

Press Release



HOV Services, Ltd Q2 FY'2008 Consolidated Operating Income Up 686% Q2 Consolidated Total Income Up 455%

Mumbai, 25 October, 2007: HOV Services, Ltd. (NSE: HOVS), among India's top tier BPO companies, reported strong consolidated financial results for the second fiscal quarter ended September 30, 2007.

Financial Highlights for Second Quarter and Six Months ended September 30, 2007

Strong performance for the Second Fiscal Quarter ended September 30, 2007

- 686% increase in its consolidated Operating Income for the quarter to Rs 554.3 million from Rs 70.6 million for the corresponding period last fiscal year
- Consolidated Total Income for the quarter climbed 455% to Rs 2,468.6 million from Rs 445.0 million for the corresponding period last fiscal year
- 803% increase in its consolidated Net Profit to Rs 395 million from Rs 43.8 million for the corresponding period last fiscal year
- 148% increase in its consolidated Operating Income for the quarter to Rs 554.3 million from Rs 223.0 million over the sequential prior quarter
- Rupee appreciation against the USD was accretive to the company to the tune of \$8.2 million
- The basic and diluted Earnings Per Share is Rs 31.48 for the quarter
- Pro forma diluted EPS is Rs 16.76 after giving effect to all shares that would be issued

Strong performance for the Six Months ended September 30, 2007

- 350% increase in its consolidated Net Profit to Rs 436.5 million from Rs 97.1 million for the corresponding period last fiscal year
- Consolidated Total Income for the six months has increased 1,544% to Rs 4,612.8 million from Rs 971.7 million for the corresponding period last fiscal year
- The basic and diluted Earnings Per Share for this period is Rs 34.77 per share
- Proforma diluted EPS is Rs 18.52 after giving effect to all shares that would be issued

Significant Developments during the Second Quarter

Rupee Effect

- The impact of the Rupee was accretive to the company to the tune of \$8.2 million. This is due to the global footprint of the company deriving 100% 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
- The company has established a hedging facility to manage the Rupee appreciation impact

Revenue Growth

- Our cross sale and up sale initiative yielded \$1.7 million in contract value.
- Added \$20.3 million in new customer contracts in the reporting period and \$40.4 million over the last 2 quarters
- Reorganized customer facing organization consisting of Sales, business development, marketing, CRM experts, subject matter and industry experts launched cross sell and up sell services across to the Top 350 customers of the company

- Pace of Revenue Growth is expected to pick up due to success of the above and due to continued success of the delivery model and service offerings

Global Presence and experienced HOVS Team

- Over 11,662 associates and growing, strategically located across the globe
- India 8,543; North America 1,944; China 952; Mexico 183.
- Company was able to achieve keep its annualized attrition rate at approximately 27% in line with expectations
- Improvement of Utilization and consolidation is expected to both contribute to income and reduce number of associates needed by offsetting the effects of wage escalations and attrition in certain cities and delivery centers

As we look to the Future

- HOV Services expects strong growth momentum to continue in second half of 2008 with top line total Income estimates for the year at \$231 million and with EBITDA of 13% for FY 2007-2008
- Significant growth opportunity by increasing penetration and cross selling will allow for higher rate of growth than current reporting period
- Better Utilization of capacity and better process engineering will hedge wage escalation and attrition; and significantly contribute to earnings
- Expansion into the B cities in India and China under consideration and diligence under way for expansion into South America

About HOV Services Limited

HOV Services Limited one of the largest end-to-end BPO company headquartered in Pune, 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 11,600 associates working together to Exceed Expectations® of our clients.

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