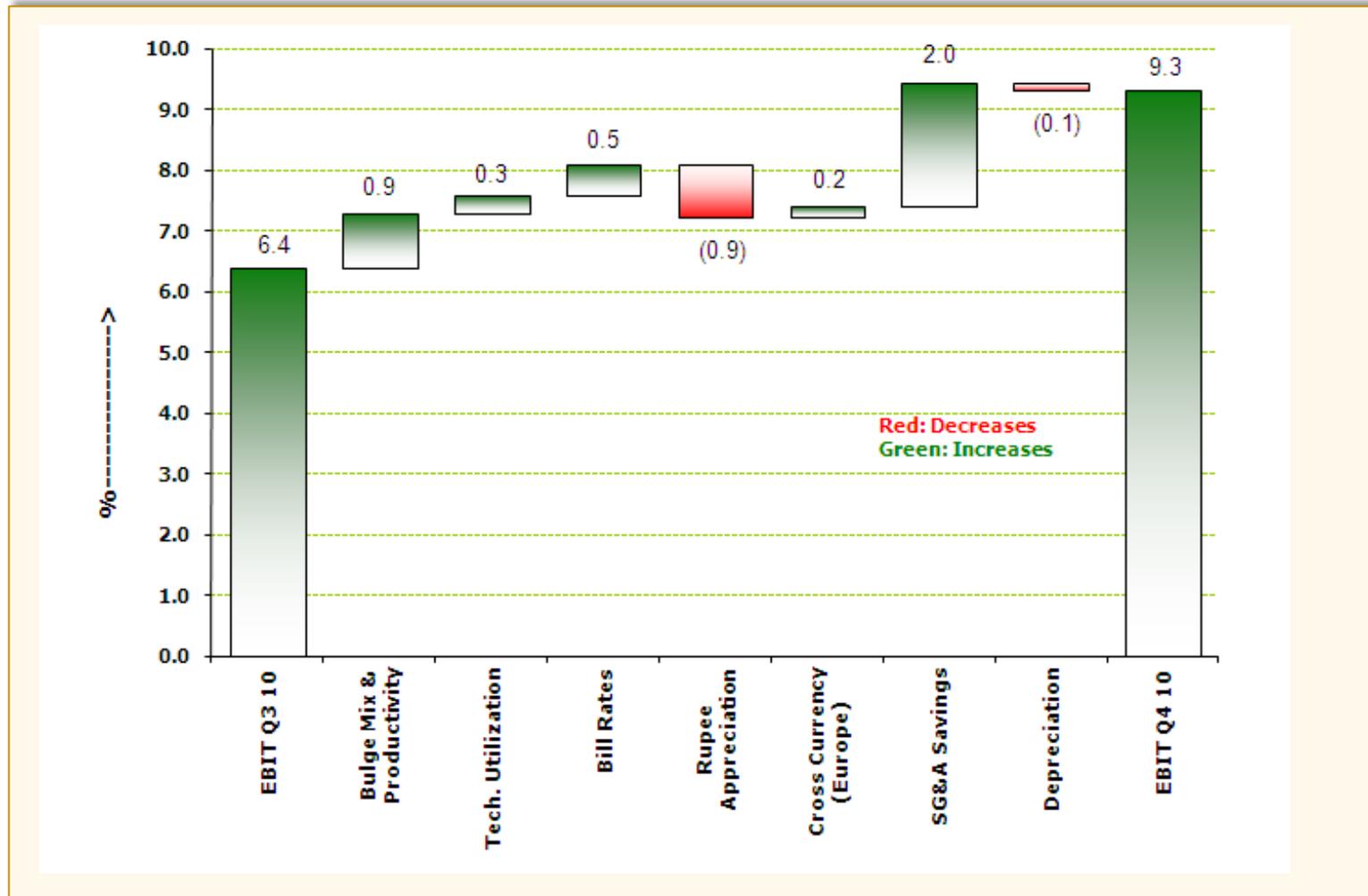
Financial Summary – Q4 2010 Profit & Loss

Consolidated Income Statement (as per Indian GAAP)					₹ Mn
Head	Quarterly Data				
	Q4 10	Q3 10	QoQ%	Q4 09	YoY%
Gross Revenues	2,996	2,817	6.3%	2,520	18.9%
Direct Costs	1,962	1,874	4.7%	1,435	36.8%
Gross Profit	1,034	943	9.6%	1,086	-4.8%
Selling / General And Administration	689	703	-2.0%	635	8.5%
EBITDA	345	240	43.8%	451	-23.5%
Depreciation and Amortization	66	58	13.5%	65	1.9%
Operating Profit = EBIT	279	182	53.6%	386	-27.7%
Other Income (net)	77	71	8.8%	84	-8.0%
Forex (Gains) / Losses	(95)	76	Fav	105	Fav
Profit Before Tax & Exceptional Item	451	177	155%	364	23.9%
Exceptional item		252			
Profit Before Tax	451	429	5.2%	364	23.9%
Provision for Tax	55	9	530%	4	1339%
Profit After Tax	396	420	-5.8%	360	9.9%

Revenue – Q4 2010 Growth Break-up



Operating Margin – Q4 2010 Variance Analysis



Balance Sheet – FY 2010

Consolidated Balance Sheet (as per Indian GAAP)			INR Mn
Head	As at Dec 31 2010	As at Sept 30 2010	As at Dec 31 2009
Liabilities			
Equity Share Capital	291	290	290
Reserves	9,341	9,131	8,613
Forex MTM	260	220	(405)
Borrowings	112	514	163
Total	10,004	10,155	8,660
Assets			
Gross Fixed Assets	5,598	5,553	5,762
Less: Depreciation	1,519	1,463	1,404
Net Fixed Assets	4,078	4,089	4,358
Current Assets			
Cash and cash equivalent	4,753	4,694	4,262
Debtors	1,919	1,879	1,526
Current Asset - Forex (MTM)	213	231	-
Others	1,420	1,493	1,113
Total Current assets	8,304	8,297	6,901
Current Liability - Forex (MTM)	-	-	444
Other Current Liabilities	2,547	2,394	2,265
Deferred Tax	169	162	110
Total	10,004	10,155	8,660

Financials Update

➤ Metrics

- Net Worth (Book Value) ₹ 68/ share
- Cash per share ₹ 32/ share

➤ Cash

- Q4 2010 Balance \$ 103.8 m
- Cap – Ex in Q4 2010, in FY 2010 ₹ 11 Cr, ₹ 34 Cr

➤ Foreign Exchange Hedges

- Hedge Book: \$130m at an average hedge rate = ₹ 48.21 and €15.8m at an average hedge rate = ₹ 72.13
- Losses end with Q3 2010 (Cumulative losses of \$5.37m for FY 2010)

➤ SEZ Facilities

- People in SEZ Campus = 1400 (Chennai) + 300 (Nagpur)

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Q4 2010 – Business Updates

➤ Revenues: Building momentum through 2010

- Strong rebound from Q1 2010 Levels; Healthy 11% CQGR over the last three quarters to end 2010
- Quarterly revenue growth primarily driven from Americas, though visibility in EU improving & activity levels in APAC increasing

➤ Operating Margins: On track to double digit for 2011

- Margin Expansion trend continues through H2 2010
- Up 490 points from Q2 2010 to Q4 2010

➤ Global Headcount at 6,511

- FY 2010 Net Headcount addition: 1,374 employees (27% incr.)
- Net Headcount addition: 203 employees in Q4 2010
- Campus Recruits at 134 in Q4 '10 (FY 2010 total: 544 freshers)

2011 – Growth Drivers

➤ Revenue Momentum in place; All Geos will drive growth

- Americas has been leading growth through 2010; will continue well in 2011 too
- Europe expected to register growth from Q1 2011 onwards; visibility better and deals in the origination phase
- APAC – Certain pockets show higher spurts of activity

➤ Client Mix; Revenue Growth driven by larger set of clients

- In 2010; Top 10 clients led the growth
- In 2011; Expect Top 25 clients to lead growth
- Enhanced assignment of account managers; engagement directors

➤ Growth Enablers

- In 2010; we have established the structure and the teams in place
- Investments made in 2010 has begun to deliver outcomes
 - Hunting Organization has been strengthened
 - More bandwidth created for both Farming as well as Hunting Organization

Key Market Initiatives

➤ **Leading the growth from Vertical Perspective**

- Capital Markets
 - Enterprise Data Management
 - Charles River
 - Expanding beyond Americas into Europe & to Sell-side
- Travel & Transportation
 - Airlines Vertical

➤ **Growth Drivers from Horizontal Perspective**

- Enterprise Solutions: PeopleSoft v 9.1; Oracle R12
- Testing Services: Performance Testing, HP Software Lab
- Business Intelligence: Leveraging on Enterprise Applications wave
- BPO: Headway made in Finance & Accounts
- Remote IMS: 250+ personnel, 15 clients for a nascent practice

2011 – Tools for Margin Expansion

➤ **Gross Margin**

- Offshore Leverage – Still operating around 60% onsite levels
- Technical Utilization – Have some headroom as we are sub-70% today
- Employee Pyramid & Freshers – Healthy induction of freshers expected to continue; 700 freshers planned for 2011
- Improved Realization – Integral part of client renegotiations in 2011

➤ **Operating Margin**

- Continue to hold SG&A under tight leash; Drop in SG&A % will continue with increase in revenues
- Consolidating Facilities (Rent, Facilities Maintenance & Utilities)

➤ **Profit after Tax Margin**

- Losses incurred for FX Hedges in 2010 ended with Sep 2010
- Income from Investments increase due to higher interest rates

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2010 – Year in Review

➤ **2010 Revenue Growth**

- Americas was the core growth engine for Hexaware
- Growth led by Top - 10 client portfolio

➤ **New Client Additions; Trend intact**

- Healthy client addition: 7(Q1), 5(Q2), 8(Q3) and 4(Q4)

➤ **Large Deal Update**

- \$110m over 5-year period signed in Q2 2010
- All Service Lines: ERP – PSFT & ORCL, BA/ BI, Testing (QATS), Remote IMS and App Development and Maintenance
- Steady State Peak Headcount: 500 & 13 countries globally

➤ **Investments made in Sales Team**

- Structure, Leadership, Field Organization in place

➤ **Global Delivery Center**

- Mexico (Nearshore) & New Jersey (Proximity Center)

Market Place – Dynamics

Leadership in Focus Areas

Establish as premier provider in Oracle/PeopleSoft, Testing, Capital markets and Airlines

New Domain Growth Areas

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

New Service Offerings

Incubate SAP & enhance capability in the Remote IMS to become challengers

Market Drivers

v9.1; Cap Markets - EDM, Product Competency in Charles River, Market Segment entry in Sell-Side; Airlines – IATA Initiatives like EMD, Point Solutions in BA/ BI

Market Place – Dynamics

Market Commentary

Healthy progress in budgeting process; Many instances of client budget increases

Diversify into New Geo

Establish a solid local presence in Canada, Mexico and incubate Latin America

Strategic Allies

Leverage strong association with Oracle (Platinum Partnership), HP MSP status and IP-based solutions approach with SAP

2011 – Business Outlook

➤ Existing Clients

- Top 25 accounts leading growth
- Stratification of accounts complete
 - >10m – SAU with dedicated Client Partner
 - >5m – Dedicated account manager and program manager
 - >1m – Dedicated account manager / program manager
 - <1m – Accounts clustered together for every dedicated account manager
- Introduced Key Account Unit resulting in significant account penetration

➤ Hunting Strategy

- Dedicated hunting team in place; performance based incentives
- More hunting bandwidth created throughout 2010 in all areas of strength
- Hunters are based in East, Mid-west and in West; Increasing coverage area
- Adding practitioners, SME/ architects and COEs to strengthen value proposition
- Target accounts has combination of Fortune 500, 1000 and 2000 accounts
- Strengthening the lead generation systems & management processes

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Europe – Hexaware Approach

➤ Regional Focus & Presence

- Germany
- Benelux
- United Kingdom and
- Nordics

➤ Enabling Organization Structure

- Strategic Accounts
- Vertical owned Accounts
- Key Accounts
- Strengthened field presence team and enhance hunting bandwidth in 2010

➤ Approach to Growth

- Strengthened field team and better integration with verticals and horizontals
- Introduce and leverage horizontal strength in the field
- Increase emphasis and presence in UK; Focus on Air, Rail & BFSI

Business Climate

➤ **Market Conditions beginning to improve; Visibility better**

➤ **New Themes**

- PeopleSoft Upgrades
- Leasing Solutions, Insurance Segment
- Package Implementation & Point Solutions incl. BA/BI
- Travel Vertical including Airlines, Rail
- Government Departments
- Industry-based analytics like Warehouse Analytics

➤ **Service Offerings & Market Focus**

- Vertical Based (BFSI & Travel and Transportation)
 - Focused offerings for key markets- vertical driven Ex: Revenue Accounting, CRM analytics, Loyalty Management
 - Enhanced cross-sell opportunities under verticals' account management
 - Hunting teams to focus more on the vertical story; specific target account lists
- Focused Horizontal approach - ES, BA/BI, QATS and BPO
 - PeopleSoft and QATS Hunting Organization in place
 - With key service offerings; focus on leveraging demand

Business Outlook

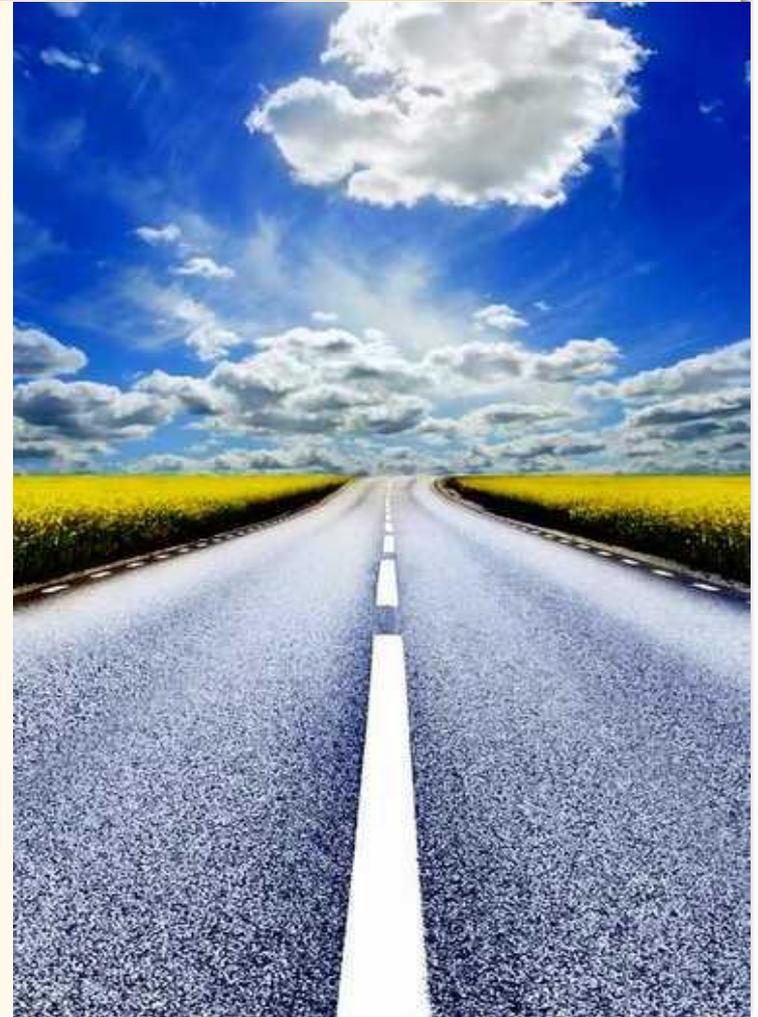
Q1 2011 – Revenue Guidance

➤ Q1 2011 – Revenue Guidance

- Revenues: \$70.0m
- Sequential Revenue Growth: 5.0%

➤ FX Rate Assumptions

- 1 EUR = 1.35 USD
- 1 GBP = 1.60 USD
- 1 USD = 45.5 INR



Looking further Ahead – FY 2011 Indicators

➤ Revenues

- 2011 revenues of at least \$290 mn, an annual revenue growth of a minimum 25% compared to 2010

➤ Operating Margin

- Confident of attaining Operating Margins (EBIT) to be double-digit for 2011

➤ FY 2011 – People Metrics

- Headcount Increase: 1,500+ in 2011
- Freshers' Addition Plan: 700 in 2011

Thank You

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