# *Hexaware reports 36% Y-o-Y revenue growth in $ terms*

# *EBITDA Margin up 100 bps Q-o-Q at 15.3%; despite wage hikes*

# *Profit after Tax at ₹602 mn, up 318% Y-o-Y; PAT margin 18.0%*

- ***Hexaware Q2 2011 revenue grew to $ 74.8 mn up 6.2% sequentially in $ terms (up 4.9% in ₹terms to ₹3,341 mn); in line with the quarterly revenue guidance***
- ***Hexaware signed its largest deal to-date; Agreement worth potentially $ 177 mn signed with an existing US client; incremental business with a potential worth of $ 100 mn and extending existing business worth another $ 77 mn over five years***
- ***During Q2 2011, Hexaware won Remote IMS business in excess of $ 25 mn over 3 years with an existing Europe client; all incremental business***
- ***EBIT margins improved 110 basis points further in Q2 2011 to 13.5%; despite the annual compensation increase for India-based employees***
- ***Profit after Tax (PAT) grew to ₹602 mn up 11.9% sequentially compared with Profit after Tax of ₹538 mn in Q1 2011; PAT margins at 18.0% for Q2 2011***
- ***Second Interim dividend of ₹1.00 per share (50%) declared for Q2 2011***
- ***Interim dividend cumulative for H1 2011 is ₹1.50 per share (75%) on double the equity shares on account of 1:1 bonus issue compared with ₹0.60 per share (30%) interim dividend paid last year***
- ***Global Headcount increased to 7,419 at the end of June 2011; 755 employees added of which 145 freshers inducted during Q2 2011***

**Mumbai – July 27, 2011**: Hexaware Technologies Limited, a leading global provider of IT, BPO and consulting services has reported strong performance for the second quarter of the calendar year ended June 30, 2011.

**Highlights of Quarter ended June 30, 2011**

- Revenue from operations increased to $ 74.8 mn (₹ 3,341 mn) in-line with the quarterly revenue guidance issued
  - Q-o-Q increase of 6.2% in $ terms and 4.9% in ₹ terms
  - Y-o-Y increase of 36.1% in $ terms and 33.0% in ₹ terms
- Q2 2011 EBITDA margins improved to 15.3%; up 100 basis points from Q1 2011
- Operating Profit (EBIT) Margins continued its expansion to 13.5%; sequential increase of 110 basis points from 12.4% in Q1 2011
- Profit after Tax increased to ₹ 602 mn; up 11.9% from ₹ 538 mn reported in Q1 2011
- Net Cash and Cash Equivalents increased to end Q2 2011 at $ 102.2 mn (₹ 4,566 mn)
- Days of Sales Outstanding (DSO) improved significantly to 55 days at the end of Q2 2011; from 63 days at the end of Q1 2011
- 14 new clients added during the quarter; 190 active clients at the end of Q2 2011
- Global headcount increased to 7,419; net Q-o-Q addition of 755 during Q2 2011

"Following the healthy performance in the first half of 2011 & increased business visibility on the back of the deals signed, we upgrade our revenue outlook for the second time to a minimum of $302 mn for 2011, an annual revenue growth of at least 30% compared with 2010. We remain confident of sustaining or improving the operating margins at the current levels over the next two quarters." said **Atul Nishar**, Chairman, Hexaware Technologies Limited.

"This has been a gratifying quarter on multiple fronts including volume growth; continued expansion in EBIT margins despite the annual compensation increase for India-based employees and improvement in employee pyramid through steady inflow of fresh graduate engineers. While we continue to watch the macroeconomic developments closely, the quantum of the deals signed and the quality of the current business pipeline provides us with the perfect platform to deliver above-industry performance", remarked **P. R. Chandrasekar**, CEO and Vice Chairman, Hexaware Technologies Limited.

## Q3 2011 Revenue Guidance

Revenue for Q3 2011 is likely to be in the range of $ 78.0 mn - $ 79.0 mn (exchange rates taken at 1 £ = 1.64 $ and 1 € = 1.45 $).

## Dividend Policy

In view of the healthy financial position of the Company, the Board of Directors has decided to distribute a higher proportion of the net profits (PAT) as dividend to its 86,000+ shareholders. Further, the Company would distribute dividend every quarter.

## Second Interim Dividend

In line with the Dividend Policy, the Board of Directors declared a second interim dividend of ₹ 1.00 per share (50 %) on equity shares of ₹ 2 each. The record date is fixed as Monday, 8 August 2011 for determining the shareholders entitled for this second interim dividend.

With this declaration, the interim dividend for H1 2011 amounts to ₹ 1.50 per share (75 %) having already declared first interim dividend of ₹ 0.50 per share (25 %) at the end of Q1 2011 on equity shares of ₹ 2 each. This compares with ₹ 0.60 per share (30 %) interim dividend paid last year. In addition, the interim dividend paid this year is on double the equity capital on account of 1:1 bonus share issued in February 2011.

## Financial Review

The financial metrics for Q2 2011:

- Gross Margin reduced by 70 basis points on a Q-o-Q basis sequentially to 36.6%
- EBITDA Margin increased by 100 basis points to 15.3%; from 14.3% in Q1 2011
- Operating Margin (EBIT) increased by 110 basis points to 13.5%; from 12.4% in Q1 2011
- Profit after Tax Margin (PAT) stood at 18.0%; up 110 basis points from 16.9% in Q1 2011
- Blended utilization for the quarter marginally declined q-o-q sequentially to 71.4%

## Significant Business Updates

During the previous quarter, the Company added 14 new clients across the key focus areas. Of these, 3 clients were added in the Travel and Transportation Vertical, 1 in Banking, Financial Services and Insurance (BFSI) domain, 5 clients in Enterprise Solutions space, 2 clients in Quality Assurance & Testing Services (QATS), 2 clients in Business Intelligence & Business Analytics (BI/ BA) horizontal, and 1 client in Business Process Outsourcing (BPO) space. At the end of the quarter, the number of active clients increased to 190. The investments made in the field through the addition of a combination of domain consultants,

technology practitioners and sales professionals in the areas of specialization have begun to yield desired outcomes measured in the form of growth in the existing business and signing several new marquee clients.

Of the 14 clients added in Q2 2011, 5 customers are based in Americas, 2 in Europe and 7 in Asia Pacific (APAC) region. For the quarter just completed, 66.4% of revenues originated from Americas, 27.2% from Europe, and the remaining 6.4% from the Asia Pacific region. The share of revenues from the new client wins increased further to 7.5%.

The number of clients registering in $ 1 mn+ revenues stood at 50, with 40 clients in the $ 1 mn - $ 5 mn category, 6 clients in the $ 5 mn - $ 10 mn range, 2 clients in the $ 10 mn - $ 20 mn range and 2 clients billed over $ 20 mn each – on a trailing twelve months basis. The enhanced focus on account management for all the Strategic Clients and the Key Accounts has resulted in multi-year deals with multi-million Total Contract Value over the last four quarters.

**Large Deal Wins**

During the previous quarter, Hexaware clinched a $ 25 million deal over 3-year duration for providing Remote Infrastructure Management Services (Remote IMS) for an existing European client. Under the terms of this agreement, Hexaware will manage all aspects of Infrastructure Support for this client whose footprint covers the Americas, Europe and Asia Pacific regions. The Company expects to deploy 150+ employees on this engagement globally. By securing this large annuity deal, the Company has also managed to increase its share of the wallet in a multi-vendor scenario with this existing client.

Last week, Hexaware signed its largest contract till date with a potential worth of $ 177 million. Through this agreement, the Company has a potential $ 100 million worth incremental business while extending existing business worth another $ 77 million over the course of the five-year agreement. As a part of this engagement, Hexaware will continue offering services to this Strategic customer that cut across the following horizontals – Enterprise Solutions (ERP), Business Intelligence / Business Analytics (BI / BA), Quality Assurance and Testing Services (QATS) Business Process Outsourcing (BPO) and Application Management Services. Under this contract, Hexaware is expected to ramp the team up to a peak size of 600+ personnel over a period of four to six quarters from 15 locations spread globally.

**Facility Updates**

In line with the corporate road-map, Hexaware has been expanding its presence in its Green Campus expanding over 27 acres in Chennai SEZ. During the course of the current year, the workforce operating out of these SEZ facilities has increased from 1,400 in December 2010 to 2,220 in June 2011. Further, the SEZ campus at Nagpur seats in excess of 500 employees employed by Caliber Point Business Solutions, 100% wholly owned subsidiary of Hexaware.

Recently, Hexaware celebrated the first anniversary of its latest global delivery center in the city of Bengaluru, India. The facility currently seats 250 professionals. The opening of the global delivery center has provided the Company with a platform to cater to global clients who have their India operations in this southern metropolis and has also doubled up as a rich source of high quality talent. This GDC marks Hexaware's presence into the 5th city in India following Mumbai, Chennai, Pune, Nagpur and 7$^{th}$ city globally including New Jersey (USA) and Saltillo (Mexico).

**Foreign Exchange Cover**

The Company has forward contracts worth $ 168.0 mn at an average rate of ₹ 48.17 and hedges worth € 11.0 mn at an average exchange rate of ₹ 72.03 maturing over the course of the next eight quarters (from July 2011 till June 2013).

**Pricing**

The average bill rate per hour for the previous quarter remained flat $ 72.00 for onsite services and increased by 1.3% quarter on quarter to $ 22.50 for offshore locations.

**Human Capital**

The global headcount at the end of Q2 2011 increased to 7,419; an addition of 755 employees from the previous quarter and an increase of 1,388 compared with June 2010. Hexaware has been steadily ramping up its delivery capability to cater to the demand uptake visible in the market place. Technical personnel comprised 91.5% of the total work force. Attrition for Q2 2011 reduced to 18%.

At the start of the year, the Company had indicated plans to add 1,500 personnel which would comprise at least 700 fresh graduate engineers from Campuses during 2011. In line with the previously stated recruitment plan, Hexaware inducted 145 fresh engineers during Q2 2011 and 270 fresh engineers during H1 2011. These engineers are being inducted into the mainstream delivery operations in a steady stream after the successful conclusion of their training programs at Hexavarsity, the in-house Learning and Development University. The company intends to add 250 fresh engineers during Q3 2011.

**Awards and Recognition**

Hexaware has been mentioned in a Gartner report "*Market Trends: C&SI Market Wrestles with Growth under Aggressive Competition, 2011*" by Tan, Susan, 15 April 2011.

Caliber Point Business Solutions Limited has been listed in HRO Today's Baker's Dozen for Multi-Process HRO, 2010. This listing is based on customer survey data collected and analyzed by HRO Today. Caliber Point's most important customer metrics as listed in the ranking are Consistent Value delivered, Efficiency turnaround time maintained and Productivity (volume per day).

Hexaware has been mentioned in a Gartner report "*Market Trends: Insurance Vertical-Specific Software, 2011*" by D 'Aquila, Marianne; Finkeldey, Derry N, 28 June 2011

Hexaware Technologies Limited was listed among the top 100 in both '*Mid-tier Industry-Specific BPO Vendors*' and '*HRO Vendors*' in the "2011 Global Services Compendium Report"

Hexaware has been mentioned in a Gartner report "*U.S. Healthcare Payer BPO Vendor Market Is Quickly Emerging, and Service Portfolios Are Expanding, 2011*" by Galimi, Joanne, 29 June 2011.

**About Hexaware**

Hexaware is a leading global provider of IT & BPO and consulting services. The Company focuses on key domains such as Banking, Financial Services, Insurance, Travel, Transportation, Logistics, Life Sciences and Healthcare. Our business philosophy, "*Your Success is Our Focus*", is demonstrated through the success we ensure for our clients. Hexaware focuses on delivering business results and leveraging technology solutions by specializing in Business Intelligence & Analytics, Enterprise Solutions, Quality Assurance and Testing Services, Remote Infrastructure Management Services and Legacy Modernization. Founded in 1990, Hexaware has a well-established global delivery model armed with proven proprietary tools and methodologies, skilled human capital and SEI CMMI-Level 5 certification. For additional information logon to www.hexaware.com

**Safe Harbor Statement**

Certain statements in 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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