

HCL Tech Q3 revenues up 44% and net income up 76%

*LTM revenues at Rs. 5675 crores (US\$ 1.27 billion)
Employee headcount crosses 40,000*

Highlights for the Quarter (US\$)

- Revenues at **US\$ 362.4 mn**; up **44.1%** YoY and **9.5%** sequentially
- Last Twelve Months (LTM) revenues at **US\$ 1.27 bn**
- EBITDA (before non cash charge) at **US\$ 84.3 mn**; up **50.5%** YoY and **15.1%** sequentially
- Net Income at **US\$ 76.2 mn**; up **76.3%** YoY and **17.9%** sequentially
- Interim dividend of **100%** (post issuance of a 1:1 bonus last quarter), 17th consecutive quarterly dividend.
- **1832** net additions in headcount, taking employee strength to **40,149** as of 31st March 2007.

Highlights for the Quarter (INR)

- Revenues at **Rs. 1577 cr**, up **40.6%** YoY and **7.6%** sequentially
- LTM revenues at **Rs. 5675 cr**
- EBITDA (before non cash charge) at **Rs. 366.7 cr**, up **46.8%** YoY and **13.2%** sequentially
- Net Income at **Rs. 331.8 cr**; up **72.0%** YoY and **15.9%** sequentially

Overview

The transformation that HCL Technologies initiated in the last 24 months, focussing on uncontested market spaces driven by Blue Ocean thinking, has helped the company post impressive sequential QoQ revenue growth of **7.4%, 8.3%, 10.3% and 10.2% in CY2006**. This quarter, a **9.5% growth in revenues** and **17.9% increase in net income** is another proof point of the success of this phase in the company's transformation, which is increasingly being recognised by leading industry experts.

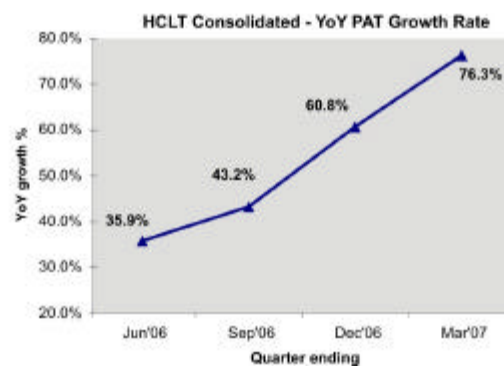
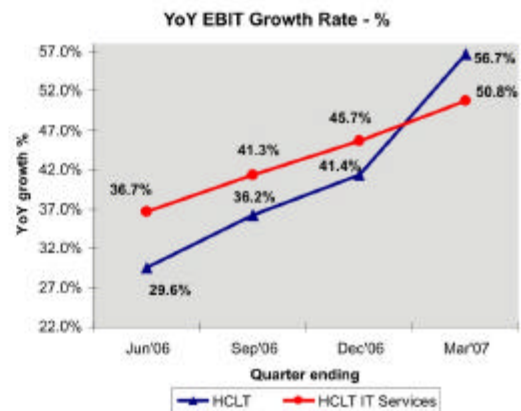
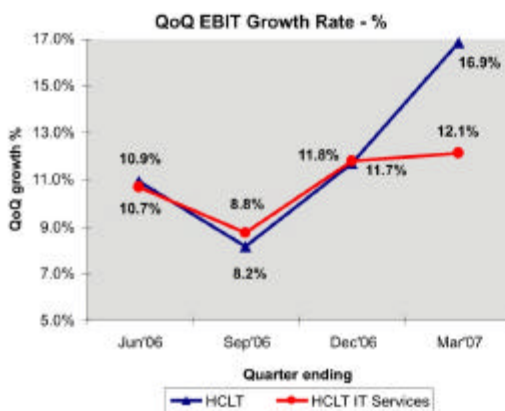
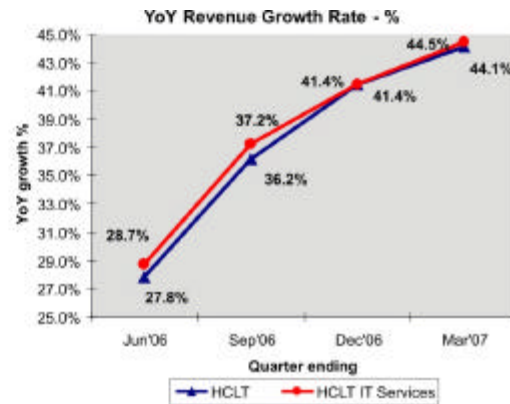
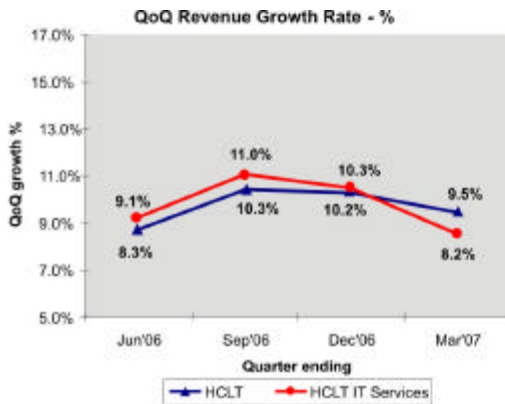
“For over 30 years HCL has developed time tested ability to spot inflection points ahead of time and proactively adapt to change. Global business trends, with a re-emergence of disruptive technologies and new business models suggest very exciting times. We are on a firm footing to capitalize on these trends and uniquely shape the future”, says **Shiv Nadar, Chairman and CEO, HCL Technologies**.

Commenting on the results, **Vineet Nayar, President, HCL Technologies** says, “The transformation strategy of HCL Tech, and our emphasis on Trust, Transparency, and Flexibility in our customer relationships, has driven excellent momentum, which shows in the last five quarter results and also in our winning new marquee clients. We have achieved execution differentiation by completing major execution milestones in all our large transformational multi-service deals.”

Ranjit Narasimhan, Executive Vice President, HCL Technologies and Head, HCL BPO Operations says, “Our strategy of moving up the value chain and focus of improving operational efficiencies is paying off. The sequential growth of revenue has doubled to 18% QoQ and the EBITDA has increased by 37% in Q3 on a sequential basis.”

Business Highlights

- HCL Tech has grown significantly, ramping up in both revenues and profitability, making it one of the fastest growing IT service providers. This growth in the last four quarters is illustrated in the graphs below:



Key Catalysts for Growth

- Among geographies, Europe and Australia-New Zealand have shown accelerated growth
- Among Service Lines, Infrastructure services, Engineering and R&D services (ERS), and Enterprise Application Services (EAS) witnessed accelerated growth, reaffirming HCL's dominant market position
- Among the verticals, the fastest growth was recorded in Life Sciences, Retail and Financial Services
- The traction from existing larger customers maintains its momentum in this quarter as well, which is reflected in the company average growth rate.

Particulars	Segment US\$ Growth	CQGR (Last 4 quarters)	YoY
Consolidated	For the company	9.6%	44.1%
Geography			
	Europe	14.1%	69.2%
	ANZ	16.3%	83.2%
Service Offering			
	Infrastructure Services	14.4%	71.3%
	Enterprise Application Services (EAS)	11.0%	51.9%
	Engineering and R&D services (ERS)	9.3%	42.6%
Industry			
	Life Sciences	18.4%	96.6%
	Retail	15.7%	79.3%
	Financial Services	13.5%	65.7%
Clients			
	Top 5 (LTM)	9.2%	42.0%
	Top 10 (LTM)	9.0%	41.2%
	Top 20 (LTM)	9.9%	45.6%

Multi-service, Multi-year, Multi-million dollar deals drive growth

- The momentum we showed in the last year in signing new large multi-service, multi-year, multi-million dollar deals (Autodesk, Teradyne, DSG, Skandia, etc.) continues, with the company adding **26** new marquee clients.
- This quarter, we have signed **5** large transformational deals in the range of **US\$ 25-50 mn** each and **1** valued at **over US\$ 50 mn**. **4** of these deals are in Hi-Tech & Manufacturing and **2** in Financial Services.

Transformation @ HCL Tech

The transformation journey that HCL Tech embarked in 2005 has moved into its next phase focusing on collaboration and partnerships. In 2006, HCL flagged off the Global Customer Meet-“Explore & Transform”; a unique conclave that brought together, **visionaries and thought leaders to debate on most topical issues on technology, transformation and cross border collaboration**. Encouraging feedback from over 500 customers, who attended the last two meets; and our promise to position India as the “Transformation” hub, gives us the inspiration and enthusiasm to announce the third chapter of “**Explore & Transform**” in Oct 2007.

Recognitions

- **IDC believes** that **HCL's willingness not to compete on price is a long-term strategy**; while for the short term, cost saving is a powerful means to gaining momentum in the European competitive arena, especially in those verticals in which IT budgets are still under pressure. It is worth noting that the value-add strategy is very forward looking and can provide a competitive advantage to HCL.
- **Arc Advisory Group** recognizes HCL as a company with design capability well supported by a talent pool comprising of embedded software development and mechanical parts designing skills. ARC believes that the joint venture between Celestica and HCL Technologies is an **emerging trend** in the product design, engineering, manufacturing, and lifecycle support space.
- **London Business School** has published a report in their annual “Business Strategy Review” recognizing “Organizational Innovation” in 10 notable global organization, including HCL Technologies, the lone Indian company featured. The report talks about “**HCL heading in the right direction**” and heralds its new model of management, as the future.
- **The Economist**, in a recent edition, has remarked that “**Other multinationals are becoming increasingly nervous** about the fifth-biggest Indian outsourcer, HCL Technologies.”

Core Software Services Highlights

- Our strategy of focusing on developing service offerings in select micro verticals is reaping rich dividends. One of our bigger success stories is **Aerospace**, where the company has posted an impressive QoQ growth of **14%**, while the last four quarter CQGR has been **18.1%**. Today, Aerospace is one of our fastest growing segments among the micro-verticals registering a **95%** YoY growth, where we work with a significant number of leading players in this space. This quarter, we have announced expansion of our relationship with Crane Aerospace and Smiths Aerospace
- Launched unique and market leading propositions in verticals – **Retail** (MS CRM, Axapta), **SAP** (utilities), **Financial Services** (MiFID, Risk Dashboard, SOA in Mortgages), **Media & Entertainment** (CRM in Gaming), **Hi-Tech** (EDGE in Consumer Electronics)
- Strengthened partnership by signing on country specific agreements with SAP in the UK and Ireland. We have also been designated as Chair for SAP's Partner Advisory Board in Singapore
- Revenues for Q3 at **US\$ 262.4 mn**, up **40.2%** YoY and **8.1%** sequentially
- EBITDA (before non cash charge) at **US\$ 62.2 mn**, up **41.6%** YoY and **12.2%** sequentially
- EBIT at **US\$ 53.3 mn**, up **43.7%** YoY and **12.5%** sequentially

Infrastructure Services Highlights

- Launched First Ever '**Blackbook**' on Remote Infrastructure Management
- Butler Group's latest **Technology Audit** reinforces HCL's leadership in Remote Infrastructure Management (RIM)
- **DQ-IDC Customer Satisfaction Audit** ranks HCL Comnet as **No. 1** in **IT Services**
- Signed up for the **EMC Partner Program** to Simplify Information Management
- Recognized by BMC Software as strategic and preferred managed services partner
- Revenues for Q3 at **US\$ 50.2 mn**, up **71.4%** YoY and **8.2%** sequentially
- EBITDA (before non cash charge) at **US\$ 8.8 mn**, up **95.8%** YoY and **9.1%** sequentially
- EBIT at **US\$ 6.1 mn** up **166.7%** YoY and **9.4%** sequentially

BPO Highlights

- Second major break through in insurance segment through acquisition of **new client in UK**
- HCL BPO's **Integrated Business Management System** – IBMS, got the ISO 9001, ISO 14001, OHSAS 18001 certifications for centres at Noida and Chennai
- Revenues for Q3 at **US\$ 49.7 mn**, up **41.8%** YoY and **18.4%** sequentially
- EBITDA (before non cash charge) at **US\$13.2 mn**, up **74.9%** YoY and **37.0%** sequentially
- EBIT at **US\$ 9.8 mn**, up **105.2%** YoY and **57.1%** sequentially

Financials

Un-audited Financial results for the quarter ended 31st March 2007

Consolidated Income Statement

Figures in US\$ million

Income Statement	Quarter ended			Growth	
	31-Mar-06	30-Dec-06	31-Mar-07	YoY	QoQ
Revenues	251.5	331.1	362.4	44.1 %	9.5%
Direct Costs	156.4	205.8	223.8		
Gross Profits	95.1	125.3	138.6	45.8 %	10.7 %
SG & A	39.1	52.0	54.4		
EBITDA	56.0	73.2	84.3	50.5 %	15.1 %
Depreciation & Amortisation	11.9	14.1	15.1		
EBIT	44.1	59.1	69.1	56.7 %	16.9%
Foreign Exchange Gains / (loss)	(0.3)	7.8	9.6		
Other Income, net	6.0	3.0	4.5		
Provision for Tax	6.2	4.7	6.5		
Share from Equity Investment	(0.1)	(0.2)	(0.1)		
Share of (income) / loss of minority shareholders	(0.3)	(0.5)	(0.5)		
Net Income	43.2	64.7	76.2	76.3 %	17.9%
Gross Margin	37.8%	37.8%	38.3%		
EBITDA Margin	22.3%	22.1%	23.3%		
EBIT Margin	17.5%	17.9%	19.1%		
Net Income Margin	17.2%	19.5%	21.0%		
Earnings Per Share (EPS)					
Annualized					
Basic – in US\$	0.27	0.40	0.47		
Diluted – in US\$	0.26	0.38	0.44		
“Weighted average number of Shares used in computing EPS”					
Basic	642,779,134	648,778,984	650,655,513		
Diluted	678,032,349	683,395,420	686,791,214		

Note:

The above result does not take into account

- Unrealized gains on treasury investments of US\$ 18.1 mn as on Mar 31, 2007 (US\$ 15.3 mn as of Dec 31, 2006 and US\$ 9.7 mn as of Mar 31, 2006)
- Non cash employee stock options charge computed under FAS 123R, as per details given here:

Particulars (in US\$ mn)	31-Mar-06	31-Dec-06	31-Mar-07
Options at market price	2.1	2.2	2.8
Options at less than market price	2.4	4.0	4.4
Total	4.4	6.2	7.2
Tax benefit	0.2	0.2	0.2
Total (net of tax)	4.2	6.0	7.0

Outstanding Options (in equivalent no of shares)	31-Mar-06	31-Dec-06	31-Mar-07
Options at market price	60,511,816	50,042,848	35,997,632
Options at less than market price	9,530,000	15,074,400	14,610,200

These options will vest in tranches from year 2007 to 2011

Consolidated Balance Sheet

Figures in US\$ million

Particulars	As on	
	30-Jun-06	31-Mar-07
Assets		
a) Cash & Cash Equivalents	52.4	57.7
b) Account Receivables, net	210.5	275.1
c) Treasury Investments	355.4	422.4
d) Other Current Assets	81.0	114.8
A) Total Current Assets (a+b+c+d)	699.4	870.0
B) Property and Equipments, net	189.9	229.2
C) Intangible Assets, net	182.4	186.2
D) Investment in Equity Investee	2.4	2.3
E) Other Assets	21.8	25.7
Total Assets (A+B+C+D+E)	1095.9	1313.4
Liabilities & Stockholders' Equity		
e) Total Current Liabilities	194.5	205.0
f) Long-Term Debt	1.8	1.7
g) Other Liabilities	16.2	22.9
F) Total Liabilities (e+f+g)	212.5	229.6
G) Minority Interest	2.3	3.4
H) Total Stockholders Equity	881.1	1080.4
Total Liabilities and Stockholders Equity (F+G+H)	1095.9	1313.4

Consolidated Cash Flow Statement

Figures in US\$ million

Particulars	Nine months ended 31-Mar-07
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	195.4
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and Amortization	41.3
Loss / (Profit) on Sale of Investment Securities	(10.7)
Others	(0.1)
Changes in assets and liabilities, net	
Accounts Receivable	(55.3)
Other Assets	(38.3)
Current Liabilities	10.4
Net cash provided by operating activities	142.8
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment (net)	(64.3)
(Purchase) / Sale of Investments	22.8
Others	(56.4)
Net cash used in investing activities	(97.9)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Issuance of Employees Stock Options	52.2
Dividend	(98.8)
Others	3.4
Net cash provided by (used in) financing activities	(43.2)
Effect of Exchange Rate on Cash and Cash Equivalents	3.6
Net Increase/ (decrease) in Cash and Cash Equivalents	1.7
CASH AND CASH EQUIVALENTS	
Beginning of the period	52.4
End of the period	57.7

Segment wise Profitability

A. Consolidated IT Services (Core software [A1] & Infrastructure services [A2])

Figures in US\$ million

Particulars	Quarter ended			Growth	
	31-Mar-06	31-Dec-06	31-Mar-07	YoY	QoQ
Revenues	216.4	289.1	312.7	44.5 %	8.2 %
Direct Costs	133.5	179.1	193.2		
Gross Profits	82.9	110.0	119.4	44.0 %	8.6 %
SG & A	34.5	46.4	48.4		
EBITDA	48.5	63.6	71.1	46.6 %	11.8 %
Depreciation & Amortisation	9.1	10.7	11.7		
EBIT	39.4	52.9	59.3	50.8 %	12.1 %
Gross Margin	38.3%	38.0%	38.2%		
EBITDA Margin	22.4%	22.0%	22.7%		
EBIT Margin	18.2%	18.3%	19.0%		

B. BPO Services

Figures in US\$ million

Particulars	Quarter ended			Growth	
	31-Mar-06	31-Dec-06	31-Mar-07	YoY	QoQ
Revenues	35.1	42.0	49.7	41.8 %	18.4 %
Direct Costs	22.9	26.7	30.5		
Gross Profits	12.2	15.3	19.2	57.7 %	25.5 %
SG & A	4.6	5.7	6.0		
EBITDA	7.5	9.6	13.2	74.9 %	37.0 %
Depreciation & Amortisation	2.8	3.4	3.4		
EBIT	4.8	6.2	9.8	105.2 %	57.1 %
Gross Margin	34.7%	36.4%	38.6%		
EBITDA Margin	21.5%	22.9%	26.5%		
EBIT Margin	13.6%	14.8%	19.7%		

A1. Core Software

Figures in US\$ million

Particulars	Quarter ended			Growth	
	31-Mar-06	31-Dec-06	31-Mar-07	YoY	QoQ
Revenues	187.1	242.7	262.4	40.2 %	8.1 %
Direct Costs	113.7	147.9	158.9		
Gross Profits	73.5	94.8	103.6	41.0 %	9.2 %
SG & A	29.5	39.3	41.3		
EBITDA	44.0	55.5	62.2	41.6 %	12.2 %
Depreciation & Amortisation	6.9	8.1	8.9		
EBIT	37.1	47.4	53.3	43.7 %	12.5 %
Gross Margin	39.3%	39.1%	39.5%		
EBITDA Margin	23.5%	22.9%	23.7%		
EBIT Margin	19.8%	19.5%	20.3%		

A2. Infrastructure Services

Figures in US\$ million

Particulars	Quarter ended			Growth	
	31-Mar-06	31-Dec-06	31-Mar-07	YoY	QoQ
Revenues	29.3	46.4	50.2	71.4 %	8.2 %
Direct Costs	19.9	31.3	34.4		
Gross Profits	9.5	15.2	15.9	68.0 %	4.8 %
SG & A	4.9	7.0	7.0		
EBITDA	4.5	8.1	8.8	95.8 %	9.1 %
Depreciation & Amortisation	2.3	2.6	2.8		
EBIT	2.3	5.5	6.1	166.7 %	9.4 %
Gross Margin	32.2%	32.6%	31.6%		
EBITDA Margin	15.4%	17.5%	17.6%		
EBIT Margin	7.7%	11.9%	12.1%		

About HCL Technologies

HCL Technologies is one of India's leading global IT Services companies, providing software-led IT solutions, remote infrastructure management services and BPO. Having made a foray into the global IT landscape in 1999 after its IPO, HCL Technologies focuses on Transformational Outsourcing, working with clients in areas that impact and re-define the core of their business. The company leverages an extensive global offshore infrastructure and its global network of offices in 17 countries to deliver solutions across select verticals including Financial Services, Retail & Consumer, Life Sciences & Healthcare, Hi-Tech & Manufacturing, Telecom and Media & Entertainment (M&E). For the quarter ended 31st March 2007, HCL Technologies, along with its subsidiaries had last twelve months (LTM) revenue of US \$ 1.27 billion (Rs. 5,675 crores) and employed 40,149 professionals. For more information, please visit www.hcltech.com

About HCL Enterprise

HCL Enterprise is a leading Global Technology and IT enterprise that comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is one of India's original IT garage start-ups. Its range of offerings span Product Engineering, Custom & Package Applications, BPO, IT Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products. The HCL team comprises approximately 44,000 professionals of diverse nationalities, who operate from 17 countries including 300 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms. For more information, please visit www.hcl.in

Forward-looking Statements

Certain statements in this release are forward-looking statements, which involve a number of risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from those in such forward-looking statements. All statements, other than statements of historical fact are statements that could be deemed forward looking statements, including but not limited to the statements containing the words 'planned', 'expects', 'believes', 'strategy', 'opportunity', 'anticipates', 'hopes' or other similar words. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding impact of pending regulatory proceedings, fluctuations in earnings, our ability to manage growth, intense competition in IT services, Business Process Outsourcing and consulting services including those factors which may affect our cost advantage, wage increases in India, customer acceptances of our services, products and fee structures, our ability to attract and retain highly skilled professionals, our ability to integrate acquired assets in a cost effective and timely manner, 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, the success of our brand development efforts, 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, other risks, uncertainties and general economic conditions affecting our industry. There can be no assurance that the forward looking statements made herein will prove to be accurate, and issuance of such forward looking statements should not be regarded as a representation by the Company, or any other person, that the objective and plans of the Company will be achieved. All forward looking statements made herein are based on information presently available to the management of the Company and 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..

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