

FY 2005 results Discussion



Feb 2006



Disclaimer

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



Results 2005 - Analysis



2005 Results Analysed

Surpassed 2005 Guidance

Revenue

\$ 153.77 mn achieved against \$ 153 mn

Net Profits

\$ 20.72 mn achieved against \$ 19.5 mn



FY 2005 Highlights

- ISC transitioned to Oracle on Nov 2nd
 - 739 employees, and all assets
 - Buyout fees of Rs. 44.96 mn
 - 11% of FY 05 revenues and 30% of PAT
 - Qtr 4 ISC revenues of \$1.92 mn (5%)
 - Q4 ISC profits of \$ 0.53 mn (excl. buyout fee)
- \$ 40 mn orders booked in Q4 – *highest ever*
- For FY '05, yoy revenue growth of 24.3% (INR) and 43.6% in PAT – *operating leverage at work*
- Excluding ISC numbers, q-o-q
 - Qtr 4 Revenue growth of 6.9% in INR terms
 - Qtr 4 Profit growth of 4.4% in INR termss



FY 2005 Highlights

- Qtr 4 revenues of Rs. 1740 mn, PAT of Rs.247.5 mn
- PAT would have been higher but for
 - Forex loss of 2% (swing of 2.3% over Q3)
 - One time charges of about 1.85
 - Customer Summit expenses of 1%
 - Specsoft merger-related expenses of 0.8%
- SG& A costs higher & OPM% lower qoq because of above factors
- 30% final dividend – *for a total of 60% dividend for FY 2005*
- Annualized EPS of Rs. 8.32 in Qtr 4

A blue-tinted world map graphic with a torn paper effect, serving as a background for the title.

FY 2005 Highlights

- Loss of ISC revenues has impacted Q4 metrics in q-o-oq terms
 - Enterprise technology share down 5%
 - Americas share of revenues down 4.4%
 - Offshore share down 4.7% (but up 2% ex-ISC)
 - Top 10 clients share down 10.65 to 49.3%
 - Global Headcount down to 3646
 - Offshore billing rates up by \$ 0.42



FY 2005 Highlights

- Million dollar client summary
 - Total of 30 vs. 25 in FY 04/29 in Q3 '05
 - 4 clients each over \$ 5 mn; 4 over \$ 10 mn each
- Q4 Utilization up 2.2% to 70.2%, despite loss of ISC revenues
- Cash in books at over \$ 26.1 mn
- DSO high at 85 days, but reduced to 77 days by Jan '06
- 10 new clients added (39 for FY 05)
 - Peoplesoft clients won - 12 in last 22 added in Q3/Q4
 - Asset Mgmt leads BFSI share increase y-o-y
 - Transportation also showing consistent share increase - from 13.9 in Q4'04 to 17% in Q4 '05



FY 2006 Growth Impulses



Guidance Qtr 1 FY 2006

- Guidance for Quarter 1, FY '06
 - Revenues of \$ 38.6 mn – 6% qoq excl. ISC
 - Profits of \$ 5.4 mn – 38.5% excl. ISC
- Qtr 1 Margin highlights :
 - Offshore volumes and utilization levels will likely fall
 - SG&A likely reduces by over 3%
 - If no forex impact in Q1, the forex loss and one time charges in Q4 of 3.8% will offset Qtr 1 '06 likely drop in GM% (by 1.3%) and no ISC buy out fee (2.6%)
 - Marginal drop in overall margins by 0.1% qoq
 - Addition of about 300 employees
- Projected wage hike of about 15% offshore and 6% onsite from April '06



Growth Story Stays Intact in FY 2006

- Intense focus on growing revenues from Top 40 clients (75% of revenue)
 - Sales orgn. restructured to create separate hunting and farming focus
 - Enhanced services to enable cross selling - Testing, new Fin Services solutions, BA/BI...
- Seeded 7 new sales territories and added 10 new sales people in H2'05
- Germany a strong growth engine
- Margins maintained thru lower SG&A, higher offshore volumes from top 40 client growth
- Good traction for key services
 - Current clients for Testing - 9, Asset Mgmt - 11, Wealth mgmt - 1, BA/BI - 5,
 - ERP - 18 new wins in H2'05



Thank You