

HCL Technologies reports 13% revenue growth in FY 2002-03

- **Non-organic initiatives sustain consistent performance**
- **Manpower crosses the 10,000 mark**
- **100% final dividend recommended**

New Delhi, September 12, 2003

Fourth Quarter & Annual Results analysis based on audited financial results for FY 2002-03 (US GAAP consolidated)

Executive Summary

Financial Performance Review

The highlights of financial performance for **Year ended June 30, 2003** as compared to the previous year are:

- Gross Revenues up by 13% to aggregate Rs.18 billion
- Gross profits up by 15% at Rs.7.9 billion
- Net Income (before provisions) at Rs.3.26 billion
- Non-organic initiatives contribute 26% to annual revenues
- Total manpower up by 3,578 to 10,041 (including subsidiaries), up from 6,463 last year

The highlights of financial performance for **Quarter ended June 30, 2003** are:

- Software services business reflects a sequential quarter growth of 3% to reach Rs.3.9 billion
- Landmark quarter with revenues in excess of US\$ 100 million. Gross revenues grow to Rs.4.7 billion this quarter.
- Net income up 59% QoQ at Rs.957.3 million.
- Non-organic initiatives maintain their ramp up with a QoQ growth of 12%
- HCL BPO records a 4% sequential revenue growth
- HCLT (Mass) Inc. the entity focusing on business from US Govt., shows signs of a turnaround, reflecting a healthy sequential revenue growth of 25% this quarter.
- Infrastructure services business managed by HCL Comnet registers a 2% sequential growth.

Operational Review for Quarter ended June 30, 2003

- Offshore centric business remains steady – contributes 81% to revenues.
- Top 5, Top 10 and Top 20 customer contributions to revenues at 35%, 47% and 58% respectively
- 22 new customers added during the quarter taking the total number of customers to 385. Includes 44 Fortune 500 clients and 71 clients with a run rate in excess of \$ 1 million
- Revenues from Europe continue to grow; up to 19% this quarter
- 1,293 employees added this quarter; attrition at 8.2%
- Rs.465.9 million invested in infrastructure, taking total seat capacity in organic software business to 6,197
- Final dividend of Rs.2 per share (100%) recommended

Highlights for the quarter ended June 30, 2003

- Software services business grew 3% sequentially with Net Income registering a 34% growth, driven primarily by the higher treasury income.
- Initiatives towards rebalancing of services portfolio begin to yield results with end –user applications contributing 37% to revenues, up from 28% last year.
- 22 new customers added during the quarter including AMD, Airbus, one of the largest retail co-operatives in Europe, one of the largest reinsurers worldwide for both life and non-life segments, amongst others.
- Some new engagements undertaken during the quarter include:
 - A landmark **multi-year, multi-million dollar collaborative IT co-sourcing contract** with **AMD**, a leading supplier of integrated circuits for the personal and networked computer and communications markets. The strategic co-sourcing deal involves IT infrastructure management, maintenance and support of global IT applications.
 - An **Offshore Development Centre** for a **world-renowned media organization**. HCL Tech is providing Software development and maintenance activities on the PeopleSoft HR application suite, using a combination of offshore and onsite resources.
 - An **Offshore Development Centre** for one of the **Leading chip manufacturers** for converging voice and data networks. HCL Tech is providing software services including PCB design, chip verification, development and porting of embedded software applications and protocols, supporting the development of tools for clients' evaluation boards.
 - A contract with **AIRBUS France** for **development of sophisticated embedded software** for the System Data Acquisition Computer, of the AIRBUS A340 Flight Warning System.

- An engagement with one of the **leading providers of IT and related services to North America's railroads** for management, enhancement and development of Internet Technology Applications.
- Non-organic entities maintain ramp up with an encouraging QoQ growth of 12%. Overall contribution from non-organic entities to revenues at 28% this quarter.
- HCL BPO logs a 4% QoQ growth with organic revenues registering a significant 46% growth; BPO contribution to overall revenues stands at 9%. Manpower increases by 635 to 1,466 permanent employees on the company's rolls; 7 clients added during the quarter including a Fortune 50 financial services company and a Global 50 FMCG company.
- Infrastructure services business managed by HCL Comnet starts yielding results from global markets, registering a 2% QoQ growth in revenues. 84 new employees added during the quarter taking total headcount to 614.
- Government business managed by HCLT (Mass) Inc. shows a healthy sequential revenue growth of 25%. Further ramp-ups in the business in the forthcoming quarters will enable this entity to improve its profitability metrics.
- Several technology alliances formed:
 - **Partnership with Magma** to Offer Expert Design Services for Leading Edge IC Designs. Magma software is used to design fast, multimillion-gate integrated circuits, providing "The Fastest Path from RTL to Silicon"(TM) and enabling chip designers to reduce the time required to produce complex ICs.
 - **Strategic partnership with Questa**, an enterprise software company leading the development of intelligent device management solutions to provide implementation support for customer projects. Questa recently launched the Questa Smart Service Certified Engineer program, which trains and certifies development engineers to implement Questa's industry-leading intelligent device management (IDM) software.
 - Joined the **XPERTS Program of Xilinx Inc.**, the worldwide leader of programmable logic solutions. HCLT is recognized as a Xilinx certified design house. As a member of the prestigious Xilinx XPERTS Program, HCL Tech gains access to the latest generation of Xilinx products and exposure to Xilinx's large customer base around the world, by participating in joint promotion activities and events with Xilinx.
- In the area of Human Resources, HCL Tech witnessed a healthy growth. Total manpower (including subsidiaries) has crossed the 10,000 mark and currently stands at 10,041 with 1,696 professionals (Gross) added in this quarter, including 599 employees in the organic software business. Net employee addition during the quarter stood at 1,293 with the attrition rate prevailing at 8.2%
- Final dividend of Rs 2 per share (100% on a par value of Rs 2/- per share) recommended by the Board of Directors, taking the total payout in the year to

40%, in line with the company's policy of progressively increasing dividend payouts.

Financial Tables attached

\$ Assumptions

The financials are based on the closing US\$ rates for the last day of the quarter:

US\$1 = Rs.46.43 for AMJ'03

US\$1 = Rs.47.65 for JFM'03

US\$1 = Rs.48.95 for AMJ'02

Key Operational Metrics

ORGANIC SOFTWARE	
REVENUE BREAKUP	
Offshore Centric	73%
Onsite	27%
BILLING RATES METRICS	
Efforts billed (manmonths)	
Offshore Centric	10,462
Onsite	1,798
Subcontracted Efforts	232
Capacity Utilisation	
Offshore Centric	70%
Onsite	92%
Bill Rates (\$'000/Manmonth)	
Offshore Centric	4.50
Onsite	9.87
CONSOLIDATED	
REVENUE BREAK UP	
Location	
Offshore Centric	81%
Onsite	19%
Service Offerings	
Technology Development Services	28%
Networking Services	10%
Software Product Engg Services	16%
Applications Services	37%
IT Enabled Services	9%
Geography	
US	64%
Europe	19%
India	9%
Rest of the world	8%
Repeat Business	79%
CLIENT CONCENTRATION	
Total no. of clients	385
No. of Million \$ Clients	71
No. of 5 Million \$ Clients	13
No. of Fortune 500 clients	44
Contribution from:	
Top 5 clients	35%
Top 10 clients	47%
Top 20 clients	58%

Manpower Details

	As on March 31, 2003	As on June 30,2003
Software Services		
Total	7,206	7,793
Organic	6,088	6,443
Technical	5,367	5,677
Offshore	4,837	5,070
Onsite	530	607
Support	721	766
Sales and Marketing	96	107
Others	625	659
Offshore	546	600
Onsite	175	166
Non-organic	1,118	1,350
Technical	971	1,191
Support	147	159
Infrastructure services		
Organic	530	614
Technical	317	383
Support	213	231
BPO		
Total	831	1,466
Organic	783	1,418
Non-organic	48	48
Government		
Non-organic	181	168
Technical	136	124
Support	45	44
Annualised Attrition (>1 yr.)		
	7.6%	8.2%

Financials

(Fourth Quarter analysis based on the unaudited US GAAP financial results for Q4FY 2002-03)

Consolidated Income Statement (as per US GAAP)

in Rs.mn

	Quarterly details					Annual details		
	AMJ'02*	JFM'03	AMJ'03	ΔQoQ	ΔYoY	FY'02*	FY'03	ΔYoY
Gross Revenues	4156.9	4658.1	4709.8	1%	13%	15887.9	18008.9	13%
Direct Costs	2371.2	2574.4	2779.6			9022.1	10129.8	
Gross Profits	1785.7	2083.7	1930.2	-7%	8%	6865.8	7879.1	15%
SG & A	901.2	1121.8	1143.3			3562.4	4183.8	
Foreign Exchange Gains/ (Loss)	70.2	10.6	24.5			151.0	11.7	
EBIDTA	954.7	972.5	811.4	-17%	-15%	3454.4	3707.0	7%
Depreciation & Amortisation	176.6	226.1	233.0			580.7	860.9	
EBIT	778.1	746.3	578.4	-23%	-26%	2873.7	2846.1	-1%
Other Income, net	124.7	150.7	564.0			948.1	884.3	
EBT	902.8	897.0	1142.4	27%	27%	3821.7	3730.4	-2%
Provision for Tax	186.5	63.1	89.6			407.2	346.5	
EAT	716.3	833.9	1052.8	26%	47%	3414.6	3383.9	-1%
Share of income of equity investee	73.9	45.4	60.3			341.5	201.3	
Minority interest	(41.4)	(80.8)	(144.4)			(108.4)	(329.9)	
Net Income	748.9	798.5	968.6	21%	29%	3647.7	3255.3	-11%
Stock based sales incentive (Non Cash)	(14.2)	(4.4)	(11.2)			4.0	(16.8)	
Extraordinary Provision	367.3	190.6	0.0			0.0	185.7	
Net Income (after sales incentive and provisions)	395.8	603.5	957.39	59%	150%	3651.6	3052.8	-16%

Key ratios

	Quarterly details			Annual details	
	AMJ'02	JFM'03	AMJ'03	FY'02	FY'03
Gross Margin	43%	45%	41%	43%	44%
SG & A /Gross revenue	22%	24%	24%	22%	23%
EBIDTA Margin	23%	21%	17%	22%	21%
Net income/Gross revenue	9%	13%	20%	23%	17%

* The financials for AMJ'02 and FY2002 are after restatement

Consolidated Balance Sheet (as per US GAAP)

in Rs.mn

	As On		
	30 th JUNE'02	31 st MAR'03	30 th JUNE'03
ASSETS			
a. Cash and cash equivalents	1307.3	968.0	1152.8
b. Accounts receivable, net	3054.6	3610.2	2790.1
c. Treasury Investments	11559.4	13490.4	14692.9
d. Other current assets	1467.0	2313.4	2090.7
A. Total current assets (a+b+c+d)	17388.4	20381.9	20726.5
B. Property and equipment, net	2517.6	2617.5	2919.4
C. Intangible assets, net	2201.7	2138.1	2167.9
D. Investments in Venture Funds / Equity investees	2324.6	2445.1	2466.4
E. Other Assets	537.8	467.0	485.7
Total assets (A+B+C+D+E)	24970.1	28049.5	28765.9
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	3312.2	3366.7	3640.9
f. Bank Line of Credit	-	64.2	-
g. Long -term debt	-	-	464.3
h. Other liabilities	141.0	147.3	179.3
E. Total liabilities (e+f+g+h)	3453.3	3578.2	4284.5
F. Minority Interest	332.3	525.0	626.6
G. Total Stockholders equity	21184.5	23946.2	23854.8
Total liabilities and stockholders equity (E+F+G)	24970.1	28049.4	28765.9

Note :

Unrealised gains of Treasury Investments as of June 30, 2003 stood at Rs.403.3mn

Revenue breakup between various business categories in Rs.mn

	Software Services			BPO Services			Infrastructure Services		
	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ
Gross Revenues	3775.4	3903.3	3%	401.6	416.7	4%	444.2	455.2	2%
Direct Costs	2003.8	2222.0		236.6	305.6		287.0	296.5	
Gross Profits	1771.6	1681.3	-5%	165.0	111.1	-33%	157.2	158.7	1%
SG & A	837.3	857.4		128.8	161.9		103.6	87.8	
Foreign Exchange Gains/ (Loss)	16.0	9.2		(6.1)	15.0		0.6	1.4	
EBIDTA	950.3	833.1	-12%	30.2	(35.8)		54.2	72.3	33%
Depreciation & Amortisation	144.7	140.7		43.5	53.1		24.4	26.3	
EBIT	805.6	692.4	-14%	(13.3)	(88.9)		29.8	46.0	54%
Interest & Other Income, net	144.3	552.7		(3.4)	2.4		9.7	7.2	
EBT	950.0	1245.1	31%	(16.7)	(86.5)		39.5	53.2	35%
Provision for Tax	85.5	85.1		2.1	1.5		2.6	11.6	
EAT	864.5	1160.0	34%	(18.9)	(88.0)		37.0	41.6	13%

	Govt. Practice		
	JFM'03	AMJ'03	ΔQoQ
Gross Revenues	68.4	85.5	25%
Direct Costs	78.5	106.4	
Gross Profits	(10.1)	(20.9)	
SG & A	52.1	36.3	
Foreign Exchange Gains/ (Loss)	0.0	(1.1)	
EBIDTA	(62.2)	(58.3)	
Depreciation & Amortisation	13.6	13.0	
EBIT	(75.8)	(71.2)	
Interest & Other Income, net	0.0	1.7	
EBT	(75.8)	(69.6)	
Provision for Tax	(27.1)	(8.6)	
EAT	(48.7)	(61.0)	

	Inter Category Adjustment	
	JFM'03	AMJ'03
Gross Revenues	(31.5)	(150.9)
Direct Costs	(31.5)	(150.9)

Key ratios

	Software Services		BPO Services		Infrastructure Services		Govt. Practice	
	JFM'03	AMJ'03	JFM'03	AMJ'03	JFM'03	AMJ'03	JFM'03	AMJ'03
Gross Margin	47%	43%	41%	27%	35%	35%	-15%	-24%
SG&A/Gross revenue	22%	22%	32%	39%	23%	19%	76%	42%
EBIDTA Margin	25%	21%	8%	-9%	12%	16%	-91%	-68%
EAT/Gross revenue	23%	30%	-5%	-21%	8%	9%	-71%	-71%

About HCL Technologies

HCL Technologies is one of India’s leading global IT services and product engineering companies, providing value-added, software-led IT solutions and services to large and medium-scale organisations. Founded in 1991, HCL Technologies focuses on technology as well as R&D outsourcing, with the objective of working with clients in areas at the core of their business. HCL Technologies delivers these services through an extensive offshore software development infrastructure and a vast global marketing network that enables scalable, flexible and cost-effective delivery. The company’s well defined business strategy has enabled it to build domain expertise across a host of chosen verticals including among others banking, funds management, insurance, petrochemicals, pharmaceuticals, aerospace, automotives, semi-conductors and retail. As of 30 June 2003, HCL Technologies Limited, along with its subsidiaries, had 10,041 employees. The HCL Technologies team today has operations spanning 26 locations in 14 countries – covering over 80% of the world IT market. Together with its knowledge of embedded systems, core technologies and application development expertise, HCL Technologies is positioned, as a composite solutions provider equipped to cater to the entire gamut of IT needs. For more information, visit HCL Technologies at www.hcltech.com

Forward Looking Statements

Certain statements in this release 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 in India, 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/ entities in which we have 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. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

For further information please contact:

<p>Sunayna Malik HCL Technologies Tel: 91-120-4520917 e-mail: sunaynam@corp.hcltech.com</p>	<p>Aseem Bhargava IPAN Tel: 91-11-23755192/3/5 e-mail: abhargava@ipan.com</p>
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