

**Hexaware Technologies**  
**Investor/Analyst Conference Call**  
**October 18, 2007**

Moderator

Good evening ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the Hexaware conference call. From Hexaware we have with us Mr. Atul Nishar, Executive Chairman. Mr. Rusi Brij, Vice Chairman and CEO. Mr. P. K. Sridharan, Executive Director, and Mr. Rajesh Ghonasgi, CFO. For the duration of the presentation all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to Mr. Rajesh Ghonasgi of Hexaware. Thank you and over to you sir.

Rajesh Ghonasgi

Thank you Rita. Good evening friends and thank you for logging in to our conference call relating Q3 2007. Before I get in to the call, I would just like to state that lot of things that we are going to discuss are forward looking statement and there is a chance that there might be variation between what we have said and what would happen. The disclaimer is on our website. In addition to that discussion, we will have a Q&A. If you have any technical detailed questions etc. I will of course be available anytime. Having said that let me pass this on to Mr. Atul Nishar to give a picture of what happened.

Atul Nishar

Good afternoon to all of you. This quarter I believe has laid a good foundation for growth in 2008, as reflected in the highest ever order book increase of \$100 million, spread across 8 deals and one of the deals being from an existing client of over \$50 million. The head count increased, has been the highest ever again of 1041, around 635 people being the campus requites and the rest being lateral hire. So that takes the head count up to 6767. The profit has grown by 5.5% on quarter on quarter basis in dollar terms and 3% in rupee terms. The net profit margin has gone up by 60 basis to 10.6%. On the plus side the million dollar accounts have gone up to 54 from 51 a quarter back. In financial terms, I mean, in the business term the down side was that the revenue was marginally lower by \$1 million at \$63 million down from \$64 million a quarter back, Rusi Brij will shortly explain more in detail the reason behind that, plus as a result there is decline in both gross margin and operating margin, the gross margin is 35.6% as compared to 36.4% and operating margin is 9.7% as compared to 10% last quarter. In addition, some of the important developments that I would like to point out, one is on the forex front where there is, you can call change in the policy and the strategy. We have now followed a policy of more longer term management of forex and we have increased the period for which we take hedge from 4 quarters to 10 quarters, that is what the increase we made during this quarter and as a result the hedge has gone up from \$90 million to \$400 million plus and the current average is Rs. 41. The main reason behind this strategy is that whenever we book contracts, which are generally longer term since the large part of company's revenue is recurring and where we sign 3 year contracts is to also take the forex cover so that we remove the uncertainty on account of forex for the business that we have on hand. Going forward in

any case we have increased the rates and the new business is now coming at 8-10% higher rate. So the purpose behind this strategy is to de-risk the rupee appreciation. Another important development that happened, I think there is slight confusion is on General Atlantic conversion of preference shares. GA had optionally convertible preference shares and they had the option not converting and taking the money back. At a time when price was 122 they exercised the option which they had of converting into equity at 142.10 per share and the reason I am emphasizing is, this only reflects the confidence GA has in the company and also it removes the unnecessary, false, and misleading press report that GA wanted to sell stake in Hexaware. We have no doubt that we have full support of GA going forward in the company. We have also today approved ESOP plan for employees, the key employees that covers more than 200 employees and the stock options have been given at Rs. 109 per share over a 4 years they will be vesting equally each year, 25% over next 4 years. The total allocation is 3.1% of current equity. We also decided to meet again next month, sometime in November to review and consider the buy back of companies equity shares, which of course will come up in November and we will give more details once the board has approved, but in principle we have today decided to take that into account and call a board meeting. The RiskTech the joint venture that we had launched where Hexaware has a predominant stake of 85% is taking off with a strong pipeline of \$10 million. In addition to the strong pipeline that Rusi Brij will talk more about of more than \$150 million that we have for Hexaware itself. So these were the broad developments both positive and negative and we believe that we have been laying foundation for sustaining growth in 2008 and 2009 which we are really doing in Q3 and Q4. So I will now ask Rusi Brij to take it forward.

Rusi Brij

I will just try to give some more background to what Atul has talked about as highlights of Q3 performance. The first off course is the slight fall in revenue that we experienced this quarter, let me give you the background to that and then I will talk about the stronger highlights of order book and the head count and other areas. During this quarter, Focus Frame which is one of our subsidiaries lost their top client to the subprime mortgage mess, in fact as a company we have only one client and that happens to be Focus Frames top client in the Capital One group and that led to a over a million dollar hit in Q3 alone. We don't have any further exposure to that.

Moderator

Hello sir. Mr. Rusi Brij, you can go ahead sir.

Rusi Brij

I was speaking about fall in revenue. In this Q3, we Focus Frame as a one of our subsidiaries lost to its top client to Subprime Mortgage Mess, this is Capital One customer that they had. This had a just a over a million dollar hit in Q3 alone, it was their top client. We don't have any further exposure to the Subprime Mortgage sector now, just happened to have one client and that was the unexpected hit in this quarter.

The second thing is that some of the deals that we were chasing we with our top 5 client have been further delayed in fact they have already been overdue now almost 3 months now. They have been pushed out and we were not able to register the revenue we thought we would record in this quarter. So these couple of things have let to this slight fall in revenue and the

lack of growth in the revenue for this Q3, but on the strongly positive side, let me talk about the order book, which is very exciting for us now.

We have closed 8 deals this quarter, of the biggest deal we have signed which is over \$50 million in value from one of top 5 clients that is the minimum value over 3 years and we believe that we should be able to add further \$30 million on that deal alone which is not factored into the \$100 million order book, so over the next 3 years, we believe the visibility in that account should add a further \$30 million there. Going forward we have another 15 deals each worth 5 million or more of total value of at least \$150 that would get closed hopefully by end of March 08. I believe we will win at least 10-12 of them in this period. In fact in October alone we have added already about \$35 million new deals in October alone. So very strong deal pipeline. Q4 as you know is a not very good month in terms of new deals etc. and we will not sign big deals in December. So probably we will not meet \$100 million order book in Q4, but it will still be quite a robust number. In fact RiskTech which is one of our joint ventures, we had recently started about a quarter back, has already built up a new pattern of \$10 million, purely for the Risk related projects. Of the \$100 million order that we have signed in the quarter \$57 million is for 2008 alone. I believe that by the time we announce our quarter and the year results the order book for 08 could be substantially higher than what we had for 07. So this is one of the reasons why we feel that order book had created a strong visibility for General Atlantic covert shares at price higher than the market price.

In terms of the head count again 1000 plus people within quarter, 635 of them are campus requites, remaining are lateral hires. Going forward we have said that we have some visibility for revenues for Q4 and the Q4 revenue number will probably be the same or thereabout of the Q3 number. Focus Frame I think will need some more time to recover from the loss of this client. In addition, the North America as you know we have had a change in the head of business there and we are now in the process of reorganizing their sales strategy, sales team as well as to rationalize the list of clients based on low margins or low quality of business. The Rupee appreciation has made us put a lot more focus on doing business with good margin. So there, I would say about, 12-15 customers in North America that we have identified, some of them we already have stopped doing business in this quarter and the remain will probably be in quarter 4, where margins are extremely low or business is purely onsite or very small business for a long period of time, does not make sense to provide service for those small engagements. The total impact in Q3 and Q4 total will probably be about maximum about 3 million or may be a bit less. Not a very meaningful impact and I believe we will be able to recover very soon in early part of 08. In terms of hiring for quarter 4, I would believe that laterals hires would easily exceed 300-400 in Q4 alone. So the build up for 08 will also be reflected in the Q4 order book as well as the head count.

One other point I wanted to add is about is the center in Mexico, we mentioned about it in our press release also that in fact we are going to formally inaugurate the Hexaware center in Mexico very soon and we have started hiring for that. As you know Focus Inc already has their own center there. Hopefully by end of this year we would be together may be about 100 people or so there. We have now 2 customers of Hexaware that are now being served out of that center. We had started hiring fresh engineers from Mexico, were brought by Hexavarsity to India to be trained on our process and our system. So for the batch 8 engineers have just gone back after 2 months of training. So that is just the first time we started hiring and training non-indian engineers.

One other point on the North America sales organization, what we have done in the last couple of months is to re-align the sales people to create larger hunting bandwidth. While we will increase the overall sales head count by about 5-6 people in North America, but the hunting bandwidth will probably go from 4 people earlier to almost about 18-19 people by the end of the year. What that would mean is that the focus on larger deal sizes, the focus on trying to sell to larger set of clients will now be supported by a larger number of sales people focusing on new client addition, that is what I call hunters. The bill rate continues to hold some, there may be some question on what is the market outlook, while October-December is the period where in North America most of the CEOs finalize the budget, but so far we have not heard any adverse news about any fall in the IT budget for next year. So far all indications are that the IT budget will grow next year again, perhaps at a smaller rate of growth but generally they tend to be higher than 07. One other small point is that during the quarter we have invested Rs. 8.5 million RiskTech as a first installment on building their team. We are committed to do about \$2 million investment their by next year, but I am quite happy with the ways that business is shaping up. One other last point here is that number of million dollar clients are now at 54 but a year back they were about 40, which indicates that growth is now coming from beyond the top 10 customers in a very strong way. Secular end growth is always a good sign. With that I will finish my presentation and open it for any questions that you may have.

Moderator

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions kindly press \*1 on your touchtone enabled telephone keypad. On pressing \*1 participants will get a chance to present their questions on a first-in-line basis. Participants are requested to kindly use only handsets while asking a question. To ask a question please press \*1 now. First in the line we have Mr. Sujit Joshi from Regina Research.

Sujit Joshi

Good evening gentlemen, I am Sujit Joshi from Regina Research, my first question is regarding your intake of lateral hires and you are expecting to hire about 300-400 more, so are you expecting higher value add work from the new deal / client from the work that you are getting from them.

Rusi Brij

One of things that we are seeing many of our deals that we have signed or in the pipeline is that increasingly almost every deal is now multi-technology. There is no deal which is only peoplesoft or only dot net or only testing. Most of the deals now have more than one skill set requirement. So the requirement is across different platforms.

Sujit Joshi

Okay, so how does that actually impact your cost structure, given that you would obviously paying more to lateral than for fresher. So how much impact do you see because of that.

Rusi Brij

Most of the hires are within the salary range bandwidth that we have. So there may be some specific skill like SAP or some other skills which are very difficult to get, those numbers may not be very large.

Sujit Joshi

Okay fine. One more question is could you break down how much has been your volume growth, pricing and your rupee appreciation impact on your top line, margins etc.

Rajesh Ghonasgi

Just to slice, #1 rupee appreciation on a quarter-on-quarter basis, it is has been less hard than previous quarter, the USD and appreciating rupee and slight appreciation in the Euro, GBP has some effect. Overall you would have had a marginal negative impact on the bottom line i.e you would have had about \$100,000 to \$110,000 worth of net impact. Now netting off all the amount. Your second question was about volume growth and pricing increase. See overall I just told about the rupee dollar, where there was small negative impact not a large impact but we were saved because of the diversification in EURO& GBP. In terms of volumes, overall in our software services business there was 2% point dip and the 2% point dip is in line with the total revenue dip that we have had, largely on account a little less work onsite and little less work done offshore. So simply there is 1.5% point dip in overall revenue. We gain in some businesses but net off we have lost about 2% point in terms of volume.

Sujit Joshi

Okay and any color how much has been the pricing impact.

Rajesh Ghonasgi

Yeah on the onsite prices we had a 40 basis points improvement. Offshore pricing has ben equivalent to the earlier quarter. Now as we have been pushing for better prices and all we are seeing better prices come in, but this is the factor of the fact that 90% whereabouts of our revenues are from customers we had already signed so that weightage tends to be visible, as we go along that amount should start getting lifted up.

Sujit Joshi

Okay. One more question is your attrition is probably now at a all high, so could you give us some idea on why is that so.

Rusi Brij

Yeah attrition is probably you may have seen from most companies they are increasing very quarter. Even for us there has been increase in attrition. I think it is more an industry phenomenon, not restricted only to us. It is the highest that we have had for probably in the history, but I expect that this is something that is going to remain with us. We are trying to find ways to address the issue and ESOP for example that we approved is one very strong message and at a price which would suddenly be very attractive over a 4 year period that plus some other

internal things that we are doing address the attrition. I believe that over the next 2 quarters we should be able to hold on or at least reduce the attrition rate.

Sujit Joshi

What attrition are you actually comfortable with.

Rusi Brij

Well the lowest we can get, 15-16% will probably be ideal. At least I don't think we can reach 9 - 10% at least in the next one year.

Sujit Joshi

Okay. Next question would be regarding the kind of client Focus Inc has, can you give us some idea on how many client it has, because after you have hit by Capital One and how many clients do you have now on Focus frame account.

Rusi Brij

Yeah see Focus Frame does business through 2 channels, one is that it does business through channels of SAP and HP, where they procure the clients and they give to Focus Frame orders to execute, but the client remains. So SAP is one client, but SAP itself would be having 20-30 client, but to the direct business it probably has about 12-13 clients of their own that they service on their own directly, but the channels sales through SAP is probably about half the revenue.

Sujit Joshi

Yeah that is it for me. Thanks a lot.

Moderator

Thank you very much sir. Next in line we have Kunal Sangoi of Edelweiss Securities. Over the to you sir.

Biju George

Yeah hi this Biju George. I have a couple of question again relating to your attrition. Could you just split that by voluntary and involuntary attrition if possible please.

Rusi Brij

Yeah this number is generally people have left us - involuntary attrition. Almost all of it will be involuntary. There would be small numbers which are voluntary.

Biju George

The other question pertains to the proposed buy back, any thoughts on what percentage of equity you might buy back, or what portion of your funds you might allocate for this purpose and at what price.

Atul Nishar

Yeah I think all these points will come up for discussion in the board meeting. As I said, we will have the meeting sometime in November, we have asked all directors to just come back with their convenient dates. So the meeting is likely to be just before Diwali or just after Diwali around that time is the likely date, where we will consider maximum price up to which we will acquire and to what extent. Obviously the extent has to be 10 or less because beyond that we have to go share holder, of course if the board approves we can of course go to the share holders as well, but I am saying the legal position. So I think these aspects we will be discussing the board meeting.

Biju George

Yeah thanks one final question if I may, you utilization has declined this quarter, what do you think would be optimal utilization for us to model in going forward.

Rusi Brij

Especially with the rupee being become stronger further the focus is on improving margins. So the higher the utilization, probably the ideal it would be. Our goal on 08 probably would be that if we are in the region of about 75% utilization that would really be something that would likely aim for.

Biju George

Okay fine. And one last question. What would be the salary hike should be looking to sort of give next year onwards if you have decided that is already.

Rusi Brij

I think it is bit too early what will be happen in April of next year.

Biju George

Okay. Thank you so much. Bye.

Moderator

Thank you very much sir. Next in line we have Ms. Rohira from Enam Securities. Over to you mam.

Rohira

Good evening to all of you. My first question relates to the order book of \$100 dollars, which you have added in current quarter. If you could give us some flavor in terms of which are the

areas you are seeing growth. Second question relates to the guidance, which you have given for Q4 which you have mentioned, it will be similar lines of Q3, if you can trend on how do you see the onset/offshore mix changing over there. The 3<sup>rd</sup> relates to the Europe geography, which has been a very strong geography for Hexaware especially Germany. If you could give some business momentum over there, and lastly what would be the fully diluted number of shares at the end of the FY07 if you could give an idea.

Rusi Brij

I will start with order book part, which has about eight deals which as I mentioned earlier, in fact more than half would be existing clients. There are actually more from the travel and infrastructure service sector but really what we are seeing is that each of them is in more than one area of technology. So, it is a mix of testing, dot-net, new application build up, some amount of work on BABI, which is business analytics and intelligence. Actually it is a mix of lots of stuff, which is one big change that is there for the past where we were able to get one big deal on Peoplesoft or this or the other, now if you see there is a mix of technologies in each of the deals.

Rohira

Are you see it broad-based at this point of time and that is \$100 million dollar odd.

Rusi Brij

You are talking about the quarter four guidance of revenue that you have given.

Rohira

Which is probably in dollar terms I presume

Rusi Brij

Right. Right. It is in dollar terms. What we said there is that given the two - three things that I have mentioned, which is the one loss in the Focus Frame - one client. I do not think they will be able to recover very fast within the quarter. We do not know but I believe that in a bad quarter with less number of the billing days we would be able to show decent recovery form of that loss that would have some effect also in Q4, two was that the North America where we had mentioned that we had signed some of the deal from existing clients specially, from top 5 clients. Unless they were signed in October, we would have enough time to bill them. So, I do not believe that we were able bill for those deals in November. So, the outlook for Q4 has really not changed from what it was in quarter 3. While we will as I have mentioned in order book alone we have added about \$35 million in new order book. So, order book will go on and 2008 is very strong year in terms of order booking.

If you talk about Europe as a region, Europe has always been for us a fairly strong region and we had mentioned that one of the press release that came out earlier. One of the deals included \$5 million Euro deal from our existing clients, which is our client in Germany. I think this is what the Europe and one big advantage it has in in-built hedge against the rupee because of the strong Euro. So it makes sense to foray, invest in the sales organization in

Europe. So, next year you would see us investing more in the sales organization in Europe, it may not have too much of a material impact on the SG&A because the numbers are small, 4 people or more through out the year, but it will show in terms of the investment we want to build in Europe next year. Europe will remain for us bigger area of interest in 08.

Rohira

So in this quarter in terms of Europe was would it be taken as aberration rather.

Rusi Brij

Yeah. In this quarter some we have got mandate and we would shown a slight increase, but I mean it is not secular change.

Rohira

Okay.

Rajesh Ghonasgi

You asked about the fully diluted shares, I am not going to include the 44.57 lakhs of the share you talked about because that is an add on. The total number of shares you will find is 143.6 million that will be 143,599,850 shares. So probably 143.6 million after the GA convention.

Rohira

Sure. And what was the forex gain this quarter and what was the Focus revenues.

Rajesh Ghonasgi

To tell you about the forex gain, I just gave a figure, I think I should qualify further. The figure that I talked o earlier was how would this quarter look against last quarter and last quarter forex rate without any forex gain.

Rohira

Sure.

Rajesh Ghonasgi

Now in addition to that we have actually made a total gain of half a million dollars, which is reflected in our financial, this is on account of the deeper hedging policies that Atul talked about earlier. So, that is number 1.

Rusi Brij

Focus Frame, we have not given out the numbers probably because it is very difficult now to separate the revenues for one subsidiary like Focus Frame, which also does testing for us, we do testing So there is no break out in that sense.

Rohira

Okay. Sure. Thank you very much and wish you all the best.

Moderator

Thank you very much mam. Next in line we have Mr. Pratish Krishnan DSP Merrill Lynch. Over to you sir.

Pratish Krishnan

Hi. This is Pratish here. What is the total order book that you have at this point of time?

Rusi Brij

I think it will probably be well over a \$300 million now.

Pratish Krishnan

It is possible to give some sense in terms of how much of this could be implemented in next year FY08.

Rusi Brij

I did not have the data right now but that is somewhere you can get from Rajesh in a week or so.

Pratish Krishnan

Yeah. And secondly you mentioned that you know the largest deal that you got was from your existing client I mean can we assume to this completely a new order or like or have you even clubbed the existence business into this \$50 million.

Rusi Brij

Is it both new and existing business.

Pratish Krishnan

Okay. And you also spoke about some sales restructuring going forward may be it can just know through some light, is it for a particular geography and can this now potentially lead to some more management changes going forward.

Rusi Brij

Yeah. I basically talk only about one geography, North America, where we have basically restructured the sales focus and team. Basically the idea there is to give more sense to the hunting part of the sales team by increasing and trying to make harder line between people who

only hunt. Earlier, there were only 4 people out of 35 or 36 we had in North America doing only hunting. By end of year, we will have 19 people out of may be about 40 to 41 people in North America doing hunting. So, that means that the ability to go after larger deals, after bigger clients will get enhanced. There are also supported by fairly larger team, which is based in the US to do pre-sales and sales support. Earlier, we had only two people there, one for peoplesoft and one for capital markets we have added two more there for testing and for another area. Much more stronger presales support available on the spot Now that is something will be replicate in Europe and I talked about in earlier question, what is to focus in Europe, that Europe also you would like to replicate this focus in one, trying to create a stronger hunting Focus as well supported by technical oriented pre-sales team.

Pratish Krishnan

Should we be expecting you SG&A spend increase more or going to.

Rusi Brij

As I mentioned after some 1st January North America will probably may not add may be more than one or two people in the year. So, we will not see increase in SG&A in Q1 over Q4. Europe, there will be some increase but again Europe has about 15, 12 to 15 sales people and probably add about 3 to 4 more. So, overall people to added sales organization may be 5 to 6 in the whole year.

Pratish Krishnan

Sure. And finally what is the capex plan for this year and for the next year.

Rajesh Ghonasgi

For this year, this quarter we have spent about 5 million largely on Siruseri, which is location which we are building campus location in Chennai. Going forward in the next four quarter we will have total spend of around 100 crores to 120 crores and on this future phases of Siruseri as well as certain amount for start up work in Pune and/or Airoli we will have design and some amount of work continuing. In an addition, we would not be looking at some more investments after about 20 or so crores in other cities may be in central India or what would be tier II cities to access talent in other locations but all of this will be in defined SEZ zones. So, we have an outlook happening of around 120 to 140 crores in the next four quarters.

Pratish Krishnan

Sure. Yeah. Thank a lot.

Moderator

Thank you very much sir. Next in line we have Mr. Shah from Asit C Mehta. Over to you sir.

Shah

Good evening sir. I have couple of questions first one is like we have hired 1,000 employees, on Q-on-Q, basis if we see the direct cost has come down. So what are the levers for the direct cost to come down on Q-on-Q basis this quarter.

Rajesh Ghonasgi

Yeah direct cost have come down slightly, it is almost marginal. We have addition those additions happened during the end of the quarter for example the people like we have taken on fresher basis, they have joined in the end of September and so on. So costs have been spread out across the quarter. We did not have a large cost on that count during the last quarter that is why the figures have come down but in retrospect our revenues also were impacted that is why our profits gross profits had gone down not because of the cost. This will be controlled and as we go along the new people will impact utilization except that looking into 2008, looking at the order book that Rusi talk about, all of this lead to an improved utilization. So in the short term it will be dip utilization but initially thereafter we see improvement happening. So, margins will improve 2008 onwards.

Shah

So like what was the main reason for the direct cost sir. I have not been able to catch up that point

Rajesh Ghonasgi

One is that much of the cost increases happened at the end of the quarter. So, out of this 1000 people the major part happened in the end of the quarter.

Shah

Okay. Sir.

Rajesh Ghonasgi

The other one is, this is off course the pyramid cost. The other one is you had exits happening so people go out, joining happens later on. So part of it is purely because cost was spread out across the quarter, people joined at the end of the quarter and that is the reason why.

Shah

And what help us to reduce SG&A, what was the lever for the same.

Rajesh Ghonasgi

Number one is last quarter we had fairly large because the rupee that appreciated a lot. We had a large amount of restatement cost like working capital, cost, etc., which was the pure forex driven cost. The forex impact was not as high this time that is number one. Number two we have also had much better forex management this time so we were able to nullify much of the cost and more that is about half a million dollar. In addition, since we have face this rupee pressure we have also been very, very hard on cost. So, some of the reduction has been

because we are able to prune cost down. Wherever, we have felt that cost were not relevant to revenue or to profitability we have been pretty ruthless on that and pruned them down.

Shah

Okay sir. Sir I just want to confirm the 20 clients we are planning to reduce, we are not focusing how much impact it is going to have on our revenue, in this quarter or in the next quarter.

Rusi Brij

It is between \$2.5-3 million.

Shah

Per quarter.

Rusi Brij

No, including Q3 and Q4 together.

Shah

Okay sir.

Rusi Brij

Some has already been done and some will be done in Q4.

Shah

So total impact will be 2.5 million for the two quarters.

Rusi Brij

Yes. Roughly about that figure.

Shah

And currently we are chasing 15 deals of the size of \$5 millions plus.

Rusi Brij

Each will be atleast 5 million, together is valued in excess of 150 million.

Shah

Okay sir. And sir last question. Currently we are having the cash reserves of nearly 350 crores is this money is vested thru GA, so like why we are going for buy back what is the main reason for the buy back.

Rusi Brij

See the board felt that when we see the order book and the visibility for 08 and 09 clearly that was not affected in the market valuation of our stock. So, there is more of a confidence building measure and it is sign to our shareholders and our employees also that there is a much stronger belief in the outlook for 08 and 09.

Shah

Okay. Thank you very much.

Moderator

Thank you very much sir. Next in line we have Mr. Jindal from Daulat Capital. Over to you sir. I think his line got disconnected. Next in line we have Mr. Ajay from India Capital.

Ajay

Question about your buy back that you are intending to do. How much are you eligible to do, how much amount are you eligible spend even if you want to go back to share holders. Given the funds were raised, is there any restriction on this.

Rajesh Ghonasgi

We have announced the buy back but the entire legal structure is to be decide by the board. So I will give you certain conditions that we would fulfill. #1. For the amounts up to 10% of the equity capital the board has authority to decide, above 10% you have to go general body, so we will be within this range, however, how much what number, what rate, I think that we will announce as and when the board considers and passes and takes up the issue.

Ajay

The equity capital mainly is the 27 - 28 crores. Is that the equity capital?

Rajesh Ghonasgi

Actually it is a number of share. So I give you a number of 143.6 million so 10% is the legal limit below which the board has authority, above that the general body has authority.

Ajay

Is there restriction about I believe to use money raised from buying back.

Rajesh Ghonasgi

No, in fact it is covered by section 77A of the companies act and it lays down specific conditions and we will go with those conditions, just to give you that, we can use capital reserves or we can

use free reserves or it can be from fresh issue of shares. We are doing a fresh issue of shares. We will apply for capital reserves.

Ajay

Earlier Hexaware made acquisitions with the cash that on your balance sheet, but that seems to have changed. Could you elaborate a bit on what led to changes in plan to acquisition vs share buy back.

Rusi Brij

Yeah I don't think we have changed the plans for acquisition versus buy back. I don't think the two issues are related that way. We are able to meet requirement for capex through the quarterly free cash flow, so we already have got 300 crores of cash with us. We have not been able to identify something we like, as we have said before, we are looking at Europe as the main market and that is still on and we have not said 'no' acquisition at all.

Ajay

Other question is about you said \$100 - 150 million or so of pipeline, but when you do start counting something in the pipeline.

Rusi Brij

You mean counting as revenue.

Ajay

No the order book. You mentioned there is a pipeline that you are looking. When do you start counting deal in the pipeline?

Rusi Brij

These are the deals which are at the last stage either we win or loose.

Ajay

So that is final stages of discussion and typically how many people would be there in the deal at this point, how many other competitors are there.

Rusi Brij

I would say an average will about 3, if you ask me. There may vary from 2-3 to 5-6 in some cases. If you short list and you are talking from a list of not more than 3 at most, there may be some cases you may have more than 3, but typically 2-3 people only.

Ajay

If you I were take a shot at your bookings next quarter that would be like 50-60 million, 150 million pipeline by 2.5, so that is ballpark.

Rusi Brij

I also mentioned that in Oct alone we have already signed up in Q4 about 35 million.

Ajay

Okay this is addition to that.

Rusi Brij

This is addition to 100 million.

Ajay

Okay also what is the exact timing that you talk about hiring some 10-12 people hunters in the US, what the timing of the joining?

Rusi Brij

I did not say we are hiring 10-12 people in US. We will probably end-up having about 5-6 new sales people in US at the end of December.

Ajay

What is your current hunters staff strength in the US.

Rusi Brij

See the total sales team in US is roughly I think about 36 or so. So it will go 42 by the end of December. Of this 42 people, 19 people will be pure hunters.

Ajay

Out of 40, 19 would be hunters.

Rusi Brij

Of the total figure of about 41-42 sales people in North America of that number, about 19 will be hunters. The remaining will be people who will do account management, the farming.

Ajay

And typically what is your past experience, how long does it take for your hunters once they to come on board to actually start being able to close deals, what is the time frame.

Rusi Brij

I have not really seen anyone close the deal in less than 6 months. So we basically 6 months is what it takes new person and all people are experienced people who are trying to sell a solution and try to build a new pipeline, our sales cycles are atleast 3 months if not more.

Ajay

What would be the cost of 5 people, what is the cost to the company?

Rusi Brij

Typically the salaries would be in the range of 80 to 100K person. So half a million dollar would be wage cost. If they generate revenue they also get incentive, which would be about another 30k. So lets say about 130k roughly per person.

Ajay

And in addition there will be travel cost till the point at least.

Rusi Brij

We would have sales cost.

Ajay

You know going forward what sort of, have you identified any areas where you could potentially drive more growth from, or pretty board based at this point.

Rusi Brij

See we are making our growth more board based. In fact one of the points that I have mentioned was that our million dollar clients have grown from 40 last year to about 54 now and there are in pipeline of 8 deals that are signed now and there 15 which are in the pipeline for Q4 and Q1. So more than half of these are from existing clients, across the range of the client, not only the top 10. So we are looking at across sectors, across technology. I believe that travel is one area, the airlines and transportation where you should see some good pipeline to be made.

Ajay

Last question, I think is asked from a different form earlier, but what exactly is the impact of forex on your revenue line and SG&A line or whichever other lines relevant and if you had no hedging at all.

Rajesh Ghonasgi

I will just give you the sequential change, by that I mean what I mean, if Q3 was on Q2 rates. Remember we have got about 25-30% revenues coming from non-dollar areas. So while the dollar impacted us negatively because the rupee appreciated, there was a marginal depreciation of the rupee against Euro, GPB, and we have yen billing to some extent. So it was loss on

dollar was nullified by these figures. Now without counting I will just you figures up to operating margins, just some of the margin figures. My revenues were affected negatively by about a crores rupee, had the same rate as earlier we would have made a crores more on the same revenue of \$ 63.29 would have been higher by a crore. However, because of the certain higher cost and savings, by savings I mean cost cutting that we have done, we would have had an operating profit dip not of 1 crore, but of 37 lakhs, that is the 100,000 that I talked about. In addition to this, if I put all the figures back to the current quarters forex range then we also add the forex income half a million and this mitigated the problems that we had.

Ajay

Forex income of half a million and that you are putting the revenue line.

Rajesh Ghonasgi

Not in the revenue line. It actually reduced right down on various working capital etc. We do not count forex income in revenue line.

Ajay

So that would basically go to impact your SG&A.

Rajesh Ghonasgi

Yes.

Ajay

Okay. Going forward, if the rupee stays where it is, are you looking at some of larger peers have shown increase in billing rates this quarter. Are you looking at sort of going to customers and negotiating with them price increases for this.

Rusi Brij

Yes in fact, wherever the deals is for review we have gone back to each of those clients asking for either higher rate or 8.75 hours of billing from 8 hours and also some hedge against the forex. So all the three we have asked of our clients.

Ajay

So you have primarily when the contract is under, it is coming for renewal, but not out of turn.

Rusi Brij

No.

Ajay

How do you compare pricing you have got over last 3-6 month versus what you are getting a year or so, when the rupee issue was not there? How do you compare, in the same contracts and account renewal.

Rusi Brij

I don't have that data with me but if you really look at the year-on-year bill rate that we the offshore average rate has gone up from 22.95 to 23.40 offshore per hour.

Ajay

Can you repeat the number please?

Rusi Brij

22.95 to 23.40 same period last year and onsite from \$66 to \$67.18. We could drive you to page 8 of press release it is on page 8.

Ajay

Do you have that based on what you would expect going forward, 2-3% or do you think that could be different.

Rusi Brij

See many of our new clients are coming at a average offshore bill rate higher by about 8-10%, but these are only new clients.

Ajay

I would imagine that your rates impacted by Focus Frame, some positive impact would have been attributed to Focus Frame.

Rusi Brij

We don't include Focus Frame rates here, because they are very high and they would skew the onsite rates.

Ajay

Any success in getting work for Focus Frame clients offshore.

Rusi Brij

Yes, we believe by the end of the year there will be 3 clients functionally working offshore, currently we have had one in the past that actually happened to the Sub prime model client, so we just started the second one, rather the one left now. And we will probably add two more this quarter.

Ajay

Thanks so much and best luck.

Rusi Brij

Can we have one more last question?

Moderator

Sure sir. Next we have Divya Nagrajan from Motilal Oswal. Over to you mam.

Divya Nagrajan

Yeah I just had one clarification. What is the outstanding order book for the next 12 months?

Rusi Brij

We would probably have a better figure when we look at the 08 numbers, but the it will be very well in excess of what we had 07. 07 we again order book about just about 100 million and next year for 08 will be north of 150 million, but the figures will probably be sure by December-January.

Divya Nagrajan

Sure that is from my side. Thanks and all the best.

Moderator

Thank you very much Mam.

Rusi Brij

Can we close the session now?

Moderator

At this moment I would like to hand over the proceeding back to Mr. Atul Nishar for final remarks. Over to you sir.

Atul Nishar

Yeah, I just want to thank everyone for your time and being with us. Thanks a lot.

Thank you.

Moderator

Ladies and gentleman, thank you choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

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