



**HOV Services, Ltd Q3 FY'2008 Consolidated Operating Income Up Year  
over Year 292%  
Q3 Consolidated Total Income Up Year over Year 409%**

**Mumbai, 29 January, 2008:** HOV Services, Ltd. (NSE: HOVS), among India's top tier BPO companies, reported strong consolidated financial results for the third fiscal quarter ended December 31, 2007.

**Financial Highlights for Three and Nine Months ended December 31, 2007**

**Performance for the Third Fiscal Quarter ended December 31, 2007**

- Consolidated Total Income for the quarter climbed 409% to Rs 2,141.4 million from Rs 421.0 million for the corresponding period last fiscal year
- 292% increase in its consolidated Operating Income for the quarter to Rs 256.5 million from Rs 65.3 million for the corresponding period last fiscal year
- Rupee appreciation against the USD was accretive to the company to the tune of Rs 52.1 million
- The basic and diluted Earnings Per Share (EPS) is Rs 7.40 for the quarter
- Pro forma diluted EPS is Rs 4.12 after giving effect to all shares that would be issued
- Consolidated Total Income in the reporting quarter was 13% less than the 2<sup>nd</sup> quarter FY 2008 related to less of a foreign exchange gain recognized in the 3<sup>rd</sup> quarter

**Performance for the Nine Months ended December 31, 2007**

- Consolidated Total Income for the Nine months has increased 385% to Rs 6,754.2 million from Rs 1,391.4 million for the corresponding period last fiscal year
- 384% increase in its consolidated Operating Income for the quarter to Rs 1,033.8 million from Rs 213.8 million for the corresponding period last fiscal year
- 279% increase in its consolidated Net Profit to Rs 529.4 million from Rs 139.8 million for the corresponding period last fiscal year
- The basic and diluted Earnings Per Share for this nine month period is Rs 42.17 per share
- Pro forma diluted EPS for this nine month is Rs 23.5 after giving effect to all shares that would be issued

## **Significant Developments during the Third Quarter**

### **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 \$19.8 million in customer contracts in the 3<sup>rd</sup> Fiscal Quarter with \$10 million from existing customers; and \$60.2 million over the last 3 quarters
- Average deal size increased during the 3<sup>rd</sup> Fiscal quarter to \$1.5 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 3<sup>rd</sup> Fiscal quarter
- Our top 350 cross sell/up sell program yielded \$10.1 million in contract value in the 3<sup>rd</sup> quarter as compared to \$1.7 million 2<sup>nd</sup> quarter when the program was launched
- Strong ramp up and growth in Healthcare Payer/Provider services, ARM and Accounts Payable underway
- **Key Accomplishments and Noteworthy Items**
- Accounts Receivable Management (“ARM”) business got a boost by acquisition of a portfolio of healthcare receivables for \$20.4 million by our subsidiary
- ARM business saw a decline in collections during the quarter due to customer sourcing decisions, economic environment and seasonality in the 3<sup>rd</sup> Fiscal quarter but decline was offset by growth in revenues due to acquisition of portfolio’s
- Substantial savings from integration and rationalization of global operations in the 4th Fiscal quarter and beyond;
- Launch of new facility in China with capacity for approximately 1,400 associates of which 1,100 will be added in the 4<sup>th</sup> Fiscal quarter
- Productivity gains achieved due to LEAN, six sigma and technology initiatives are gaining momentum to improve quality, reduce cost and turnaround time and are expected to increase capacity
- The impact of the Rupee was accretive to the company to the tune of Rs52.1 million. 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
- Rationalization strategy to leverage our core strengths and key service offerings across industry verticals resulted in divestiture of our Tax Services group. This negatively impacted our revenue growth in the current quarter by approximately \$1.4 million
- Diversified Client Base - Top 100 clients represent over 73% of total revenues
- In a recent customer survey 98.1 % of respondents said they would “definitely recommend” HOV Services to others

**Global Presence and experienced HOVS Team**

- Over 11,641 associates and growing, strategically located across the globe India 8,600; North America 1,894; China 794; Mexico 353
- To meet customer ramp up requirements, we need to add 2,301 associates; out of which we have added 135 as of December 31, 2007 and we are in the process of adding additional 2,166 employees by March 31, 2008
- Our process re-engineering, improved utilization and productivity gain allowed us to absorb additional revenue without adding significant head count
- Company was able to 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 our last quarter of 2008 with Total Income estimates for the FY 2007-2008 of \$222 to \$224 million including 4<sup>th</sup> quarter revenue between \$55 to \$57 million; EBITDA estimate for FY 2007-2008 is between \$32.4 to 33.4 million; this EBITDA estimate includes ramp-up cost of approximately \$1.4 million
- Better utilization of capacity and better process engineering will hedge wage escalation and attrition; and significantly contribute to earnings  
Further planned expansion will be away from the big metropolitan areas in India and China with some exceptions

**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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