Hexaware TECHNOLOGIES
YOUR SUCCESS IS OUR FOCUS

- Financial Release June 30, 2010

Hexaware reports 13% Q-o-Q revenue growth

Signs transformational IT deal worth $ 110 mn

- ***Q2 '10 Revenue stood at $ 54.9 mn (₹ 2,512 mn); surpasses quarterly guidance of $ 52 mn - $ 53 mn***
- ***Bags its single largest contract worth $ 110 mn with a Fortune 500 corporation; also wins an extension worth $ 60 mn with another client***
- ***Headcount increased by 727 to 6,031 at the end of June 2010***
- ***Declared 30% interim dividend***

Mumbai – July 29, 2010: Hexaware Technologies Ltd., a leading global provider of IT, BPO and consulting services, today reported financial results for the second quarter ended June 30, 2010.

Highlights of Q2 ended June 30, 2010

- 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
- Net Profit after Tax was at $ 3.1 mn (₹ 144 mn)
  - Q-o-Q increase of 21.5 % in $ terms and Q-o-Q increase of 24.3 % in ₹ terms
- 12 new clients added during the quarter; 156 active clients
- Days sales outstanding (DSO) improved by 9 days to 53 days, from 62 days last quarter
- 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)

"In Q2 2010, we achieved a noteworthy milestone by signing our largest deal till date. This 110 mn USD contract with an existing Fortune 500 customer involves deployment of 500 employees globally and ensures recurring revenues in excess of $ 20 mn annually. It will further enhance Hexaware's global footprint in horizontal competencies such as Remote Infrastructure Management Services and Oracle Financials. We are proud that Hexaware has been selected as a partner of choice to drive this initiative for our strategic customer," said **Atul Nishar**, Chairman, Hexaware Technologies Ltd.

"This quarter witnessed an impressive revenue growth, healthy addition to the employee headcount, strengthening of the horizontal competencies, launch of a unique platform based service offering and an improvement in the quality of the deal pipeline, particularly in Americas. We continue to invest in our practices and bolster our execution engine to sustain the revenue growth over the foreseeable future," stated **P. R. Chandrasekar**, CEO and Vice Chairman, Hexaware Technologies Ltd.

Guidance

Revenue for Q3 '10 is likely to be in the range of $ 58 mn to $ 59 mn (exchange rates taken at 1 GBP = 1.55 USD and 1 EUR = 1.30 USD).

Interim Dividend

The Board of Directors declared an interim dividend of ₹ 0.60 per share (30 %) on equity shares of ₹ 2 each, same as the interim dividend declared last year. The record date is fixed as Friday, 13 August 2010 for determining the shareholders entitled for this interim dividend.

Business Updates

In Q2 2010, the Company secured its single largest contract till date, worth in excess of $ 110 mn. As a part of the deal, Hexaware will support the IT systems of a Fortune 500 US corporation. The order will extend over a 5 year period and the work will encompass 13 countries covering North America, South America, UK, Continental Europe and certain countries in the Asia Pacific region. The scope of the work includes Application Development & Maintenance of IT Applications, Remote Infrastructure Management Services (RIMS) and extending support and maintenance to several core applications, primarily different Enterprise Resource Planning (ERP) modules, on a 24 X 7 basis.

Additionally, Hexaware signed a contract extension worth $ 60 mn with a multi-billion dollar enterprise. The deal extends over a three year period. Hexaware has been offering services cutting across the following horizontals – Enterprise Resource Planning (ERP), Business Intelligence/Business Analytics (BI/BA), and Quality Assurance and Testing Services (QATS) to this existing strategic customer.

Financial Review

The financial ratios for the quarter stood at:

- EBITDA Margin was at 6.8%, down 1.4% compared to the previous quarter
- Operating margin (EBIT) stood at 4.4%, down 1.1% from the last quarter
- Net Profit after Tax margin improved to 5.7%, up 0.5% compared to Q1, 2010
- Blended utilisation for the quarter stood at 68.0%

The decrease in the profit margins in Q2 '10 was primarily on account of three major factors:

- Initial investments committed towards the smooth commencement of the large deal signed by Hexaware:
  - Building the delivery team and onsite-heavy knowledge transfer
- Average 15% compensation increase for offshore based employees, with effect from April 2010 and
- Impact of cross currency movements particularly appreciation of INR against EUR and GBP.

Operational Updates

The Company added 12 new clients, all of which belong to the Company's key focus areas. One client was added in Banking Financial Services and Insurance domain (BFSI), 2 clients in Travel, Transportation, Hospitality and Logistics vertical (TTHL), 1 client was added in Business Intelligence and Business Analytics (BI / BA), 5 in Enterprise Resource Planning (ERP), 2 in Business Process Outsourcing (BPO) and 1 in Quality Assurance and Testing Services (QATS). At the end of the quarter, the total number of active clients stood at 156.

Of the 12 clients added in Q2 2010, 5 customers are based in North America, 1 is based in Europe and 6 in APAC. 65.7% of revenues came from Americas, with the European share at 28.9 % and the remaining 5.4% coming from the rest of the world.

The number of clients registering $1mn+ in revenues increased to 49, with 40 clients in the $1 - $5 mn category, 5 clients are in the $5 - $10 mn range and 4 clients billed over $10 mn each – on a trailing 12 months basis.

Significant Updates

Caliber Point, the wholly-owned BPO subsidiary of Hexaware launched *'Republic'*, a multi-tenant HR services delivery solution. Built on the Oracle E-Business Suite Release 12, this ready-to-use platform will cater to multiple clients under a secure and shared environment. The launch of *'Republic'* marked the identity of Caliber Point as one of the first BPO service providers in India and one of the few in the world to provide a complete platform-based BPO service offering.

In Q2 2010, Hexaware announced a strategic partnership with the Validata Group, a leader in Application Lifecycle Management (ALM) solutions for the Banking and Financial Services industry. Hexaware's Quality Assurance and Testing Services (QATS) division has worked with the Validata Group to deliver Validata SAS Test Factory™ - a unique Quality Management (QM) model that covers Quality Assurance (QA) and Quality Control (QC) processes.

Corporate Updates

During the previous quarter, Hexaware expanded its global reach to 20 countries by establishing its presence in Brazil and Italy. These new entities will further bolster Hexaware's global footprint.

In Q2 2010, Hexaware set up its latest global delivery centre in the city of Bengaluru, India. In the first phase, this facility can seat 250 employees. Having an operational base in this southern metropolis further enhances Hexaware's ability to cater especially to those global customers who have their India operations based in Bengaluru. The opening of the global delivery centre also provides a platform to attract talent.

Forex Cover

The Company has hedges worth USD 19 mn at an average rate of ₹ 40.70 maturing in the quarter ending September 2010. For the subsequent nine quarters (from October 2010 till December 2012), hedges worth USD 74 mn are at an average rate of ₹ 48.00 and hedges worth EUR 17 mn are at an average rate of ₹ 71.90.

Pricing

The average billing rate per hour for the quarter stood at $69.04 for onsite services and $21.59 for offshore projects.

Human Resources

Global headcount at the end of Q2 2010 increased to 6,031, an addition of 727 from 5,304 in the previous quarter. Hexaware has been steadily ramping up its delivery capability to capitalise on the demand revival witnessed in the market place. Technical personnel comprised 89.5% of the total work force. Attrition stood at 22.6% on an annualized basis.

In line with the hiring plans announced previously, Hexaware added 135 fresh graduate engineers (campus recruits) during the quarter. While these engineers are currently

undergoing training, the fresh graduate engineers hired in the previous two quarters have been inducted into the mainstream delivery operations.

Effective June 2010, the Company has also completed the annual appraisal process for its overseas employees. The Company has implemented an annual salary increase for all its overseas employees at an average of 3.5% with effect from July 2010.

Awards and Recognition

Hexaware has been covered in a Gartner report 'Agile Techniques Augment But Do Not Replace Business Intelligence and Data Warehouse Best Practices' by Mark A. Beyer, James Richardson, 18 June 2010.

Hexaware has been covered in a Gartner report 'Japan's Changing Global Sourcing Landscape' by Partha Iyengar, Yuko Adachi, Ian Marriott, 22 April 2010.

Hexaware has been covered in a Gartner report 'SAP R/3 Customers Search for Third-Party Support Options' by Pat Phelan, Bob Igou, 14 June 2010.

Hexaware was awarded the Leadership Excellence Award at Asia's Best Employer Brand Awards 2010.

About Hexaware

Hexaware is a leading global provider of IT & BPO services and consulting. The Company focuses on key domains such as Banking, Financial Services, Insurance, Travel, Transportation, Hospitality, 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 Applications, Quality Assurance and Testing, 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 on this press note 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.

For more information contact:
Effie D'Cunha
Hexaware Technologies Limited
Tel: +91 (22) 66542682 / 83
Fax: +91 (22) 22872939
e-mail: effiec@hexaware.com

Issued on behalf of Hexaware Technologies Limited by:
Sushmita Sarkar
Adfactors PR Pvt Ltd.
Tel: +91 98206 61186
e-mail: sushmita.sarkar@adfactorspr.com