

**AUDITORS' REPORT**

To the Members of  
**HCL Technologies Limited**  
 (formerly HCL Consulting Limited)

We have audited the attached Balance Sheet of HCL Technologies Limited ("the Company"), formerly HCL Consulting Limited, as at 30 June 2001 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to the comments in the Annexure referred to in paragraph 1 above:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
  - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
  - (e) on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30 June 2001 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - (f) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view :
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at 30 June 2001; and
    - (ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

**For BSR & Co.**  
 Chartered Accountants

**Rajesh Jain**  
 Partner

Place: Noida (UP), India  
 Date: 6 August 2001

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date.)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. The Company has a regular programme of verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, computers and office equipment were physically verified by management during the year. As informed to us, no material discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As informed to us, there are no companies under the same management as defined by sub-section (1-B) of section 370 of the Companies Act, 1956.
4. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 except for an unsecured, interest free loan amounting to Rs. 181,296,500 and an advance towards share application money amounting to Rs. 93,857,362 to HCL Technologies (Bermuda) Limited, Bermuda, a wholly owned subsidiary and a Company listed in the register maintained under section 301 of the Companies Act, 1956, unsecured loans amounting Rs. 3,435,590 to HCL Perot Systems Limited and Rs. 50,000,000 to E Serve Technologies Limited, companies listed in the register maintained under section 301 of the Companies Act, 1956. In our opinion, having regard to the involvement with HCL Technologies Bermuda Limited and considering the explanations given to us in this regard, the terms and conditions of the loans and advances are not prima facie prejudicial to interests of the Company. As informed to us, there are no companies under the same management as defined by sub-section (1-B) of section 370 of the Companies Act, 1956.



5. The Company has not granted any loans or advances in the nature of loans except for loans to HCL Technologies Bermuda Limited, HCL Perot Systems Limited and E Serve Technologies Limited, as mentioned in para 4 above, the terms of repayment of which have been stipulated and loans to employees, who are repaying principal and interest due thereon as stipulated.
6. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain assets purchased are specific to the Company's technical requirements, in respect of which comparable alternative quotations are not considered necessary, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipments and other assets. The activities of the Company do not involve sale of goods.
7. In our opinion, and having regard to our comments in paragraph 6 above and according to the information and explanations given to us, the transactions of sale of services in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000 or more in respect of each party have been made in respect of items of special nature and in respect of which alternative quotations are not considered necessary by the company.
8. The Company has not accepted any deposits from the public.
9. The Company's operations do not generate any scrap or by-products.
10. The Company has an internal audit system commensurate with its size and nature of its business.
11. As informed to us, the provisions of clause 4A(xvi) regarding maintenance of cost records are not applicable to the Company.
12. The Company has been regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities during the year.
13. According to information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 30 June 2001, for a period exceeding six months from the date they became payable.
14. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practice.
15. The Company is not a sick industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
16. In our opinion, and according to the information and explanations given to us, in respect of the service activities of the Company, we report as follows:
  - 16.1 the service activities of the Company do not involve consumption of any material and stores.
  - 16.2 the Company has a reasonable system of allocating man hours utilised to the relative jobs, commensurate with its size and nature of its business.
  - 16.3 the Company has a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business, the allocation of labour to jobs.
17. As the Company does not maintain any inventories, paragraphs 4(A)(iii) to 4(A)(vi), 4(A)(xii) and 4(C)(ii) of the Order, are not applicable in relation to its activities.

**For BSR & Co.**  
Chartered Accountants

**Rajesh Jain**  
Partner

Place: Noida (UP), India  
Date: 6 August 2001

**HCL Technologies Limited**  
(formerly HCL Consulting Limited)  
**BALANCE SHEET as at 30 June 2001**  
(All amounts in thousands of rupees)

	Schedule No.	As at 30 June 2001	As at 30 June 2000
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share capital	1	569,839	559,054
Share application money pending allotment		27,082	19,679
Reserves and surplus	2	16,476,006	11,811,654
		<u>17,072,927</u>	<u>12,390,387</u>
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	3	1,688,979	978,697
Less: Accumulated depreciation		(609,708)	(391,246)
Net block		1,079,271	587,451
Capital work in progress		260,905	109,520
		<u>1,340,176</u>	<u>696,971</u>
<b>Investments</b>	4	9,815,722	8,290,113
<b>Current assets, loans and advances</b>			
Sundry debtors	5	1,998,768	1,201,620
Cash and bank balances	6	3,425,181	1,456,133
Loans and advances	7	1,336,788	1,137,597
Other current assets	8	198,768	9,706
		<u>6,959,505</u>	<u>3,805,056</u>
<b>Less: Current liabilities and provisions</b>	9	(1,042,476)	(401,753)
<b>Net current assets</b>		<u>5,917,029</u>	<u>3,403,303</u>
		<u>17,072,927</u>	<u>12,390,387</u>
<b>Notes to the accounts</b>	13		

As per our report attached

**For BSR & Co.**  
Chartered Accountants

**Rajesh Jain**  
Partner

**For HCL Technologies Limited**

**Shiv Nadar**  
Chairman, President and CEO

**Robin Abrams**  
Director

**Arun Duggal**  
Chief Financial Officer

**Vineet Nayyar**  
Vice Chairman

**T S R Subramanian**  
Director

**Allwyn Noronha**  
Company Secretary

**Richard R Burt**  
Director

Place: Noida (UP), India  
Date: 6 August 2001

Place: Noida (UP), India  
Date: 6 August 2001

**HCL Technologies Limited**

(formerly HCL Consulting Limited)

**PROFIT AND LOSS ACCOUNT for the year ended 30 June 2001**

(All amounts in thousands of rupees)

	Schedule No.	Year ended 30 June 2001	Year ended 30 June 2000
<b>Income</b>			
Software and related technical services			
Other income		7,244,993	3,996,762
	10	1,080,614	519,668
		<u>8,325,607</u>	<u>4,516,430</u>
<b>Expenditure</b>			
Cost of software development			
Administration and other expenses	11	2,068,039	1,451,033
Depreciation	12	1,502,231	809,094
		225,336	154,380
		<u>3,795,606</u>	<u>2,414,507</u>
Profit before tax			
Provision for income tax		4,530,001	2,101,923
Provision for wealth tax		(263,835)	(108,808)
		(165)	—
		<u>4,266,001</u>	<u>1,993,115</u>
Provision for income tax for earlier years written back			
Profit after tax		1,800	5,975
Balance brought forward		4,267,801	1,999,090
Profit available for appropriation		3,291,841	1,576,854
		<u>7,559,642</u>	<u>3,575,944</u>
<b>Appropriations</b>			
Proposed dividend			
Corporate dividend tax		284,988	27,953
Transfer to general reserve		29,077	6,150
		430,000	250,000
Balance carried forward to the balance sheet		6,815,577	3,291,841
		<u>7,559,642</u>	<u>3,575,944</u>
<b>Notes to the accounts</b>	13		

As per our report attached

**For BSR & Co.**  
Chartered Accountants

**Rajesh Jain**  
Partner

**For HCL Technologies Limited**

**Shiv Nadar**  
Chairman, President and CEO

**Robin Abrams**  
Director

**Arun Duggal**  
Chief Financial Officer

**Vineet Nayyar**  
Vice Chairman

**T S R Subramanian**  
Director

**Allwyn Noronha**  
Company Secretary

**Richard R Burt**  
Director

Place: Noida (UP), India  
Date: 6 August 2001

Place: Noida (UP), India  
Date: 6 August 2001



**SCHEDULES FORMING PART OF THE ACCOUNTS**  
(All amounts in thousands of rupees)

	As at 30 June 2001	As at 30 June 2000
<b>Schedule 1: Share capital</b>		
<b>Authorised</b>		
350,000,000 equity shares of Rs. 2 each (previous year and pre-split 175,000,000 equity shares of Rs. 4 each)	<u>700,000</u>	<u>700,000</u>
<b>Issued, subscribed and paid up</b>		
284,919,708 equity shares of Rs. 2 each, fully paid up (previous year and pre-split 139,763,531 equity shares of Rs. 4 each, fully paid up)	<u>569,839</u>	<u>559,054</u>
	<u>569,839</u>	<u>559,054</u>

**Notes:**

- The shareholders of the company in the extra-ordinary general meeting held on 13 September 1999 authorised the splitting up of equity shares, in accordance with the provisions of Section 94 of the Companies Act, 1956. Accordingly, each equity share was split from par value of Rs 10 each into 2.5 equity shares of par value of Rs 4 each. The board of directors had fixed 1 November 1999 as the record date for determining the shareholders entitled to the split.
- The shareholders of the company in the annual general meeting held on 20 October 2000 authorised the splitting up of equity shares, in accordance with the provisions of Section 94 of the Companies Act, 1956. Accordingly, each equity share has been further split from par value of Rs 4 each into two equity shares of par value of Rs 2 each. The Board of Directors had fixed 12 December 2000 as the record date for determining the shareholders entitled to the split.
- Paid up share capital includes:
  - 16,000,000 equity shares of Rs 2 each (previous year and pre-split-8,000,000 equity shares of Rs 4 each) allotted as fully paid up, pursuant to consideration other than cash.
  - 82,986,872 equity shares of Rs 2 each (previous year and pre-split-41,493,436 equity shares of Rs 4 each) issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve. The board of directors had fixed 25 October 1999 as record date for determining the shareholders entitled to the bonus shares.
  - 28,400,000 equity shares of Rs 2 each (previous year and pre-split-14,200,000 equity shares of Rs 4 each) issued during the initial public offer of the company.
  - 7,559,082 equity shares of Rs 2 each (previous year and pre-split-1,083,218 equity shares of Rs.4 each ) allotted to employees of the Company and its subsidiaries on vesting of stock options issued under Employee Stock Option Plan 1999 of the company.

	As at 1 July 2000	Additions	Deductions	As at 30 June 2001
<b>Schedule 2: Reserves and surplus</b>				
Share premium account	8,195,787	710,616	—	8,906,403
	—	(8,444,580)	(248,793)	(8,195,787)
General reserve	324,026	430,000	—	754,026
	(240,000)	(250,000)	(165,974)	(324,026)
Profit and loss account	3,291,841	3,953,736	430,000	6,815,577
	(1,576,854)	(1,964,987)	(250,000)	(3,291,841)
	<u>11,811,654</u>	<u>5,094,352</u>	<u>430,000</u>	<u>16,476,006</u>
Previous year	(1,816,854)	(10,659,567)	(664,767)	(11,811,654)

**Notes:**

- Addition to the share premium account represents share premium in respect of allotment of equity shares of Rs. 2 each to employees of the company and its subsidiaries under the Employee Stock Option Plan 1999.
- Deductions from the share premium account amounting to Rs. nil (previous year - Rs.248,793 thousands) represents expenses incurred by the company on initial public offer of 28,400,000 equity shares of Rs. 2 each (previous year and pre-split -14,200,000 equity shares of Rs. 4 each).
- Deductions from general reserve amounting to Rs. nil (previous year - Rs.165,974 thousands) represents capitalisation of general reserve for the issue of bonus shares in the ratio of one share for every two held.
- Previous year figures are in brackets.

**SCHEDULES FORMING PART OF THE ACCOUNTS**  
(All amounts in thousands of rupees)

	As at 1 July 2000	Additions	Disposal/ adjustments	As At 30 June 2001
<b>Schedule 3: Fixed assets</b>				
<b>Gross block</b>				
Freehold land	10,148	106,374	—	116,522
Leasehold land	109,893	13,529	—	123,422
Lease hold improvements	22,649	85,918	—	108,567
Building	160,788	98,978	—	259,766
Plant and machinery	188,793	144,529	2,184	331,138
Computers	357,107	176,867	6,528	527,446
Furniture and fixtures	118,110	87,357	1,467	204,000
Vehicles	11,209	6,909	—	18,118
	<u>978,697</u>	<u>720,461</u>	<u>10,179</u>	<u>1,688,979</u>
Previous year	627,989	357,080	6,372	978,697
<b>Accumulated depreciation</b>				
Leasehold land	768	1,495	—	2,263
Lease hold improvements	2,783	14,918	—	17,701
Building	14,372	11,194	—	25,566
Plant and machinery	94,397	58,098	1,630	150,865
Computers	214,037	101,531	4,021	311,547
Furniture and fixtures	62,810	35,363	1,223	96,950
Vehicles	2,079	2,737	—	4,816
	<u>391,246</u>	<u>225,336</u>	<u>6,874</u>	<u>609,708</u>
Previous year	240,985	154,380	4,119	391,246
Net block	<u>587,451</u>			<u>1,079,271</u>
Previous year	387,004			587,451
Capital work-in-progress	<u>109,520</u>			<u>260,905</u>
Previous year	18,534			109,520

**Note:**

The leasehold land and freehold land at Noida and Gurgaon costing Rs.14,144 thousands and Rs. 10,148 thousands respectively, included in opening gross block have not yet been transferred in the name of the company.



**SCHEDULES FORMING PART OF THE ACCOUNTS**  
 (All amounts in thousands of rupees)

 As at  
 30 June 2001      30 June 2000

**Schedule 4: Investments**
**Long term investments**
**Equity shares in subsidiaries - Non trade and unquoted**

12,793,904 equity shares of Rs. 10 each, fully paid up in HCL Comnet Systems and Services Limited (previous year - 12,793,904 equity shares of Rs. 10 each )	236,461	236,461
20,171,170 equity shares of USD 1 each, fully paid in HCL Technologies (Bermuda) Limited, Bermuda, formerly HCL Technologies Limited, Bermuda (previous year - 15,31,170 equity shares of USD 1 each)	1,330,773	503,208
2,850,000 equity shares of Rs. 10 each, fully paid up in Shipara Technologies Limited (previous year - nil)	28,500	

**Current investments**
**Investments in mutual funds - Trade and unquoted**

	Number of units	Face value per unit (Rupees)	Aggregate value
Kothari Pioneer Income Builder Account - Dividend	—	—	—
Kotak Mahindra K Gilt Investment Unit Scheme 98 (Investment Plan-Growth)	(22,627,334)	(10)	(305,000)
Templeton India Government Securities Fund	(42,502,601)	(10)	(509,479)
Templeton India Income Fund - Growth	(26,527,840)	(10)	(307,988)
Kothari Pioneer Income Builder Quarterly - Dividend	(49,353,771)	(10)	(752,645)
Prudential ICICI Gilt Fund -Investment Plan - Growth	(27,075,124)	(10)	(365,243)
Kotak Mahindra K Bond Scheme 99 (Wholesale Plan) - Growth	(34,915,439)	(10)	(389,499)
Kotak Mahindra K Gilt Investment Unit Scheme 98 (Investment Plan) - Dividend	(46,781,583)	(10)	(507,580)
Jardine Fleming Bond Fund - Dividend Plan	(19,630,038)	(10)	(205,428)
Sun F&C Money Value Fund, Bond - Dividend Plan	(52,668,878)	(10)	(554,077)
Prudential ICICI Income Plan - Growth	(25,290,656)	(10)	(260,747)
Zurich India High Interest Fund - Dividend	(11,123,718)	(10)	(141,494)
DSP Merrill Lynch Bond Fund - Dividend	(10,146,501)	(10)	(102,784)
Alliance Cash Manager - Dividend	(9,398,756)	(10)	(101,037)
Alliance Liquid Income - Regular Dividend	496,216	1,000	496,769
HDFC Liquid Fund - Dividend	10,233,894	10	107,251
Kothari Pioneer Treasury Management Account - Weekly Dividend Reinvestment Option	(144,224,865)	(10)	(1,489,843)
	6,765,833	10	67,821
	102,891	1,000	119,050

**SCHEDULES FORMING PART OF THE ACCOUNTS**  
(All amounts in thousands of rupees)

**Schedule 4: Investments**

**Current investments (Contd.)**

**Investments in mutual funds - Trade and unquoted**

	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2001	As at 30 June 2000
Prudential ICICI Fixed Maturity Plan - Quarterly Dividend	9,962,640	10	100,000		
Prudential ICICI Gift Fund Treasury 1 Year Plus - Dividend	—	—	—		
Prudential ICICI Income Plan - Dividend	100,000,000	10	1,000,000		
Prudential ICICI Liquid Plan - Dividend	15,098,817	10	158,991		
Prudential ICICI Liquid Plan - Dividend	(88,810,504)	(10)	(925,405)		
Templeton India Income Fund - Dividend	113,941,733	10	1,348,593		
Templeton India Income Fund - Dividend	(53,423,408)	(10)	(632,195)		
Templeton India Liquid Fund - Dividend	9,777,072	10	107,797		
Templeton India Liquid Fund - Dividend	—	—	—		
Zurich India Liquidity Fund- Savings Plan - Dividend	7,295,443	10	73,008		
	—	—	—		
	11,526,295	10	115,937	3,695,217	7,550,444
	—	—	—		

Net asset value of investment in mutual funds as on 30 June 2001 -Rs 3,721,430 thousands (previous year -Rs. 7,559,221).  
Previous year figures are in brackets.

**Investments in bonds and debentures-Trade and quoted**

	Number of bonds	Face Value per bond (Rupees)	Aggregate value		
Bank of Baroda 11.15% Bonds	500	100,000	51,790		—
BPCL 9.95% Debentures	25	10,000,000	250,000		—
HDFC 10.19% Bonds	5	10,000,000	50,019		—
HDFC 11.05% Bonds	150	1,000,000	150,117		—
HDFC 11.30% Bonds	50	1,000,000	50,830		—
HPCL 11.50% Bonds	250	1,000,000	250,317		—
ICICI 11.90% Bonds	500	100,000	49,970		—
ICICI Bonds	16,962	88,433	1,500,000		—
ICICI Bonds	1,243	88,496	110,000		—
IDBI Omni Bond (Series I)	70	8,968,610	627,803		—
IDBI Omni Bond (Series I) 12%	2	50,000,000	100,037		—
IDBI Omni Bond (Series I)	15	8,932,559	136,103		—
IRFC 9% Tax Free Bonds	70,000	1,000	70,118		—
ITI 10.5% Bonds - Series G	100	500,000	50,000		—
NPC 10% Bonds	1,500	100,000	150,000		—
NPC 9% Tax Free Bonds	100,000	1,000	100,842		—
NTPC 9% Tax Free Bonds	240,000	1,000	242,351		—
PFC 10.5% Tax Free redeemable bonds	1,000	20,000	20,364		—
Power Grid 9% Tax Free Bonds	99,985	1,000	100,722		—
SBI 10.80% Bonds	2,500	100,000	250,878		—
SBI 11.90% Bonds	200	1,000,000	212,510	4,524,771	—
				<b>9,815,722</b>	<b>8,290,113</b>

Market value of quoted investments as on June 30, 2001 Rs. 4,777,610 thousands (previous year - nil).



# **SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in thousands of rupees)

## **Schedule 4: Investments (Contd.)**

### **Notes:**

- Particulars of units of mutual funds purchased and sold during the year ended on 30 June 2001.

	Number of Units	Face value per unit (Rupees)	Purchase price
Alliance Cash Manager - Dividend	1,510,144	1,000	1,511,518
Alliance Cash Manager - Growth	2,514,673	1,000	3,146,012
Alliance Liquid Income - Regular Dividend	153,889,733	10	1,590,068
Alliance Liquid Income - Regular Growth	106,710,392	10	1,598,818
DSP Merrill Lynch Bond Fund - Dividend	9,398,756	10	101,037
DSP Merrill Lynch Liquidity Fund - Growth	4,177,992	10	50,755
HDFC Liquid Fund - Growth	26,020,553	10	271,985
Jardine Fleming India Bond Fund - Income Plan	52,668,878	10	554,077
Kotak K Bond - Wholesale Plan	46,781,583	10	507,580
Kotak K Gilt Investment Plan - Dividend	19,630,038	10	205,428
Kotak K Gilt Investment - Growth	42,502,601	10	509,479
Kothari Pioneer Income Builder Account - Trail Growth	7,768,493	10	105,000
Kothari Pioneer Income Builder Account - Dividend	27,075,124	10	365,243
Kothari Pioneer Treasury Management Account - Dividend	135,174	1,000	155,949
Kothari Pioneer Treasury Management Account - Growth	663,926	1,000	817,109
Prudential ICICI GILT Fund - Investment Plan - Dividend Option	34,915,439	10	389,499
Prudential ICICI Income Plan - Dividend	102,975,698	10	1,073,573
Prudential ICICI Income Plan - Growth	22,249,718	10	289,803
Prudential ICICI Liquid Plan - Dividend option	189,344,623	10	2,239,083
Prudential ICICI Liquid Plan - Growth	451,940,414	10	5,615,970
Sun F&C Money Value Fund - Bond - Dividend	25,290,656	10	260,747
Sun F&C Money Value Fund - Liquid - Dividend Plan	12,876,495	10	128,765
Sun F&C Money Value Fund - Liquid - Growth	33,153,958	10	389,288
Templeton India Government Securities Fund - Growth	26,527,840	10	307,988
Templeton India Income Fund - Dividend Plan	59,215,692	10	611,106
Templeton India Income Fund - Growth Plan	55,475,018	10	851,013
Templeton India Liquid Fund - Growth Plan	145,036,900	10	1,822,560
Templeton India Liquid Fund - Dividend Plan	105,484,661	10	1,055,535
Zurich India High Interest Fund - Regular Dividend	10,146,501	10	102,784
Zurich India Liquidity Fund Investment Plan - Growth	3,122,847	10	34,000
Zurich India Liquidity Fund Savings Plan - Growth	10,554,308	10	106,118
Zurich India Liquidity Fund Savings Plan - Growth	23,327,431	10	244,004

- Particulars of bonds purchased and sold during the year ended on 30 June 2001

	Number of bonds	Issue Price per bond (Rupees)	Purchase price
GE Capital 12.25% Bonds	25	10,000,000	250,000
Rabo India Finance 11.40% Bonds	20	5,000,000	100,000
KRCL 10.5% Tax Free Bonds	20,000	1,000	20,276
REC 10.50% Tax Free Bonds	10	5,000,000	50,580
IRFC 9% Tax Free Bonds	20,000	1,000	20,108

- Investments in mutual funds and bonds include unutilised proceeds of the initial public offering and allotment of shares to the employees.

**SCHEDULES FORMING PART OF THE ACCOUNTS**  
(All amounts in thousands of rupees)

	As at 30 June 2001	As at 30 June 2000
<b>Schedule 5: Sundry debtors</b>		
Unsecured - considered good		
Debts outstanding for more than six months	8,270	—
Other debts	1,990,498	1,201,620
Unsecured - considered doubtful		
Debts outstanding for more than six months	2,536	—
Other debts	1,266	—
Less: Provision for doubtful debts	(3,802)	—
	<u>1,998,768</u>	<u>1,201,620</u>

**Note:** Sundry debtors include Rs. 1,714,441 thousands (previous year - Rs. 962,607 thousands) recoverable from the subsidiaries of the company.

**Schedule 6: Cash and bank balances**

Cash in hand	302	349
Cheques in hand	12,077	214,579
Remittances in transit	285,359	83,304
Balances with scheduled banks		
— On current accounts in Indian rupees	19,535	310,028
— On current accounts in foreign currency	9,849	60,093
— On fixed deposit accounts in Indian rupees [pledged with banks as security for guarantees and letter of credit- Rs.1,163 thousands (previous year - Rs. 1,306 thousands)]	3,098,059	174,024
— On fixed deposit accounts in foreign currency	—	613,756
	<u>3,425,181</u>	<u>1,456,133</u>

**Schedule 7: Loans and advances**

(Unsecured and considered good, unless otherwise stated)

Loans and advances recoverable in cash or in kind or for value to be received

— Considered good (refer notes below)	359,058	261,714
— Considered doubtful	3,495	2,892
Inter corporate deposits	250,000	—
Advances to subsidiaries	325,154	873,793
Interest receivable	402,576	2,090
	<u>1,340,283</u>	<u>1,140,489</u>
Less: Provision for doubtful advances	(3,495)	(2,892)
	<u>1,336,788</u>	<u>1,137,597</u>

**Notes:**

- Includes dues from officers of the Company Rs. nil (previous year- Rs. nil), Maximum amount due at any time during the year Rs. nil (previous year - Rs. nil).
- Includes Rs.110,764 (previous year Rs. 114,347) thousands recoverable from the subsidiaries of the company.

**Schedule 8: Other current assets**

Income accrued and due	198,768	9,706
	<u>198,768</u>	<u>9,706</u>

**Note:** Includes Rs 141,116 (previous year Rs.9,706) thousands from the subsidiaries of the company.



**SCHEDULES FORMING PART OF THE ACCOUNTS**  
(All amounts in thousands of rupees)

	As at 30 June 2001	As at 30 June 2000
<b>Schedule 9: Current liabilities and provisions</b>		
<b>Current liabilities</b>		
Sundry creditors (refer note 1)	391,377	220,140
Other liabilities	31,234	3,885
Unaccrued income (refer note 2)	23,378	—
Advance from customer	15,753	—
	<u>461,742</u>	<u>224,025</u>
<b>Notes:</b>		
1. Sundry creditors includes Rs. 30,748 (previous year Rs. 9,969) thousands due to subsidiaries of the company.		
2. Unaccrued income includes Rs. 16,783 (previous year Rs. nil) thousands due to the subsidiaries of the company.		
<b>Provisions</b>		
Provision for income tax [net of advance tax Rs. 218,622 thousands (previous year - Rs. 51,294 thousands)]	196,353	100,851
Provision for dividend	284,920	27,953
Provision for corporate dividend tax	29,062	6,150
Provision for staff benefits	70,399	42,774
	<u>580,734</u>	<u>177,728</u>
	<u>1,042,476</u>	<u>401,753</u>

Year ended  
30 June 2001

Year ended  
30 June 2000

**Schedule 10: Other income**

Interest income [TDS on interest Rs. 35,151 thousands (previous year - Rs. 38,903 thousands)]		
— On fixed deposits	129,916	142,583
— From financing activities	20,706	27,073
— From customers	85,321	56,346
— Intercompany deposits	51,165	13,758
— On bonds	298,049	—
— Others	857	1,676
Sale of special import licences	2,415	2,640
Exchange gain (net)	132,527	59,366
Rent received	7,024	3,668
Income from trade investments		
— Dividend	33,332	466,731
— Others	2,792	54,593
Profit/(loss) on sale of investments (net)	315,940	(309,480)
Profit/(loss) on sale of fixed assets (net)	60	(971)
Miscellaneous income	510	1,685
	<u>1,080,614</u>	<u>519,668</u>

**Schedule 11: Cost of software development**

<b>Personnel expenses</b>		
Salaries, wages, bonus etc.	1,200,914	618,156
Contribution to provident and other funds	42,102	23,508
Staff welfare expenses	78,610	43,968
<b>Software development expenses - external</b>		
[Includes Rs. 574,845 (previous year Rs. 577,377) thousands paid to subsidiaries of the company]	746,413	765,401
	<u>2,068,039</u>	<u>1,451,033</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**  
 (All amounts in thousands of rupees)

	Year ended 30 June 2001	Year ended 30 June 2000
<b>Schedule 12: Administration and other expenses</b>		
Rent		
Electricity and water	88,282	35,003
Insurance	72,366	39,526
Repairs and maintenance-others	5,202	3,117
Communication costs	63,313	38,729
Travel and conveyance	70,101	37,089
Business promotion	814,646	456,992
Legal and professional charges	5,470	3,536
Lease rent	96,273	14,884
Software licence fee	23,542	15,341
Printing and stationery	5,332	11,360
Bank charges	14,806	7,649
Rates and taxes	5,213	3,630
Advertising and publicity	76,725	80,444
Books and periodicals	1,195	3,274
Recruitment, training and development	5,771	4,081
Provision for doubtful debts	77,517	42,619
Provision for doubtful advances	3,803	—
Bad debts written off	603	2,200
Advances written off	3,861	—
Royalty	1,027	—
Miscellaneous expenses	18,346	—
	48,837	9,620
	<u>1,502,231</u>	<u>809,094</u>

**Schedule 13: Notes to the accounts**
**1. Significant accounting policies**
**(i) Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

**(ii) Use of estimates**

The preparation of financial statements in conformity with the GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates.

**(iii) Revenue recognition**

Revenue from software developed on a time and materials basis is recognised as the services are rendered by the Company. Revenue from fixed price contracts is recognised in accordance with the percentage completion method under which the sales value of performance including earnings thereon is recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, up to the completion of contract are recognised immediately. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with terms of the contract.



## SCHEDULES FORMING PART OF THE ACCOUNTS

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, commission, brokerage and rent is recognised when the right to receive the same is established. Revenue from the sale of special import licences is recognised when the licences are actually sold.

### (iv) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.

### (v) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end are disclosed as capital work in progress.

### (vi) Depreciation

Depreciation on fixed assets except leasehold land and leasehold improvement is provided on the straight-line method based on estimated useful lives, as estimated by the management. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over a period of 4 years or the remaining period of the lease, whichever is lower. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase. The management's estimates of the useful life of the various fixed assets is as follows:

	Life (in years)
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4
Computers and software (excluding mainframes)	3
Mainframe computer system (including software)	6
Furniture and fixtures	4
Vehicles	5

### (vii) Investments

Investments are classified into long term and current investments. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value, and provision is made to recognise any decline in the carrying value.

### (viii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year other than those relating to fixed assets are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Gains/losses on the settlement and translation of foreign exchange liabilities incurred to acquire fixed assets are included in the carrying cost of such fixed assets.

### (ix) Retirements benefits

Contributions to provident fund are deposited with a recognised provident fund. The Company contributes to a scheme administered by the Life Insurance Corporation of India in respect of superannuation. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

### (x) Taxation

Provision for income tax and wealth tax is made annually based on tax liability computed after considering tax allowances and exemptions available in accordance with the provisions of Income tax Act, 1961 and Wealth tax Act, 1957.

### (xi) Employee stock option based compensation

The excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option plan is recognised as deferred stock compensation cost and amortised over the vesting period on a straight line basis.



**SCHEDULES FORMING PART OF THE ACCOUNTS**

2. The Company develops software for HCL Technologies Japan Limited, Japan ("HCLT Japan"), a subsidiary of HCL Technologies (Bermuda) Limited, Bermuda. During the year ended 30 June 1999, the tax authorities in Japan raised a demand on HCLT Japan for not withholding tax on payments to the Company during the period February 1998 to September 1998 amounting to Rs. 4,379 thousands. In accordance with the terms of agreement between the Company and HCLT Japan, the withholding tax liability, if any, is payable by the Company. During the year ended 30 June 2000, the Company recovered all amounts due from HCLT Japan, on which, withholding tax was payable on remittance to India. However, the Company does not agree with the stance of the tax authorities in Japan. The Company has deposited Rs 4,379 thousands with the tax authorities in Japan, under protest and has not deducted any tax from the remittance during the year ended 30 June 2000. The Company also invoked the mutual agreement provision under section 25 of the Convention between the Government of India and Government of Japan for the avoidance of double taxation and prevention of fiscal evasion in respect of taxes on income. The matter is now under the consideration of the competent authorities of India and Japan. If the contention of the Company is not upheld by the competent authorities, there could be an additional tax liability amounting to Rs. 6,495 thousands. The management, based on legal advice, does not believe that any liability in this regard will crystallise and therefore, no provision has been made in the accounts in respect of this amount.

3. The shareholders' of the Company in the extra-ordinary general meeting of the Company held on 13 September 1999 established the Employee Stock Option Plan 1999 of the Company, which provides for grant of options for 40,000,000 equity shares to employees of the Company and its subsidiaries. The plan is administered by a compensation committee comprising 3 directors, of which 2 are independent directors. Under the plan, options have been issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the fair value of the shares.

Fair value of the shares means value determined by the management, during the period the Company was unlisted. Subsequent to listing, fair value of shares means closing price of the Company's shares in the stock exchange with the highest trading volume on a given date and in case the shares were not traded on that day, the closing price on the previous trading day. Under the Employee Stock Option Plan 1999, options have also been issued to employees at exercise price that is lower than the fair market value on the basis of approval of the members of the Company. As on 30 June 2001, options for 28,724,400 (previous year and pre-split 17,848,872) shares were outstanding with employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999.

The shareholders' of the Company in the annual general meeting of the Company held on 20 October 2000 established the Employee Stock Option Plan 2000 of the Company, which provides for grant of options for 30,000,000 equity shares to employees of Company and its subsidiaries. The plans are administered by a compensation committee comprising 3 directors, of which 2 are independent directors. Under the plan, options have been issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the fair value of the shares. Fair value of the shares means closing price of the Company's shares in the stock exchange with the highest trading volume on a given date and in case the shares were not traded on that day, the closing price on the previous trading day. As on 30 June, 2001 options for 11,965,208 (previous year nil) shares were outstanding with employees of Company and its subsidiaries in respect of Employee Stock Option Plan 2000.

4. The Securities and Exchange Board of India has issued the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, which is effective for all stock option schemes of listed companies established after 19 June 1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, is to be recognised and amortised on a straight line basis over the vesting period.

The Employee Stock Options Plan 1999 of the Company was established when the Company was unlisted. Consequently, the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by the Securities and Exchange Board of India, are not applicable to the Company.

Employee Stock Options Plan 2000 of the Company was established when the Company was listed. Consequently, Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 2000 are applicable to the Company.

5. During the year ended 30 June 2000, the Company entered into software consulting and engineering service agreements with certain customers wherein these customers have committed certain revenues. On achievement of the revenues and on fulfilment of the necessary conditions, the Company shall be required to grant stock options.
6. The future lease obligations in respect of vehicles on lease are Rs. 5,990 (previous year - Rs. 11,347) thousands.
7. The estimated value of contracts remaining to be executed on capital account and not provided for is Rs 215,877 (previous year - Rs.130,319) thousands.



**SCHEDULES FORMING PART OF THE ACCOUNTS**  
(All amounts in thousands of rupees)

	Year ended 30 June 2001	Year ended 30 June 2000
<b>8. Payment to auditors</b>		
Statutory audit	1,365*	1,300
Tax audit fees	525*	500
Other services	1,062	2,095
Out of pocket expenses	—	—
	<u>2,952</u>	<u>3,895</u>
* inclusive of service tax		
<b>9. CIF value of imports</b>		
Capital goods	168,721	57,793
	<u>168,721</u>	<u>57,793</u>
<b>10. Expenditure in foreign currency</b>		
Software development charges	464,803	765,401
Travel (on cash basis )	670,038	404,902
Rates and taxes	76,725	80,444
Others	5,741	5,599
Royalty	18,346	—
	<u>1,235,653</u>	<u>1,256,346</u>
The expenditure re-imbursed by the customers in foreign currency has been netted off against the related expenses in the profit and loss account and amounts to Rs. 161,985 (previous year - Rs. 194,569) thousands.		
<b>11. Earnings in foreign currency</b>		
Income from software and technical services	7,221,736	3,966,060
Interest	93,013	70,869
Exchange gain (net)	132,527	59,366
Royalty	—	541
	<u>7,447,276</u>	<u>4,096,836</u>
<b>12.</b> During the year ended 30 June 2001 HCL Technologies (Bermuda) Limited, a wholly owned subsidiary, has paid remuneration to a wholetime director of the Company amounting to Rs 5,651 (previous year Nil) thousands.		
<b>13.</b> During the year ended 30 June 2001 HCL Technologies (Bermuda) Limited, a wholly owned subsidiary, has paid sitting fee to directors of the Company amounting to Rs 494 (previous year Rs 447) thousands and payments to non executive directors amounting to Rs. 2,825 (previous year Rs. 3,741) thousands.		
<b>14. Dividend remitted in foreign currency</b>		
Number of non-resident shareholders	93	5
Number of shares held	66,465,658	34,780,290
Amount remitted (net of tax)	6,647	4,637
Year to which it relates	2000	1999

15. The Company had no amounts payable to small-scale industrial undertakings as defined under Section 3(j) of the Industries (Development and Regulation) Act, 1951 as on 30 June 2001.
16. The name of the Company has been changed from HCL Consulting Limited to HCL Technologies Limited and a fresh certificate of incorporation has been issued by the Registrar of Companies, National Capital Territory of Delhi and Haryana on 6 October 1999.
17. Previous year figures have been re-classified/ re-grouped to confirm to current year's classification.

**For HCL Technologies Limited**

**Shiv Nadar**  
Chairman, President and CEO

**Vineet Nayyar**  
Vice Chairman

**Richard R Burt**  
Director

**Robin Abrams**  
Director

**T S R Subramanian**  
Director

**Arun Duggal**  
Chief Financial Officer

**Allwyn Noronha**  
Company Secretary

Place: Noida (UP), India  
Date: 6 August 2001



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration details**

Registration No.	55-46369	State Code 55
Balance Sheet Date	30 June 2001	

**II. Capital raised during the year (Rupees in thousands)**

Public issue	Rights issue
<i>Nil</i>	<i>Nil</i>
Bonus issue	Private placement
<i>Nil</i>	18,188

Note: Capital raised during the year includes share application money

**III. Position of mobilisation and deployment of funds (Rupees in thousands)**

Total liabilities	Total assets
17,072,927	17,072,927

**Sources of funds**

Paid-up capital	Reserves and surplus
596,921*	16,476,006
Secured loans	Unsecured loan
<i>Nil</i>	<i>Nil</i>

\* includes Rs. 27,082 thousands in respect of share application money

**Application of funds**

Net fixed assets	Investments
1,340,176**	9,815,722
Net current assets	Misc. Expenditure
5,917,029	<i>Nil</i>
Accumulated losses	
<i>Nil</i>	

\*\* Includes Rs 260,905 thousands in respect of capital work in progress

**IV. Performance of Company (Rupees in thousands)**

Turnover	Total expenditure
8,325,607	3,795,606
Profit before tax	Profit after tax
4,530,001	4,267,801
Earnings per share (in Rs.)	Dividend rate %
14.98	50

**V. Generic names of Principal Products/Services of Company (as per monetary terms)**

Product description:	Software
Item code (ITC code):	852490

**For HCL Technologies Limited**

**Shiv Nadar**  
Chairman, President and CEO

**Vineet Nayyar**  
Vice Chairman

**Richard R Burt**  
Director

**Robin Abrams**  
Director

**T S R Subramanian**  
Director

**Arun Duggal**  
Chief Financial Officer

**Allwyn Noronha**  
Company Secretary

Place: Noida (UP), India  
Date: 6 August 2001