



**HOV Services, Ltd Announces a Material Transaction Proposal  
And Reports FY 2007-08 Results Total Income  
Up Year over Year 263%  
And PAT Income Growth Up  
Year over Year 167%**

**Mumbai, 5 June, 2008:** HOV Services, Ltd. (NSE: HOVS), among India's top tier BPO companies, reported strong consolidated financial results for the fourth fiscal quarter ended March 31, 2008, and announces material transaction proposal.

**Material Transaction Proposal**

The Company has received an offer of approximately \$202 million to purchase 100% of its wholly owned subsidiary HOV Services, LLC and its Hong Kong subsidiary from a company controlled by some of our promoters and shareholders. On a fully diluted basis including ADR's if any, our shareholders will have the right to receive approximately \$91 million in cash - our shareholders will have the right to receive either cash of approximately Rs. 170 or one share in the buyer for each share held as of the record date; the existing debt will be assumed under the terms of this offer. All shareholders as of the record date will continue to own their current shares after receipt of cash or shares in the buyer. Our independent directors believe this to be in the best interest of the shareholders and have recommended that the Company seek independent legal and financial advice. Upon satisfactory statutory or regulatory approvals, as required by law and subject to positive recommendation by the Company's independent advisors to our board of directors, the transaction will then be submitted for approval to our shareholders.

**Financial Highlights for Fiscal Year and Quarter ended March 31, 2008**

**Performance for the Fiscal Year ended March 31, 2008**

- Consolidated Total Income for the FY climbed 263% to Rs 9,079.9 million from Rs 2,503.3 million for the corresponding last fiscal year
- 230% increase in its consolidated Operating Income for the FY to Rs 851.4 million from Rs 257.8 million for the corresponding last fiscal year
- Rupee appreciation against the USD was accretive to the company to the tune of Rs 309.9 million
- The basic and diluted Earnings Per Share (EPS) is Rs 43.37 for the FY
- Pro forma diluted EPS is Rs 23.10 after giving effect to all shares that would be issued

**Performance for the Three Months ended March 31, 2008**

- Consolidated Total Income for the Three months has increased 107% to Rs 2,325.7 million from Rs 1,113.2 million for the corresponding period last fiscal year
- 71% increase in its consolidated Operating Income for the quarter to Rs 322.4 million from Rs 93.2 million for the corresponding period last fiscal year
- 78% decrease in its consolidated Net Profit to Rs 15.0 million from Rs 67.7 million for the corresponding period last fiscal year
- The basic and diluted Earnings Per Share for this three month period is Rs1.2 per share
- Pro forma diluted EPS for this three month is Rs 0.64 after giving effect to all shares that would be issued

- Consolidated Total Income in the reporting quarter was less than the 3<sup>rd</sup> quarter FY 2008 related to a foreign exchange loss recognized in the 4<sup>th</sup> quarter of Rs 77.8 million

### **Significant Developments during the Fiscal Year 2007-08 and noteworthy items**

#### **Highlights of Business Performance**

- Pace of Revenue Growth is expected to continue – in part due to success of end-to-end solution sales strategy and in part due to success of cross sell and upsell program across our top 350 customer
- Added \$35.7 million in customer contracts in the 4<sup>th</sup> Fiscal Quarter; and \$113.5 million over the last fiscal year
- Expanded its global delivery capability by opening operations in Xian, China and 3 new facilities in Indian B cities
- Average deal size increased during the 4<sup>th</sup> Fiscal quarter to \$1.8 million from \$0.6 million in the 1<sup>st</sup> quarter with many deals in the pipeline that are larger than average for the 4<sup>th</sup> Fiscal quarter

#### **Key Accomplishments and Noteworthy Items**

- Ranked 15<sup>th</sup> on the International Association of Outsourcing Professionals' (IAOP) Global Outsourcing 100 list for 2008
- Substantial savings from integration and rationalization of global operations in the FY 2009 and beyond
- The impact of the Rupee was accretive to the company to the tune of Rs309.9 million in FY 2008. This is due to the global footprint of the company deriving 98% of its revenues in North America with cost spread globally between US, Canada, India, China and Mexico. The company has USD denominated borrowings from US institutions which contributed substantially to the income due to foreign exchange gains
- Diversified Client Base - Top 100 clients represent over 73% of total revenues

#### **Global Presence and experienced HOVS Team**

- Over 12,207 associates, strategically located across the globe
- India 9,022; North America 1,830; China 1,093; Mexico 262
- Our process re-engineering, technology leverage and consolidation is expected to both contribute to income and reduce associates need by offsetting the effects of wage escalations and attrition

### **As we look to the Future**

- HOV Services expects growth momentum to continue in spite of a difficult business environment and sees top-line growth for FY 09 between \$230 mm to \$237 mm with EBITDA margins 13 to 15% for FY 2008-2009
- Expansion into the B cities in India and China. Diligence under way for expansion into South America and Eastern Europe
- Key technology initiatives underway to improve quality, reduce cost and reduce turnaround time
- Formed a business development team to take advantage of the growing domestic market

#### **About HOV Services Limited**

HOV Services Limited one of the largest end-to-end BPO company headquartered in Chennai, India provides Finance and Accounting services in the BFSI, Healthcare, Government, Telco, Publishing, Retail, Commercial and Industrial Manufacturing industries. Its clients include over 50% of the FORTUNE 100® and are some of the largest companies in the industries served. RightShore delivery centers strategically located in India, North America, China and Mexico with over 12,200 associates working together to Exceed Expectations® of our clients.

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