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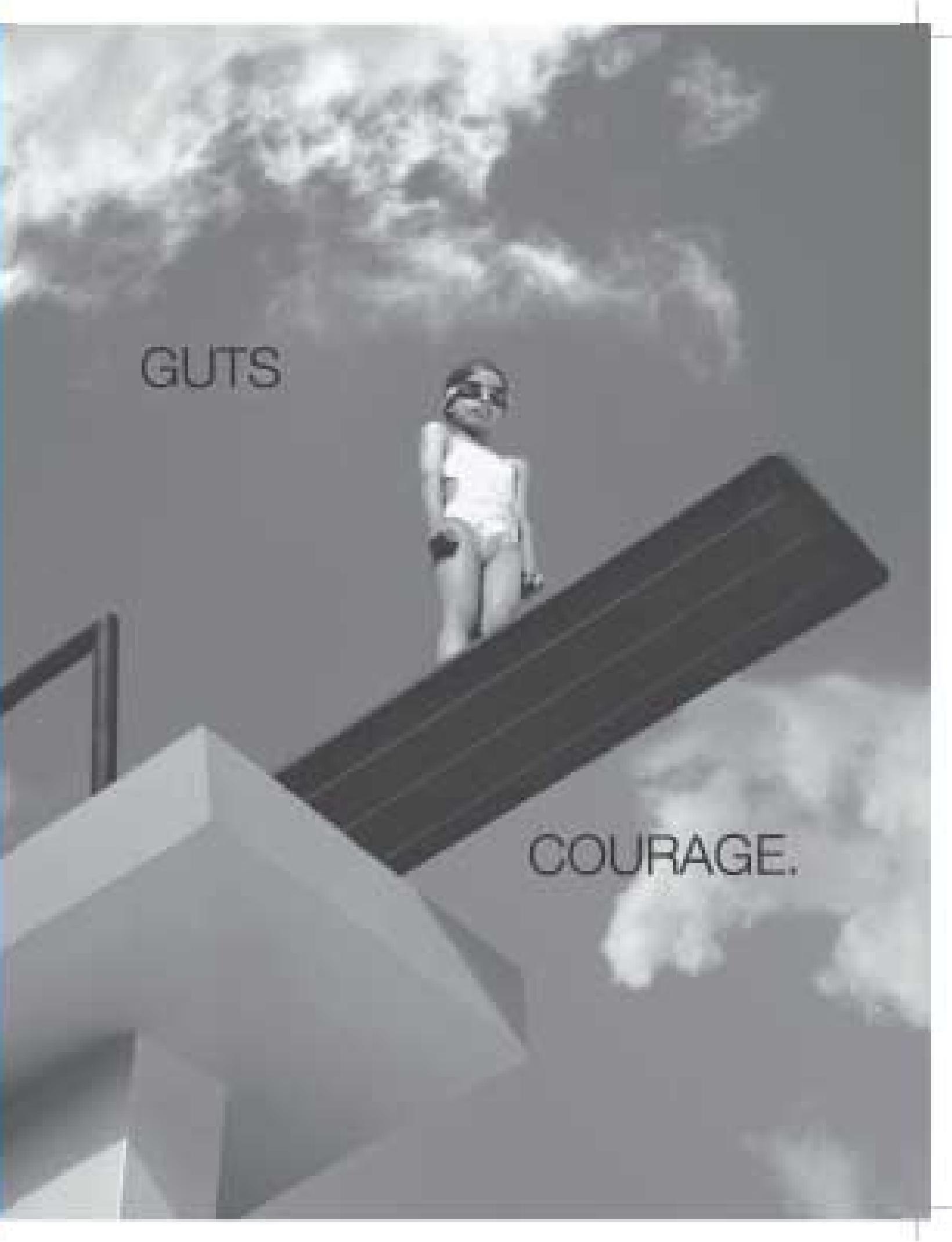
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HCL Technologies

ANNUAL REPORT 2004 - 2005

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GUTS

COURAGE.



BOARD OF DIRECTORS

MR. SHIV NADAR

Chairman & CEO

MR. S. RAMAN

Chief Technology Advisor and Whole Time Director

MR. T S R SUBRAMANIAN

Director

MS. ROBIN ABRAMS

Director

MR. AJAI CHOWDHRY

Director

MR. SUBROTO BHATTACHARYA

Director

MR. AMAL GANGULI

Director

MR. CYRIL SURESH SHROFF

Director

MR. ALLWYN NORONHA

General Manager & Company Secretary

Auditors

Price Waterhouse
Chartered Accountants
New Delhi

Bankers

Citibank, N.A.
Global Corporate & Investment Banking
DLF Centre, 5th Floor
Parliament Street
New Delhi-110001

Deutsche Bank AG
Corp. Office – DLF Square
4th floor, Jacaranda Marg,
DLF City, Phase – II
Gurgaon-122002

Standard Chartered Bank
Corporate & Institutional Banking
Credit Operations, India
H -2, Connaught Circus
New Delhi-110001

ICICI Bank Limited
ICICI Tower
NBCC Place, Bhisham Pitamah Marg,
Pragati Vihar
New Delhi-110003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND STANDALONE RESULTS OF OPERATIONS OF HCL TECHNOLOGIES LIMITED PREPARED UNDER INDIAN GAAP

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading 'Risk Factors' in the Prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned as not to place undue reliance on the forward-looking statements as they speak only as of their dates. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

INTRODUCTION AND BUSINESS OVERVIEW

HCL Technologies Ltd. ("HCL" or "the Company") is one of India's largest IT services exporter with services spanning IT services as well as IT-enabled services. The key service areas in which the Company provides its services are as indicated below.

Software Services: HCL offers its software services in enterprises software services as well as product engineering services. The enterprise software services cover custom and package application lifecycles - design, develop, test, implement, maintain, migrate, integrate, upgrade, roll-out and support. HCL has partnerships with leading software product companies and Centers of Excellence to develop capabilities which are harnessed to help clients. In product engineering, HCL offers full lifecycle services, from requirements definition to prototype architecture, development, testing, technical help desk from L0 onwards, field support, maintenance as well as upgradation. With select software product companies, the service portfolio extends beyond engineering to implementation services.

BPO Services: HCL BPO delivers multi-channel contact management and back office services for select, complex processes in banking, insurance, manufacturing, retail and telecom. The accent is on advanced customer handling and communication skills, a sensitized approach for managing client-side process stakeholders, integration with process experts and certifications such as COPC and BS:7799. HCL's BPO Services are highly regarded for significant, sustained value delivery, bolstered by an incident-free track record and renewal of all major contracts.

Infrastructure Management Services: HCL's Infrastructure Services enable customers to operate and manage their IT environment making it available, secure and reliable - always. The services are delivered through ISO 9002, BS:7799 certified Operations and Management Centers in India. Unique in-house tools provide enhanced visibility into the customer's IT infrastructure to optimize performance, increase availability and reduce costs.

These service lines are delivered to customers in key verticals such as Aerospace, Automotive, Banking and other Financial Services, Insurance, Life Sciences, Media, Publishing and Entertainment, Retail, Semiconductors and Telecom.

The services in the areas of Infrastructure Management as well as those in the BPO segments are offered through separate companies which are subsidiaries of HCL. The financials of these entities are captured in the consolidated financials of the Company.

Even in the area of software services, the Company has joint ventures and subsidiaries, the financials of which are not represented in the standalone results of the Company.

The Company's technological prowess lies in the dedicated Offshore Development Centers it operates for some of the world's leading organizations. These centers are located in Bangalore, Chennai, Gurgaon and Noida in India. HCL is the preferred partner to 490 prestigious organizations in the world, including 66 Global 500 companies. Its presence across 14 countries gives the Company global reach and a vast rollout support capability. Currently, it serves global markets through offices in America, Asia Pacific, Europe and Japan.

THE CURRENT OPERATING ENVIRONMENT AND OUTLOOK

The Indian IT services and IT-enabled services industries continue to grow at a rapid pace driven by the increasing penetration of Indian vendors in the global IT market. The move towards outsourcing of IT services with India being the most preferred location for this, is aiding this growth. The Company enjoys a position of pre-eminence in this environment and is poised strongly to capture an increased market share by leveraging its wide service mix and strong client relationships.

REVENUE CONTRIBUTION FROM DIFFERENT GEOGRAPHICAL SEGMENTS

The Company has operations spanning all the key major IT markets of the world. The clients in these markets are serviced through a network of global offices. Like most of its peers in India, the largest share of the Company's revenue continues to come from the US given that the US is the largest spender on IT services as well as the largest outsourcer. Over the last three years, conscious efforts have been initiated to ensure that the share of other geographies increases to reduce the risk of overdependence on the American continent. As a result, the revenue share from Europe, the next largest contributor to revenues, has been increasing. The contributions from the key geographical segments to the Company's revenues have been indicated in the Table.

Revenue contribution from various geographies	Year ended June 30, 2005
America	77%
Europe	15%
Others	8%
Total	100%

INTERNAL CONTROL SYSTEMS

The Company has strong internal control systems to ensure that its assets and interests are carefully protected. Well-documented processes have been implemented throughout the organization to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations.

The Company has a dedicated Internal Audit team which ensures that

- adequate processes, systems, internal controls are implemented and these are commensurate with the size and operations of the Company;
- transactions are executed in accordance with policies and authorization;
- resources have been deployed as per the business plan, policies and authorization.

The Company has a rigorous business planning system to set targets and parameters for operations which are reviewed with actual performance to ensure timely initiation of corrective action if required.

The Company's Audit Committee, which is a sub committee of the Board, reviews adherence to internal control systems, internal audit reports and implementation of suggestions. This Committee reviews all quarterly and yearly results of the Company and conveys to the Board its recommendation for consideration of such results and their approval.

RISK FACTORS

The key risk factors for the Company are as follows:

Internal Risks

- Business concentration risks
- Mergers and Acquisitions (M & A) execution risks
- Investment portfolio-related risks

External Risks

- Competition-related risk
- Employee-related risks
- Currency risk related to fluctuations in the foreign exchange rate
- Technology-related risks
- Geo-political risks
- Risks related to the operating environment

Internal Risks***Business concentration risks***

The Company has taken steps to ensure that it does not become too dependent on any particular set of clients, specific service lines or any particular geography.

The Company gets its revenues from a total of around 500 clients to ensure this. Given the position of the American continent as the largest IT spender in the world, a large portion of the Company's revenues comes from this geography. However, conscious efforts are being made to reduce this dependence. Non-US revenues as a percentage of the total revenues of the Company have been steadily increasing over the years. The share of non-US revenues for the year under review has gone up to 23% from 20% in the previous year.

A very high dependence on certain segments of the IT services market may also pose certain risks in the event of a slow-down impacting such segments. The Company had recognized this factor and had undertaken

multiple initiatives during the fiscal year June 30, 2002 to rebalance its business portfolio. As a result of these initiatives, the Company has managed to reduce its dependence on its traditional stronghold of product engineering and now has substantial revenues coming in from end-user applications, business process outsourcing and infrastructure management services.

M & A execution risks

The Company has been growing on the back of a strategy which leverages both the organic as well as the inorganic route and has undertaken a series of acquisitions in the previous three fiscal periods. The Company naturally faces a risk with respect to its merger and acquisition related transactions. The risk exposures in this area are as follows:

- a) increase in cost on account of staffing/advisory fees to consultants
- b) lapses in due diligence
- c) difficulties in integration of acquired entities within the operational fabric

The Company follows a very structured approach in pursuance of its M & A strategy. Many of the risks are mitigated by restricting the choice of target companies by applying certain rigorous selection criteria as also by proper resourcing of the integration effort.

Investment portfolio-related risks

The primary area of risk for the Company's market exposures are related to the interest rate risk on its investment securities. To mitigate interest rate risk, all surplus funds are invested in avenues upon a review by the investment committee. However, the guiding principles of all investment decision are safety of investments, followed by liquidity and returns.

External Risks***Competition-related risk***

The Indian IT services market remains a very competitive space. The Company is facing competition not only from other large Indian IT vendors but also global vendors who are increasing their India presence given the popularity of the Indian offshore model.

To maintain its competitive edge in this landscape, the Company has been making significant investment in software engineering processes and offshore methodologies. All of the Company's software development centers are ISO 9001 certified. Most of the Company's centers have also obtained Capability Maturity Model (CMM) Level 4 or Level 5 accreditation. The Company has also built a worldclass sales and marketing infrastructure to service its global clientele. To achieve maximum penetration within the various target markets with a high degree of sensitivity to the culture and needs of the local market, the Company has established local companies in each important country. The Company believes that its rigorous, research oriented approach to identify, qualify and develop relationship has been a key differentiator in the marketplace.

Employee-related risks

For any software services company, its human capital is its primary asset. With increase in competitive pressures in the marketplace, the Company faces the risk of losing key human talent which can impact execution of its projects. To address this, the Company has put in place all requisite initiatives to ensure that it remains an employer of choice within the competitive landscape. The Company continues to focus on several training and development initiatives to ensure that its human resource base is kept abreast of the latest developments in information technology.

Exchange rate risk

The functional currencies for the Companies operations are the respective currencies of the countries in which it operates. Substantially all of its revenues are generated in US dollars and to a lesser extent, certain European and Asian currencies, while most of its expenses are incurred in Indian rupees and to a lesser extent, US dollars. As described above, a substantial amount of its investments is held in Indian rupees. It also holds investments in certain countries, consisting primarily of investments by its subsidiaries, which are denominated in the local currency. It is therefore subject to the effects of exchange rate fluctuations between these currencies.

Since the previous fiscal year, the Company has started taking foreign exchange forward covers to hedge completely against foreign currency fluctuations related to its billed receivables and forecast revenues. The Company does not speculate in foreign currency.

There is some foreign exchange risk which arises from accounts payable to overseas vendors. This risk is partially mitigated as the Company has receipts in foreign currency from overseas customers and holds some of its cash in foreign currency bank accounts.

Technology-related risks

The Company does not depend on any specific technology and has competencies in a wide variety of software operating environments. This ensures that it diversifies its technology-related risks as also offers the customers the choice of any technology or platform they are comfortable with.

Geo-political risks

The Indian subcontinent has seen recurrences of some forms of hostilities between India and Pakistan. There has also been a lot of civil unrest in other countries of the Asian continent with proximity to India. These can have negative implications for the operations of the Company. To mitigate these risks and to ensure continued delivery of services to clients irrespective of any geo-political disturbances, the Company has made adequate investments in disaster recovery and business continuity systems.

EMPLOYEE STOCK OPTION PLANS

Employee Stock Option Plan 1999

The Company had instituted an Employees Stock Option Plan – 1999 ("1999 Plan") for employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on September 13, 1999. The Plan provided for the issuance of 20,000,000 options to employees as recommended by the Committee constituted for this purpose.

Each option granted under the Plan entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.

Till June 30, 2005, 9,112,361 options had been exercised under the 1999 Plan. As of June 30, 2005, 10,085,833 stock options were in force under the 1999 Plan.

Employee Stock Option Plan 2000

The Company instituted another Employees Stock Option Plan – 2000 ("2000 Plan") in October 2000. The 2000 Plan provided for the issuance of 15,000,000 options to employees. Each option granted under the 2000 Plan entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.

Under 2000 Plan, out of the stock options granted till June 30, 2005, 5,934,063 options have vested for shares out of which only 1,109,453 have been exercised. As of June 30, 2005, 12,702,119 options were in force.

Employee Stock Option Plan 2004

The Company has recently instituted an Employees Stock Option Plan – 2004 ("2004 Plan") for employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on December 17, 2004. The Plan provided for the issuance of 20,000,000 options to employees as recommended by the Committee constituted for this purpose.

Each option granted under the Plan entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.

Till June 30, 2005, no options had been exercised under the 2004 Plan. As of June 30, 2005, 373,472 stock options were in force under the 2004 Plan.

SOFTWARE DEVELOPMENT CENTERS AND MANPOWER

The Company serves its customers through a network of software development facilities situated in the cities of Bangalore, Chennai, Gurgaon and Noida. During the fiscal 2005, the Company invested a sum of Rs. 166.4 crore in building, leasehold land, equipment, computers, etc., as against Rs. 186.5 crore in the previous fiscal. The seating capacity of the Company stood at 12,517 as of June 30, 2005.

The total number of billable employees increased from 8,137 (6,962 offshore and 1,175 onsite) as on June 30, 2004 to 12,563 (10,996 offshore and 1,567 onsite) as on June 30, 2005. The Company continues to focus on several training and development initiatives to ensure that its human resource base is kept abreast of the latest developments in information technology.

RESULTS OF OPERATIONS (STANDALONE)

(Rs. in crores)

	Fiscal years ended June 30				
	2001	2002	2003	2004	2005
Service revenue	724.5	723.4	871.7	1128.0	1447.0
Cost of software development	206.8	264.4	404.9	606.6	789.5
Administration and other expenses	150.7	137.1	201.3	266.2	328.4
Total Expenditure	357.5	401.5	606.2	872.8	1117.9
Operating profit before interest, depreciation and amortization	367.0	321.9	265.5	255.2	329.1
Interest	-	1.7	1.1	5.5	5.6
Depreciation	22.5	35.5	49.3	56.9	67.6
Operating profit after interest, depreciation and amortization	344.5	284.7	215.1	192.8	255.9
Other Income	108.5	133.2	107.8	146.7	83.0
Profit before tax	453.0	417.9	322.9	339.5	338.9
Provision for tax	26.2	15.9	10.4	13.8	9.6
Profit after tax	426.8	402.0	312.5	325.7	329.3

FISCAL 2005 COMPARED TO FISCAL 2004

Service revenues. The Company's revenues of Rs.1447.0 crore in fiscal 2005 were 28% higher than that for fiscal 2004. While the Company added headcount to handle the increased business volumes, bill rates for the year were almost at the same level as that in the previous fiscal.

In fiscal 2005, the revenues from America were Rs. 1117.3 crore, an increase of approximately 23% as compared to that for fiscal 2004. Share of America in the total revenue dropped marginally to 77% in fiscal 2005 from 80% in fiscal 2004. In an effort to derisk its business model, the Company is focussing on the markets in Europe, Australasia, Singapore and Malaysia. These markets contributed about 23% to the Company's revenues in the current fiscal and it is expected that their contribution is likely to increase in the coming years.

Cost of software development. The cost of software development increased by 30% from Rs. 606.6 crore in fiscal 2004 to Rs. 789.5 crore. This was mainly on account of an increase in employee costs. Employee costs of the Company increased to Rs. 491 crore in fiscal 2005 from Rs. 362.4 crore in fiscal 2004, an increase of 35%. Employee costs as a percentage of service revenues have increased to 34% in fiscal 2005 from 32% in fiscal 2004. The increase in employee costs has been driven by an increase in number of billable employees from 8,137 in the previous year to 12,552 in the year ended June 30, 2005. The Company also subcontracts certain projects to its subsidiaries and third parties. These costs increased to Rs. 298.5 crore in fiscal 2005 from Rs. 244.2 crore in fiscal 2004. Of the total subcontract costs, Rs. 292.6 crore and Rs. 205.7 crore were paid in fiscal 2005 and 2004 respectively, to the subsidiaries of the Company for providing software development services.

Administration and other expenses. As a percentage of service revenue, such costs decreased to 23 % in fiscal 2005 from 24% in fiscal 2004. These costs among others consist of rent, communication costs (including on project), travel costs (including on project), electricity, repair and maintenance, software license fees, legal and professional charges, etc.

Operating profit before interest, depreciation and amortization. Operating profit before interest, depreciation and amortization increased by 28% during the fiscal under review in line with the growth in the Company's income. As a percentage of service revenues this remained at 23%.

Other income. The Company's other income was Rs. 83 crore in fiscal 2005 as compared to Rs.146.7 crore in fiscal 2004. This mainly comprises of dividend on investments in debt mutual funds and gains resulting from sale of such investments. To take advantage of lower tax rate applicable on long-term capital gains, the Company has shifted its investments in growth funds and has unrealized capital gains of Rs.36.9 crore as of end of fiscal year 2005.

Depreciation. Depreciation increased to Rs. 67.6 crore in fiscal 2005 from Rs. 56.9 crore in fiscal 2004. The gross block has increased to Rs. 632.1 crore in fiscal 2005 as compared to Rs. 412.3 crore in 2004 which has caused this increase in depreciation.

Taxation. The net tax expense for fiscal 2005 was Rs. 9.6 crore as compared to Rs. 13.8 crore in fiscal 2004.

Profit after tax. The Company's profit after tax increased to Rs. 329.3 crore in fiscal 2005 from Rs.325.7 crore in fiscal 2004, an increase of 1%.

TAX DEDUCTIONS

A substantial portion of the profits of the Company's India operations is exempt from income tax, these profits being attributable to export operations of undertakings situated in Software Technology Parks (STPs). Under the tax holiday, the taxpayer can utilize an exemption from income tax for a period of any ten consecutive years beginning from the financial year when the unit started operations. The tax holiday on all facilities under STPs expire in stages by 2009. The profits arising out of the domestic business are subject to corporate income tax at the rate of 33.66%.

LIQUIDITY AND CAPITAL RESOURCES**Cash Flows from Operating Activities**

The Company's operations generate a significant amount of cash each year. Net cash provided by operating activities was Rs. 265.7 crore and Rs.598.2 crore in fiscal 2005 and 2004 respectively. Cash from operating activities in fiscal 2004 were higher primarily because of some advances received from subsidiary companies and lower debtors from subsidiaries.

Cash Flows from Investing Activities

In fiscal 2005, an amount of Rs. 250.8 crore was received from redemption of debt mutual funds while Rs. 126.6 crore of bonds was redeemed. During the year, a net amount of Rs. 166.4 crore was invested in fixed assets, and Rs. 10.1 crore was used for investments and loans in subsidiaries. Cash from investing activities arose mainly from income on investment and repayment of loans which had been advanced to the ESOP trust. Net cash, thus, received from investing activities was Rs. 239.5 crore in fiscal 2005 as compared to an outflow of Rs. 391.4 crore in 2004.

The thrust of the Company's treasury policy is to reduce risk and maintain the maximum possible safety, while earning reasonable returns from the investment of surplus funds.

Cash Flows from Financing Activities

Cash flow from financing activities in the year under review was an outflow of Rs.493.7 crore mainly due to an outflow of Rs. 557.4 crore pertaining to the dividend declared in the previous fiscal year as well as the interim dividends paid during the year under review.

As a result of the above, the total amount of cash and cash equivalents available with the company as of June 30, 2005, was Rs.84.5 crore. Management believes that these balances along with cash from continuing operations and existing credit facilities will be sufficient to meet all needs of the Company in the next fiscal year.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting this Thirteenth Annual Report together with the Audited Accounts for the year ended June 30, 2005.

FINANCIAL RESULTS

The highlights of consolidated financial results of your Company and its subsidiaries prepared under US GAAP are as follows:

(Rs. in million)

	Year ended June 30, 2005	Year ended June 30, 2004
Gross revenues	33,156	26,129
Direct costs	20,870	16,691
Gross profits	12,286	9,438
Selling and general administrative expenses	4,747	4,153
EBIDTA	7,539	5,285
Depreciation and amortization expenses	1,461	1,157
EBIT	6,078	4,128
Other income (net)	1,048	4,630
EBT	7,126	8,758
Provision for tax	661	407
EAT	6,465	8,351
Share from equity investments	(25)	177
Share of (income)/ loss of minority shareholders	(432)	(614)
Net income	6,008	7,914

The highlights of consolidated financial results of your Company and its subsidiaries prepared under Indian GAAP are as follows:

(Rs. in million)

	Year ended June 30, 2005	Year ended June 30, 2004
Income		
Sales	33,512	25,637
Other income	1,200	4,765
	34,712	30,402
Expenditure		
Cost of goods sold	1,030	1,133
Cost of services	17,546	13,690
Administration and other expenses	7,363	5,815
Finance costs	102	97
Depreciation	1,516	1,652
	27,557	22,387
Profit before tax and minority interest	7,155	8,015
Provision for tax	498	252
Profit before minority interest	6,657	7,763

Share of loss of equity investees	(5)	(110)
Share of minority shareholders	(465)	(791)
	<hr/>	<hr/>
Balance brought forward	6,187	6,862
Amount available for appropriation	20,575	17,959
Appropriations		
Proposed final dividend [including Rs. 5.9 million (previous year Rs. Nil) paid for previous year]	1,285	1,184
Corporate dividend tax [including Rs. 0.8 million (previous year Rs. Nil) paid for previous year]	180	155
Interim dividend	3,773	1,774
Corporate dividend tax on interim dividend	502	227
Transfer to general reserve	329	326
Balance carried forward to the balance sheet	14,546	14,293
	<hr/>	<hr/>
	20,575	17,959

Financial results of your Company as a standalone entity prepared under Indian GAAP are as follows:

(Rs. in million)

	Year ended June 30, 2005	Year ended June 30, 2004
Revenue from software services	14,470	11,280
Other income	830	1,467
	<hr/>	<hr/>
Total income	15,300	12,747
Cost of software development	7,895	6,066
Administration and other expenses	2,082	2,662
Finance charges	56	55
Depreciation	676	569
	<hr/>	<hr/>
Profit before tax	11,911	9,352
Provision for tax	3,389	3,395
	<hr/>	<hr/>
Profit after tax	3,293	3,257
Balance brought forward from previous year	11,098	11,507
	<hr/>	<hr/>
Amount available for appropriation	14,391	14,764
Appropriations		
Proposed final dividend [including Rs. 5.9 million (previous year Rs. Nil) paid for previous year]	1,285	1,184
Corporate dividend tax on final dividend [including Rs. 0.8 million (previous year Rs. Nil) paid for previous year]	180	155
Interim dividend	3,733	1,774
Corporate dividend tax on interim dividend	502	227
Transfer to general reserve	329	326
Balance carried forward	8,362	11,098
	<hr/>	<hr/>
Total	14,391	14,764

OPERATIONS

In the fiscal year under review, the Company had a healthy 28% growth in its revenues. Even though conditions in the marketplace remain favourable for the large Indian IT services companies in terms of

volumes, pricing has not improved given the high degree of competition in the market. The other income of the Company has reduced substantially in the fiscal year under review. As a result, the Company's net profit for the fiscal year under review has remained constant as compared to the previous fiscal year.

DIVIDEND

Your directors had declared and paid three interim dividends for the quarters ended September 30, 2004, December 31, 2004 and March 31, 2005 respectively as per the details given hereunder:

S. No.	Interim dividend for the quarter ended	Rate of dividend	Amount of dividend paid Rs./million	Distribution tax paid by the Company Rs./million
1.	September 30, 2004	Rs. 4/- per share	1,188.36	155.30
2.	December 31, 2004	Rs. 4/- per share	1,270.54	166.04
3.	March 31, 2005	Rs. 4/- per share	1,273.90	180.28

Your directors are pleased to recommend a final dividend of Rs. 4/- per share for the financial year ended June 30, 2005, subject to approval of the shareholders at the ensuing Annual General Meeting. The total amount of dividend (including interim dividends paid) for the year ended June 30, 2005 is Rs. 5011.6 million as against Rs. 2964.4 million for the previous year. The dividend, if approved, will be paid to those members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. Under the Indian Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on distributed profits, paid/ payable by the Company would amount to Rs. 681.7 million.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 329.3 million to the general reserve. An amount of Rs. 8,362 million is proposed to be carried forward in the Profit & Loss Account.

SOFTWARE DEVELOPMENT CENTERS

The Company services its customers through a network of software development facilities situated in the cities of Bangalore, Chennai, Gurgaon and Noida. During the fiscal 2005, the Company invested a sum of Rs. 2,236 million in building, leasehold land, equipment, computers, etc. The seating capacity of the Company stood at 12,517 as of June 30, 2005.

SCHEME OF AMALGAMATION

During the year under review, the Board of Directors of the Company, subject to requisite approvals, had approved the Scheme of Amalgamation ("Scheme") under Sections 391 to 394 of the Companies Act, 1956 for amalgamation of HCL Technologies (Mumbai) Limited, HCL Technologies BPO Services Limited, HCL Enterprise Solutions (India) Limited, DSL Software Limited, Shipara Technologies Limited and Aquila Technologies Limited, all wholly-owned subsidiaries of the Company, with the Company.

The separate petitions have been filed before the Hon'ble High Courts of Karnataka and Delhi for approval of the Scheme of Amalgamation. The Scheme, if approved, shall be effective from April 1, 2005.

JOINT VENTURES & SUBSIDIARIES CREATED/ CLOSED DURING THE YEAR

Joint Venture with NEC and NECST, Japan

The Company has entered into a Joint Venture Agreement with NEC Corporation, Japan ("NEC") and its subsidiary, NEC System Technologies, Ltd. ("NECST") to form a Joint Venture Company ("JVC") which would

provide offshore led software engineering solutions to NEC, its subsidiaries and their clients, in Japan and globally. NEC and NECST will jointly have a 51% stake in the joint venture while remaining 49% will be held by the Company.

EXISTING SUBSIDIARIES AND JOINT VENTURES - FURTHER INVESTMENTS MADE DURING THE YEAR

Aalayance Inc.

The Company through one of its subsidiaries, HCL Bermuda Ltd., has acquired by way of subscription, 9.08 million shares of Aalayance Inc. at a value of Rs. 86.38 million. Consequent to the acquisition, the Company's stake has increased to 51% (on a fully-diluted basis) making Aalayance Inc. and its subsidiaries, HCL EAI Services Private Ltd., India and Aalayance UK Ltd., UK, subsidiaries of the Company.

DSI Financial Solutions Pte. Ltd.

The Company acquired the balance 49% stake in DSI Financial Solutions Pte. Ltd. ("DSI"), Singapore from its partner Deutsche Bank AG ("DBAG"). With the conclusion of this transaction, DSI and its wholly-owned subsidiaries, DSL Software Ltd., India and DSL GmbH, Germany have become wholly-owned subsidiaries of the Company. The Company made a preferential issue of 19,358,989 equity shares of Rs. 2/- each fully paid up at a price of Rs. 361/- per share to DBAG as the purchase consideration for this acquisition in accordance with the agreement with DBAG.

HCL Enterprise Solutions Ltd.

The Company acquired the last tranche of 16.33% stake in HCL Enterprise Solutions Ltd., Mauritius ("HES"), from Computech Corporation, through its wholly-owned subsidiary, HCL Bermuda Ltd. for a consideration of Rs. 87.2 million, making it a wholly-owned subsidiary of the Company.

HCL BPO Services (NI) Ltd.

The Company through its subsidiary, HCL America Inc., USA acquired the remaining 10% stake in this subsidiary company from its partner British Telecommunications plc. for a consideration of Rs.151.24 million.

Shipara Technologies Ltd.

The Company acquired the remaining stake of 22.89% in Shipara Technologies Ltd., from other joint venture partners, for a cash consideration of Rs. 80.99 million, thereby making it a wholly-owned subsidiary.

Aquila Technologies Ltd.

The Company through its subsidiary, Shipara Technologies Ltd., acquired the balance 64.5% stake in Aquila Technologies Ltd. from other shareholders for a cash consideration of Rs. 37.62 million, thereby making it a wholly-owned subsidiary.

EXISTING SUBSIDIARIES – CHANGE OF NAME

In order to unifying the 'HCL' brand, the names of some subsidiaries of the Company have been changed, the details of which are as follows:

S. No.	Previous Name	New Name
1.	HCL Technologies America Inc.	HCL America Inc.
2.	HCL Technologies Australia (Pty.) Ltd.	HCL Australia Services Pty. Ltd.
3.	HCL Technologies (Bermuda) Ltd.	HCL Bermuda Ltd.
4.	HCL Technologies BPO Services (NI) Ltd.	HCL BPO Services (NI) Ltd.
5.	Aalayance E-Com Service Pvt. Ltd.	HCL EAI Services Pvt. Ltd.
6.	HCL Technologies Europe Ltd.	HCL Great Britain Ltd.
7.	HCL Technologies (Hong Kong) Ltd.	HCL Hong Kong SAR Ltd.
8.	HCL Technologies (Netherlands) BV	HCL (Netherlands) BV
9.	HCL Technologies (New Zealand) Ltd.	HCL (New Zealand) Ltd.
10.	HCL Technologies Singapore Pte. Ltd.	HCL Singapore Pte. Ltd.

SUBSIDIARIES - FINANCIALS

The statement pursuant to Section 212 of the Companies Act, 1956 is annexed with this Report. The Company has applied to the Ministry of Company Affairs, Government of India, for granting exemption from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under Section 212 of the Companies Act, 1956 for the year ending June 30, 2005 and the same is awaited. The information giving the aggregate figures of certain items of Balance Sheet and Profit & Loss Account for each subsidiary is enclosed along with the consolidated financial statements forming part of the Annual Report.

CHANGES IN CAPITAL STRUCTURE

During the year under review, the Company allotted 19,358,989 equity shares of Rs. 2/- each fully paid-up to Deutsche Bank AG, Germany (DBAG) on a preferential basis, in consideration of acquisition of balance 49% stake in DSI Financial Solutions Pte. Ltd., Singapore. The said allotment of shares was made in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 – Guidelines for Preferential Issue and with your approval at the extraordinary General Meeting held on December 21, 2004.

Further, 3,775,357 equity shares of the Company of Rs. 2/- each fully paid-up were allotted during the year under Stock Option Plans of the Company on exercise of stock options.

As on June 30, 2005, the issued & paid-up share capital of the Company was Rs. 638,429,568 (previous year: Rs. 592,160,876) comprising of 319,214,784 (previous year: 296,080,438) equity shares of Rs. 2/- each fully paid-up.

STOCK OPTION PLANS

1999 Stock Option Plan/ 2000 Stock Option Plan/ 2004 Stock Option Plan

The details on these plans have been annexed to this report.

SHARES UNDER COMPULSORY DEMATERIALIZATION

The Equity Shares of your Company have been included in the list of specified scrips where delivery of shares in dematerialized (demat) form is compulsory effective July 24, 2000, if the same are traded on a Stock Exchange, which is linked to a depository. As of June 30, 2005, 99.86% shares are held in demat form.

CORPORATE GOVERNANCE

Your Company follows the principles of effective Corporate Governance. The endeavor of your Company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity, transparency and overall accountability.

The report of the Directors on Corporate Governance is given as a separate section titled 'Corporate Governance Report 2004-05', which forms part of this Annual Report.

Certificate of the Statutory Auditors of the Company regarding compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with stock exchanges is annexed with the Corporate Governance Report.

Further, the Management Discussion and Analysis Report titled as 'Management's Discussion and Analysis of financial condition and stand-alone results of operations of HCL Technologies Limited prepared under Indian GAAP' is given separately and forms part of this Annual Report.

INSIDER TRADING REGULATIONS

The Securities and Exchange Board of India (SEBI) has effective February 20, 2002 introduced amendments to the existing Insider Trading Regulations of 1992, which ordain new action steps by corporates and other market intermediaries for the purposes of prevention of Insider Trading.

These regulations specify for a mandatory model Code of conduct for prevention of insider trading and for a mandatory Code for corporate disclosures for all listed companies. Based on the requirements under these regulations, the Code of conduct for prevention of insider trading and the Code for corporate disclosures introduced by the Company during the year ended June 30, 2002 are in force.

DIRECTORS' RESPONSIBILITY STATEMENT

A statement of responsibility of the directors relating to compliance with the financial accounting and reporting requirements in respect of the financial statements, as specified under section 217 (2AA) of the Companies Act, 1956 inserted by the Companies (Amendment) Act, 2000, is annexed to this Report.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Amal Ganguli, Mr. Cyril Shroff and Mr. Subroto Bhattacharya retire by rotation as Directors at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The auditors, M/s. Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Disclosures of particulars as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in the annexure included in this Report.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits. As such, no amount of principal or interest was outstanding as of the balance sheet date.

PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this Report.

ACKNOWLEDGMENTS

The Board wishes to place on record its appreciation to the contribution made by employees of the Company and its subsidiaries during the year under review. The Company has achieved impressive growth through the competence, hard work, solidarity, cooperation and support of employees at all levels. Your Directors thank the customers, clients, vendors and other business associates for their continued support in the Company's growth. The Directors also wish to thank the Government Authorities, Financial Institutions and Shareholders for their cooperation and assistance extended to the Company.

For and on behalf of the Board of Directors

Noida (UP), India
August 23, 2005

Shiv Nadar
Chairman & CEO

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

a) Conservation of Energy

The nature of your Company's operation does not involve intensive energy consumption. However, your Company constantly endeavors to plan infrastructure investments of a design that results in conservation of energy. Adequate measures have been taken to reduce energy consumption, wherever possible. As energy cost forms a very small part of total cost, the impact on cost is not material.

b) Research and Development

Your Company continued its R&D efforts to build competence in the emerging Internet, Telecom and Embedded Technology areas thereby ensuring a continuous movement up the value chain. Since business and technologies are changing constantly, continuous investments in research and development need to be made. As a result of research efforts, your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

In future also, your Company will continue to focus on above R&D activities and will make investments therein from time to time.

Expenditure on R&D for the years ended June 30, 2005 and 2004 are as follows:

(Rs. in million)

Particulars	2005	2004
Revenue expenditure	74.3	28.03
Capital expenditure	0.4	-
Total R&D expenditure	74.7	28.03
R&D expenditure as a percentage of software services revenue	0.5%	0.2%

c) Technology Absorption, Adaptation and Innovation

Your Company's core businesses demand absorption of emerging technologies to stay at the cutting edge of technology. New methods for absorbing, adapting and effectively deploying new technologies have been developed. Your Company has made significant additions to the number of servers used for software development as well as file and print servers. Your Company has made investments in applications and other software tools required for engineering design work in all its Software Development Centers.

d) Foreign Exchange Earnings and Outgo

Your Company is an export-oriented unit and majority of the software development work undertaken by the Company is for the entities outside India. Apart from USA, which is the major source of the Company's revenue, the Company is expanding its business in Europe, Australia and Japan.

The foreign exchange earned and spent by the Company during the year under review is as follows:

(Rs. in million)

Particulars	2005	2004
Foreign exchange earnings	14,281	11,475
Foreign exchange outgo		
- Expenditure in foreign currency	4,272	3,711
- CIF value of imports	291	154
- Dividend remitted in foreign currency	987	507
	5,550	4,372

For and on behalf of the Board of Directors

Noida (UP), India
August 23, 2005

Shiv Nadar
Chairman & CEO

Directors' Responsibility Statement as required under Section 217 (2AA) of the Companies Act, 1956 as inserted by the Companies (Amendment) Act, 2000

- i) The financial statements have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and also the requirements of the Companies Act, 1956, to the extent applicable to the Company. There have been no material departures from prescribed accounting standards while preparing these financial statements;
- ii) The Board of Directors has selected the accounting policies described in the Notes to the Accounts, which have been consistently applied, except where otherwise stated. The estimates and judgments relating to the financial statements have been made on a prudent basis, in order that the financial statements reflect in a true and fair manner, the state of affairs of the Company as at June 30, 2005 and the profit of the Company for the year ended on that date;
- iii) The Board of Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on the historical cost convention, as a going concern and on the accrual basis.

For and on behalf of the Board of Directors

Noida (UP), India
August 23, 2005

Shiv Nadar
Chairman & CEO

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

DETAILS ON STOCK OPTION PLANS

1999 Stock Option Plan/ 2000 Stock Option Plan/ 2004 Stock Option Plan

Pursuant to the approval of the shareholders, your Company had instituted 1999 Stock Option Plan ("1999 Plan"), the 2000 Stock Option Plan ("2000 Plan") and the 2004 Stock Option Plan ("2004 Plan") for all eligible employees and directors of the Company and its subsidiaries. The 1999 Plan, 2000 Plan and 2004 Plan are administered by the Compensation Committee of the Board and provide for the issuance of 20,000,000; 15,000,000 and 20,000,000 options respectively.

Each option granted under the 1999 Plan, 2000 Plan and 2004 Plan, entitles the holder thereof with an option to apply for and be issued two equity shares (post split) of the Company.

The details of the options granted under the 1999, 2000 and 2004 Plans are given below:

S.No.	Description	1999 Plan	2000 Plan	2004 Plan
1.	Total number of options granted (gross)	26,600,874	17,747,401	373,472
2.	The pricing formula	Market price/ internal valuation	Market price	Market price/ price determined by compensation committee
3.	Number of options vested	14,552,427	5,934,063	Nil
4.	Number of options exercised	9,112,361	1,109,453	Nil
5.	Total number of shares arising as a result of exercise of options	18,224,722	2,218,906	Nil
6.	Number of options lapsed	1,199,230	952,708	Nil
7.	Number of options forfeited	6,203,450	2,983,121	Nil
8.	Variation in terms of options	None	None	None
9.	Money realized by exercise of options (Rs. millions)	2,336.97	517.39	Nil
10.	Total number of options in force as on June 30, 2005	10,085,833	12,702,119	373,472
11.	Grant to senior management			
	Number of options	1,967,175	254,904	85,000
	Vesting period	3-7 years	2-7 years	1.5 years

The diluted earnings per share were Rs.10.40 and Rs.10.86 for the fiscal years ended June 30, 2005 and 2004 respectively.

HCL TECHNOLOGIES LIMITED EMPLOYEES TRUST

In April 2001, HCL Technologies Limited Employees Trust ("Trust") was formed for the purpose of acquiring the shares of the Company and thereby providing such shares to the eligible employees and directors of the Company and/or its subsidiaries at any time pursuant to the Stock Option Plans of the Company. The Company would provide this Trust interest free loan(s) from time to time up to a limit of Rs. 1,500 million for this purpose.

During the year, no loan was provided to the Trust and out of the shares already held by the Trust, 994,445 shares were transferred to the employees on exercise of their stock options and an amount of Rs. 139.35 million was collected by the Trust on this account. The Trust paid an amount of Rs. 139.50 million to the Company towards the repayment of loan taken by it. As on June 30, 2005, an amount of Rs. 65.50 million is outstanding as loan from the Company and Nil shares of the Company are held by the Trust. The Company has made provision of Rs. 65.50 million against the same.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)
Post IPO Details of Stock Option Plans

Particulars	Year ended June 30, 2005		
	1999 Plan	2000 Plan	2004 Plan
Total number of options outstanding as on July 1, 2004	4,698,209	7,639,239	Nil
Number of options granted during the year	4,140,336	7,195,445	373,472
Pricing formula	Market price/ internal valuation	Market price	Market price/ price determined by compensation committee
Number of options vested during the year	667,829	637,024	Nil
Number of options exercised during the year	60,005	923,752	Nil
Total number of shares arising as a result of exercise of options during the year	120,010	1,847,504	Nil
Number of options lapsed during the year	923,362	1,208,813	Nil
Variation in terms of options during the year	None	None	None
Money realized by exercise of options during the year (Rs. crores) (includes issued through Trust)	3.48	43.28	Nil
Total number of options in force as on June 30, 2005	7,855,178	12,702,119	373,472
Employees granted options equal to 5% or more of the total number of options granted during the year	None	None	None
Employees granted options equal to or exceeding 1% or more of the issued capital during the year	None	None	None
Fair value compensation cost for options granted (Rs. crores)	63.26	112.32	10.67
Weighted average exercise price of options granted above market price	N.A.	N.A.	N.A.
Weighted average fair value of options granted above market price	N.A.	N.A.	N.A.
Weighted average exercise price of options granted at market price	638.40	637.65	681.59
Weighted average fair value of options granted at market price	168.28	165.95	168.60
Weighted average exercise price of options granted below market price	-	-	9.33
Weighted average fair value of options granted below market price	-	-	644.31
Significant assumptions			
Risk free interest rate	5.36%	5.36%	5.36%
Expected life	upto 110 months	upto 110 months	upto 110 months
Expected volatility	39.98%	39.98%	39.98%
Expected dividends	4.64%	4.64%	4.64%
The price of the underlying options in market at the time of grant	640.08	637.17	684.84

Pre IPO Details of Stock Option Plan

Particulars	As on June 30, 2005	
	1999 Plan	2000 Plan
Number of options granted pre IPO		14,223,832
Pricing formula		Internal valuation
Number of options vested		11,820,970
Number of options exercised		9,005,538
Total number of shares arising as a result of exercise of options		18,011,076
Number of options lapsed		2,987,639
Variation in terms of options		None
Money realized by exercise of options (Rs. crores) (includes issued through Trust)		227.53
Total number of options in force as on June 30, 2005	2,230,655	
Fair value compensation cost for options granted (Rs. crores)		43.96
Weighted average exercise price of options granted		255.00
Weighted average fair value of options granted		36.65
Significant assumptions		
Risk free interest rate		10.00%
Expected life		12 to 110 months
Expected volatility		-
Expected dividends		0.10%

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)
Employee Compensation Cost Based on Fair Value of the Options

	(Rs./crores)
	Year ended 30 June 2005
Net income, as reported	329.27
Add: Stock-based employee compensation expense included in reported net income	2.49
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	54.45
Pro forma net income	277.31
Earnings per share	Rs.
As reported	10.71
- Basic	10.40
- Diluted	9.02
Adjusted pro forma	8.76
- Basic	5.4%-10%
- Diluted	39% to 69%
Significant assumptions	
Dividend yield %	0.1% to 4.9%
Expected life	upto 110 months
Risk free interest rates	5.4%-10%
Volatility	39% to 69%

Details of Options Granted to Senior Managerial Personnel of the Company – Pre IPO

Name of the senior managerial personnel	Grant date	Options granted
Raman Subrahmanyam	13-Sep-99	366,000
Dennis Roy Ing	13-Sep-99	219,600
Sanjay Kalra	13-Sep-99	109,800
Raj K Sirohi	13-Sep-99	219,600
Ashok Jain	13-Sep-99	109,800
Sujit Baksi	13-Sep-99	109,800
Anil Kumar Chanana	13-Sep-99	81,984
Prem Kumar Asija	13-Sep-99	81,984
Ramamurthy Vaidyanathan	13-Sep-99	81,984
Raj Kumar Mahajan	13-Sep-99	109,800
Ashok Syal	13-Sep-99	61,488
Amitava Roy	13-Sep-99	24,156
Ranjit Narasimhan	13-Sep-99	61,000
Robin Abrams	13-Sep-99	48,800
Richard Burt	13-Sep-99	48,800
TSR Subramanian	13-Sep-99	48,800
Divakar Naga Maddipatla	13-Sep-99	24,400
Shamsher Khorana	13-Sep-99	10,029
Ramamurthy Vaidyanathan	19-Oct-99	16,016
Amitava Roy	19-Oct-99	52,844
Total		1,886,685

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)**Details of Options Granted to Senior Managerial Personnel of the Company during the year ended June 30, 2005**

Name of the senior managerial personnel	Grant date	Options granted
Gunaseelan Narayanan	31-Aug-04	4,800
J Vijay	31-Aug-04	4,800
Rajiv Shanti Swarup	31-Aug-04	4,800
Ramakrishna Venkatraman	31-Aug-04	4,800
Saurav Adhikari	31-Aug-04	4,800
Sriram V S	31-Aug-04	4,800
S L Narayanan	31-Aug-04	4,800
Amitava Roy	4-Jan-05	15,000
Divakar Naga Maddipatla	4-Jan-05	5,000
Gunaseelan Narayanan	4-Jan-05	5,000
J Vijay	4-Jan-05	5,000
Rajiv Shanti Swarup	4-Jan-05	5,000
Ramakrishna Venkatraman	4-Jan-05	15,000
Ranjit Narasihman	4-Jan-05	15,000
Saurav Adhikari	4-Jan-05	5,000
Sriram V S	4-Jan-05	5,000
S L Narayanan	4-Jan-05	10,000
Total		118,600

Details of shares granted to employees amounting to 5% or more of the options granted during the year ended June 30, 2005 - NIL**Details of shares granted to employees during the year ended June 30, 2005, amounting to 1% or more of the issued capital of the Company at the time of the grant - NIL****For and on behalf of the Board of Directors**

Noida (UP), India
August 23, 2005

Shiv Nadar
Chairman & CEO

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)
STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FORMING PART OF DIRECTORS' REPORT
A. EMPLOYED FOR FULL FINANCIAL YEAR 2004-2005

S. No.	Name	Age	Designation/ Nature of duties	Educational qualifications	Remuneration (Rs.)	Date of joining	Experience (Years)	Previous employment	Designation held in previous employment	Previous employment held since	% of equity shares held in the Company as on June 30, 2005
1.	Amitava Roy	49	Sr. Corp. VP & Head ECS	ME (Computer Science)	6,045,621	18-Jan-99	23	Hughes Software Systems	Assistant Vice President	Jul-92	0.0029%
2.	Anup Dutta	46	Associate Vice President	M Tech (Electrical)	2,684,604	1-Jul-96	24	HCL Hewlett Packard Ltd.	Dy. Manager	Jul-81	0.0013%
3.	Arjun Raghunathan	48	General Manager	ME (Comp Science)	2,423,321	1-Jul-96	24	HCL Hewlett Packard Ltd.	Asst. Engineer	Aug-81	0.0023%
4.	Bejoy Joseph George	38	General Manager Strategic Initiatives	MBA	2,652,649	1-Jun-96	15	HCL Hewlett Packard Ltd.	Accounts Executive	May-95	0.0005%
5.	Devaram Davidson	46	Vice President	M Sc, MS	2,967,187	2-Apr-03	21	DSQ Software	Chief Operating Officer	Aug-95	0.0000%
6.	Frederick Mony	57	Vice President S & M	M Tech	2,880,363	11-Mar-02	31	Value Software Technologies Ltd.	Chief Operating Officer	Apr-01	0.0000%
7.	Gade Hanumantha Rao	47	Vice President	BE (Electronics)	2,893,875	1-Jul-96	24	HCL Hewlett Packard Ltd.	Asst. Engineer	Nov-80	0.0013%
8.	Gunaseelan Narayanan	50	Corp. VP & Head NPD	M Tech (Computer Science)	3,771,979	1-Jul-96	25	HCL Hewlett Packard Ltd.	General Manager	Aug-79	0.0086%
9.	J Vijay	52	Corp. VP-ISM Business	ME/MTech	4,019,261	1-Apr-04	30	Sutherland Tech.	Head - Service Delivery	Nov-03	0.0001%
10.	Mukul Jain	45	Head - Technology Research	B Tech (Electrical)	2,824,020	1-Jul-96	24	HCL Hewlett Packard Ltd.	Dy. Manager	Jun-81	0.0001%
11.	Prahad Bansal	48	VP - Finance & Accounts	CA	3,306,209	1-Dec-94	25	HCL Ltd.	DGM - Finance	Sep-89	0.0003%
12.	Prem Asija	55	Corporate Vice President	B E	5,067,391	1-Sep-97	36	APT Automation	Director	Jan-93	0.0206%
13.	Rajiv Sodhi	46	Vice President	B E	3,194,160	24-Jul-97	24	T C S	Manager Systems	Jul-81	0.0080%
14.	Rajiv Swarup	53	Corporate Vice President	MBA	3,833,361	8-Mar-00	31	ModiCorp Ltd.	Director- Business Development	Sep-99	0.0011%
15.	Ramachandra Kerur	53	General Manager	ME (Electronics)	2,710,958	17-Jun-02	28	Nuntius Systems Ltd.	Chief Executive Officer	Feb-02	0.0000%
16.	Ramakrishna Venkatraman	53	Corp. VP-Investment Banking	M Tech	3,500,965	23-Jul-03	30	Eximsoft Technologies Pvt. Ltd.	Managing Director	Apr-97	0.0000%
17.	Ramamurthy Vaidyanathan	50	Exec VP & Global HR Head	BE (Metallurgy)	4,709,481	1-Jul-96	24	HCL Hewlett Packard Ltd.	DGM -R&D	Jul-81	0.0063%
18.	Raman Subrahmanyam	64	Chief Technology Advisor and Woletime Director	B Tech	15,292,258	1-Apr-97	39	HCL Hewlett Packard Ltd.	Vice Chairman	Oct-88	0.0562%
19.	Ramesh Ganesh	39	General Manager	M Tech (Electrical)	2,434,262	7-Apr-97	14	Tata Electric	Deputy Executive Engineer	Sep-90	0.0000%
20.	Ranjeet Bhargava	55	Chief Information Officer	PGD	3,395,419	1-Nov-00	33	Murugappa Group	Chief Information Officer	Jan-97	0.0000%
21.	Ranji Narasimhan	51	Sr. Corp. VP& Head BPO div	MBA	4,694,986	15-Apr-99	27	Riviera Confectionery Pvt. Ltd.	Managing Director	Jul-87	0.0437%
22.	Saurav Adhikari	47	Corp. VP-Strategy	BA (Hons)	6,013,591	1-Nov-02	24	HCL Infosystem Ltd.	President	Jan-00	0.0005%
23.	Shyamal Bhattacharya	52	Vice President - IT Services	BE/BTech	2,972,350	2-Jan-01	28	TATA Tech	Dy. General Manager	Apr-97	0.0000%
24.	Srinivasa Krishnakumar Thakkolam	44	Associate Vice President	MTech	3,158,536	1-Jul-96	20	HCL Hewlett Packard Ltd.	Group Project Manager	Jan-88	0.0045%
25.	Sriram Subramanian VaiTheeswaran Kovil	48	Corp. VP - Banking Practice	MBA	4,099,375	1-Oct-01	24	Citicorp Overseas Software Ltd.	Centre Head - Chennai	Nov-88	0.0023%
26.	Subramanian Lakshmi Narayanan	43	Corp. VP- Finance	B COM, ICAI, ICWAI	5,327,557	15-May-01	19	BPL Cellular Ltd.	Chief Finance Officer	Nov-89	0.0000%
27.	Udayakumar Nalinasekaren	45	Associate Vice President	MTech	3,624,054	1-Jul-97	21	HCL Hewlett Packard Ltd.	Group Project Manager	Jul-84	0.0031%
28.	Vasudevan Aravamudhan	46	General Manager	BE (Electronics)	2,815,278	1-Jul-96	22	HCL Hewlett Packard Ltd.	Asst. Engineer	Dec-82	0.0061%
29.	Vijay Ahooja	48	Associate Vice President	MBA	3,359,070	17-Jul-01	26	Price Waterhouse Associates	Principal Consultant	May-98	0.0000%
30.	Vinay Razdan	39	General Manager - HR	MBA	2,780,697	1-Sep-00	17	ITC	HR Manager	Jun-88	0.0000%

B. EMPLOYED FOR PART OF THE FINANCIAL YEAR 2004-2005

S. No.	Name	Age	Designation/ Nature of duties	Educational qualifications	Remuneration (Rs.)	Date of joining	Experience (Years)	Previous employment	Designation held in previous employment	Previous employment held since	% of equity shares held in the Company as on June 30, 2005
1.	Anand Pillai	46	VP-Learning & Development	PG Dip, FMS/CSMS	224,700	1-Jun-05	22	Clime	President & Chief Mentor	Sep-03	0.0000%
2.	Ashish Kumar Kole	48	General Manager	BE/BTech	1,735,175	5-May-97	22	HCL Hewlett Packard Ltd.	Product Manager	Jul-83	0.0015%
3.	Ashok Bhagat	45	Head of Operations	B Tech	2,583,270	4-Mar-97	24	TIL	Senior Manager	Aug-81	0.0000%
4.	Deepak Vinchhi	38	General Manager	B Tech, MS(Mechanical)	1,940,397	1-Apr-05	15	Aquila Technologies Ltd.	Chief Executive Officer	Apr-95	0.0000%
5.	Dilip Srivastava	46	VP-Corp.HR	MSW (HR&IR)	241,934	7-Jun-05	22	Vanguard Solutions	VP-HR	Apr-05	0.0000%
6.	Raghunandan Kochar	48	VP - Communications	MBA	818,756	25-Sep-02	24	Speech Software Tech.	VP - Mktg. & Sales	Jun-02	0.0003%
7.	Rajamanickam Muthuramalingam	40	Vice President Quality	ME (Electronics)	2,433,253	10-Nov-99	22	Oracle India Dev.	Project Manager	Nov-99	0.0003%
8.	Ravi Shankar Aguru Venkata	46	Head General Counsel	BA (Eco), LLB	1,123,525	2-Apr-01	16	IDFC Ltd.	VP (Legal)	Dec-98	0.0000%
9.	Somnath Mallick	42	General Manager	B Tech	1,707,766	4-Aug-97	20	HCL Hewlett Packard Ltd.	Senior Manager	Aug-85	0.0003%

Note: None of the employees is a relative of any director and the employment held is of contractual nature.

CORPORATE GOVERNANCE REPORT 2004-05

Philosophy on Code of Governance

The Company continues to focus on good corporate governance, in line with local and global standards, and its primary objective is to create and adhere to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business for meeting its obligations towards shareholders and other stakeholders.

Corporate governance is an integral part of HCL Technologies and in its pursuit of excellence, growth and value creation, it continuously endeavors to leverage resources to translate opportunities into reality. The Company recognizes that strong corporate governance is indispensable to resilient and vibrant capital markets and is therefore an important instrument of investor protection. The Company endeavors to benchmark its internal policies and systems with the best in the world.

The new norms on Corporate Governance under Clause 49 of the Listing Agreement, prescribed by SEBI in October 2004, are to be implemented

by December 31, 2005. Your Board of Directors therefore presents the Corporate Governance Report for the year 2004-05 based on the provisions of Clause 49 of the Listing Agreement, as existing prior to amendment in October 2004, except otherwise stated in any particular section of this report.

Board of Directors

The Board of Directors ("Board") of the Company has an optimum combination of executive, non-executive and independent directors. Taking into account the new definition of independent director as given in revised Clause 49 of the Listing Agreement, 62.5% of the Board comprises independent directors. The present Board comprises 8 members, of whom, one is the promoter director who is designated as Chairman and CEO of the Company, one is whole time director who is designated as Chief Technology Advisor and Whole-Time Director, and six are non-executive directors of whom five are independent directors. Other details relating to the directors as on June 30, 2005 are given below:

Name of Director	Position	Directorships in other companies	Committee memberships in other companies	Chairmanships in committees of other companies in which they are members
Mr. Shiv Nadar	Chairman & CEO Promoter Director	5	4	1
Mr. S. Raman	Chief Technology Advisor and Whole-Time Director	3	1	-
Mr. TSR Subramanian	Independent Non-Executive Director	2	-	-
Mr. S. Bhattacharya	Independent Non-Executive Director	9	10	4
Mr. Ajai Chowdhry	Independent Non-Executive Director	6	9	2
Ms. Robin Abrams	Independent Non-Executive Director	2	-	-
Mr. Amal Ganguli	Non-Executive Director	10	8	3
Mr. Cyril S Shroff	Independent Non-Executive Director	6	3	-

None of the Directors of the Company has any relationship with other Directors of the Company. The names of the other companies/ entities in which the current directors are interested being a director, partner and/ or shareholder holding 2% or more voting rights therein as on June 30, 2005 are as under:

Mr. Shiv Nadar

S. No.	Name of the Company in which interested	Nature of Interest
1.	HCL Corporation Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Audit Committee ▪ Member of Selection Committee
2.	HCL Comnet Systems & Services Limited	<ul style="list-style-type: none"> ▪ Chairman ▪ Member of Audit Committee
3.	DSL Software Limited	<ul style="list-style-type: none"> ▪ Director ▪ Chairman of Compensation Committee
4.	DSI Financial Solutions Pte. Limited	<ul style="list-style-type: none"> ▪ Director
5.	HCL America Inc. [formerly HCL Technologies America Inc.]	<ul style="list-style-type: none"> ▪ Director

Mr. S. Raman

S. No.	Name of the Company in which interested	Nature of Interest
1.	Shipara Technologies Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of the Audit Committee
2.	DSL Software Limited	<ul style="list-style-type: none"> ▪ Director
3.	DSI Financial Solutions Pte. Limited	<ul style="list-style-type: none"> ▪ Director

Mr. TSR Subramanian

S. No.	Name of the Company/entity in which interested	Nature of Interest
1.	ABN AMRO Bank	<ul style="list-style-type: none"> ▪ Chairman, Local Board in India
2.	Interestrat Limited	<ul style="list-style-type: none"> ▪ Shareholder
3.	Vita Pumps Limited	<ul style="list-style-type: none"> ▪ Shareholder
4.	Micronutrient Initiative India	<ul style="list-style-type: none"> ▪ Chairman, Board of Trustees

Mr. Subroto Bhattacharya

S. No.	Name of the Company in which interested	Nature of Interest
1.	HCL Infosystems Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Accounts & Audit Committee ▪ Member of Shareholders' & Investor Grievances Committee ▪ Member of Employees Compensation and Employees Satisfaction Committee
2.	NIIT Limited	<ul style="list-style-type: none"> ▪ Director ▪ Chairman of Audit Committee
3.	NIIT Technologies Limited	<ul style="list-style-type: none"> ▪ Director ▪ Chairman of Audit Committee ▪ Chairman of Remuneration Committee
4.	DSL Software Limited	<ul style="list-style-type: none"> ▪ Director
5.	HCL Infinet Limited	<ul style="list-style-type: none"> ▪ Director ▪ Chairman of Accounts & Audit Committee ▪ Member of Employees Compensation Committee ▪ Member of Customer Satisfaction Committee
6.	Infosystems (Europe) Limited	<ul style="list-style-type: none"> ▪ Director
7.	HCL Peripherals Limited	<ul style="list-style-type: none"> ▪ Director
8.	DSI Financial Solutions Pte. Limited	<ul style="list-style-type: none"> ▪ Director
9.	HCL Corporation Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Audit Committee

Mr. Ajai Chowdhry

S. No.	Name of the Company in which interested	Nature of Interest
1.	Apollo Trading and Finance Private Limited	<ul style="list-style-type: none"> ▪ Director
2.	HCL Infosystems Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of KRA Review Committee ▪ Member of Employees Compensation Committee ▪ Member of Accounts & Audit Committee ▪ Chairman of Customer Satisfaction Committee ▪ Member of Shareholders' & Investor Grievance Committee
3.	HCL Peripherals Limited	<ul style="list-style-type: none"> ▪ Director
4.	HCL Infinet Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of KRA Review Committee ▪ Member of Accounts & Audit Committee ▪ Chairman of Employees Compensation Committee ▪ Member of Customer Satisfaction Committee
5.	Infosystems (Europe) Limited	<ul style="list-style-type: none"> ▪ Director
6.	Infosystems (Australia) Pty. Limited	<ul style="list-style-type: none"> ▪ Director

Ms. Robin Abrams

S. No.	Name of the Company in which interested	Nature of Interest
1.	HCL Bermuda Limited [formerly HCL Technologies (Bermuda) Limited]	<ul style="list-style-type: none"> ▪ Director
2.	Zilog Inc.	<ul style="list-style-type: none"> ▪ Director

Mr. Amal Ganguli

S. No.	Name of the Company/ entity in which interested	Nature of Interest
1.	Hughes Escorts Communications Limited	<ul style="list-style-type: none"> ▪ Director
2.	Flextronics Software Systems Limited [formerly Hughes Software Systems Limited]	<ul style="list-style-type: none"> ▪ Director/ Shareholder ▪ Chairman of Audit Committee ▪ Member of Remuneration Committee
3.	ML Infomap Private Limited	<ul style="list-style-type: none"> ▪ Director/ Shareholder
4.	Tube Investments of India Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Remuneration Committee
5.	Gillette India Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Audit Committee
6.	Maruti Udyog Limited	<ul style="list-style-type: none"> ▪ Director ▪ Chairman of Audit Committee
7.	Samtel Color Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Audit Committee
8.	Samcor Glass Limited	<ul style="list-style-type: none"> ▪ Director
9.	New Delhi Television Limited	<ul style="list-style-type: none"> ▪ Director ▪ Chairman of Audit Committee ▪ Member of Remuneration Committee
10.	Century Textiles and Industries Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Audit Committee
11.	AVTEC Limited *	<ul style="list-style-type: none"> ▪ Director
12.	HelpAge India *	<ul style="list-style-type: none"> ▪ Honorary and Non-Executive President

* Appointed subsequent to June 30, 2005

Mr. Cyril Suresh Shroff

S. No.	Name of the Company/entity in which interested	Nature of Interest
1.	Kotak Mahindra Bank Ltd.	<ul style="list-style-type: none"> ▪ Director ▪ Member of Audit Committee ▪ Member of Remuneration Committee
2.	IDBI Capital Markets Limited**	<ul style="list-style-type: none"> ▪ Director
3.	Thirumalai Chemicals Limited	<ul style="list-style-type: none"> ▪ Director
4.	Grasim Industries Limited	<ul style="list-style-type: none"> ▪ Director ▪ Member of Investor Committee
5.	Associated Cement Companies Limited	<ul style="list-style-type: none"> ▪ Director
6.	Osians Connoisseurs of Art Private Limited	<ul style="list-style-type: none"> ▪ Director
7.	Amarchand & Mangaldas & Suresh A. Shroff & Co.	<ul style="list-style-type: none"> ▪ Partner
8.	Suresh A. Shroff & Co.	<ul style="list-style-type: none"> ▪ Partner
9.	Amarchand & Mangaldas & Hiralal Shroff & Co.	<ul style="list-style-type: none"> ▪ Partner

** Resigned subsequent to June 30, 2005

Board Meetings

The dates of the Board meetings of the ensuing year are decided in advance and published as a part of the Annual Report. The Board meets at least once a quarter to review the quarterly results and other items on the agenda. When necessary, additional meetings are held. The Board meetings are generally held at the corporate office of the Company at Noida. The agenda for each Board meeting is drafted in consultation

with the Chairman and distributed in advance to the Board members. Committees of the Board usually meet on the day of the Board meeting.

There were six Board meetings held during the year ended June 30, 2005. These were held on September 15, 2004, October 25, 2004, November 24, 2004, January 25, 2005, April 25, 2005 and May 26, 2005. The following table gives the attendance record of the directors in the Board meetings and last Annual General Meeting.

Name of Director	No. of board meetings held	No. of board meetings attended	Whether attended last AGM
Mr. Shiv Nadar	6	5	Yes
Mr. S. Raman	6	4	Yes
Mr. TSR Subramanian	6	6	Yes
Mr. S. Bhattacharya	6	6	Yes
Mr. Ajai Chowdhry	6	4	No
Ms. Robin Abrams	6	4*	No
Mr. Amal Ganguli	6	4	No
Mr. Cyril S. Shroff	6	-	No

* Includes 2 meetings attended through conference call

Availability of Information to the Members of the Board

The Board has complete access to any information within the Company, and to any employee of the Company. The Board welcomes the presence of managers in the Board meeting, who can provide additional insights into the items being discussed in the meeting.

The information regularly provided to the Board includes:

- Annual operating plans and budgets including capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and Compensation Committee of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

Re-appointment of Directors

Mr. Subroto Bhattacharya has been a Director of your Company since May 2003. Mr. Bhattacharya shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Subroto Bhattacharya, aged 64 years, is a Chartered Accountant. He spent his early career with DCM Limited where he rose to the position of a Director on its board. In the late eighties, he joined the HCL Group and subsequently joined the Board of the flagship company HCL Limited. Mr. Bhattacharya has an experience of over 30 years with specialization in Finance and Management Consultancy.

Mr. Subroto Bhattacharya is a member of the Audit Committee, Shareholders' Committee and ESOP Allotment Committee of the Company. The details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Mr. Amal Ganguli has been a Director of your Company since May 2003. Mr. Ganguli shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Amal Ganguli, aged 65 years, is a Chartered Accountant. He was earlier associated with Price WaterhouseCoopers, India as its Senior Partner. In a distinguished career spanning nearly four decades, Mr. Ganguli was involved with the India practice of Price WaterhouseCoopers and is an authority on matters related to audit, taxation, mergers and acquisitions and corporate restructuring.

Mr. Amal Ganguli is a member of the Audit Committee and Shareholders' Committee of the Company. The details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Mr. Cyril Suresh Shroff has been a Director of your Company since May 2003. Mr. Shroff shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Cyril Suresh Shroff, aged 45 years, is the Managing Partner of one of India's leading law firms, M/s. Amarchand & Mangaldas & Suresh A Shroff & Co. He has extensive experience in Corporate Finance, Commercial Banking and Joint Ventures. He has served on various committees constituted by the Government of India, SEBI, Reserve Bank of India, etc.

Mr. Cyril Suresh Shroff is a member of the Audit Committee of the Company. The details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Board Committees

Currently, the Board has four committees, viz., the Audit Committee, the Compensation Committee, the Shareholders' Committee and the ESOP Allotment Committee.

The Board decides the terms of service of various committees and the assignment of members to various committees. Normally, the committee

meetings are held once in every quarter except for Shareholders' Committee and ESOP Allotment Committee that generally meet once every month.

Audit Committee

The Audit Committee comprises of the following directors, namely:

- a) Mr. TSR Subramanian (Chairman)
- b) Ms. Robin Abrams
- c) Mr. Subroto Bhattacharya
- d) Mr. Amal Ganguli
- e) Mr. Cyril Suresh Shroff

Terms of reference

The constitution of the Audit Committee meets all the requirements of Section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement. The Board of Directors has approved the following terms of reference for the Audit Committee:

a) Statutory auditors

Recommend to the Board the appointment and removal of the Statutory Auditors, fixation of audit fee and also approve payment for any other services.

b) Review independence of Statutory Auditors

In connection with recommending the firm to be retained as the Company's Statutory Auditors, review the information provided by the management to the auditors relating to the independence of such firm, including, among other things, information related to the non-audit services provided and expected to be provided by the Statutory Auditors. The Committee is also responsible for:

- i) ensuring that the Statutory Auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the auditor and the Company,
- ii) actively engaging in dialogue with the Statutory Auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the statutory auditors, and
- iii) recommending that the Board take appropriate action in response to the Statutory Auditors' Report to satisfy itself of their independence.

c) Review audit plan

Review with the Statutory Auditors their plans for, and the scope of, their annual audit and other examinations.

d) Conduct of audit

Discuss with the Statutory Auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

e) Review audit results

Review with the Statutory Auditors the proposed report on the annual audit, areas of concern, the accompanying management letter, if any, the reports of their reviews of the Company's interim financial statements conducted in accordance with Statement on Auditing Standards No. 71, and the reports of the results of such other examinations outside of the course of the statutory auditors' normal audit procedures that they may from time to time undertake.

f) Review financial statements

Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are accurate, sufficient and credible. The Audit Committee reviews with appropriate officers of the Company and the Statutory Auditors, the annual and interim financial statements of the Company prior to submission to the Board or public release thereof, focusing primarily on:

- i) Any changes in accounting policies and practices.
- ii) Major accounting entries based on exercise of judgment by management.
- iii) Qualifications in draft audit report.
- iv) Significant adjustments arising out of audit.
- v) The going concern assumption.
- vi) Compliance with accounting standards.
- vii) Compliance with stock exchange and legal requirements concerning financial statements.
- viii) Any related party transactions, i.e. transactions of the Company with its subsidiaries, promoters or the management, or their relatives, etc., that may have conflict with the interest of the Company at large.
- ix) Contingent liabilities.
- x) Status of litigations by or against the Company.
- xi) Claims against the Company and their effect on the accounts.

g) Review policies

Review of the Company's financial and risk management policies.

h) Review internal audit function

Review the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

i) Review internal audit plans

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the plans for and the scope of their ongoing audit activities.

j) Review internal audit reports

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the annual report of the audit activities, examinations and results thereof of the internal auditing department, any significant findings and follow up thereon. The Audit Committee also reviews the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

k) Review systems of internal accounting controls

Review with the statutory auditors, the senior internal auditing executive and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staff the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and

personnel and the Company's policies and compliance procedures with respect to business practices.

l) Review recommendations of outside auditors

Review with the senior internal auditing executive and the appropriate members of the staff of the internal auditing department recommendations made by the Statutory Auditors and the senior internal auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

m) US Securities Exchange Act

Obtain assurance from the statutory auditors that Section 10A of the US Securities Exchange Act has not been implicated.

n) Review other matters

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

o) Board reports

Report its activities to the Board in such manner and at such times, as it deems appropriate.

p) Investigation

The Audit Committee has the authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, it has full access to information contained in the records of the Company. It can also investigate any activity within its term of reference. It has the authority to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (for non-payment of declared dividends) and creditors, if any.

q) Seek information/ advice

The Audit Committee can seek information from any employee and can obtain from outside any legal or other professional advice. It can also secure attendance of outsiders with relevant experience, if it considers necessary.

r) To attend Annual General Meeting

The Chairman of the Committee would attend the Annual General Meeting of the Company to provide any clarification on matters relating to audit sought by the members of the Company.

Statutory Auditors of the Company are special invitees to the Audit Committee meetings, wherein they participate on discussions related to the review of financial statements of the Company and any other matter that in the opinion of the statutory auditors needs to be brought to the notice of the Committee.

Five meetings of the Audit Committee were held during the year, on the following dates:

August 31, 2004
October 25, 2004
November 24, 2004
January 25, 2005
April 25, 2005

Attendance details of each member at the Audit Committee meetings during the current fiscal year are as follows:

Name of the committee member	Number of meetings held	Number of meetings attended
Mr. TSR Subramanian	5	5
Ms. Robin Abrams	5	4*
Mr. Subroto Bhattacharya	5	5
Mr. Amal Ganguli	5	5
Mr. Cyril Suresh Shroff	5	-

* Includes 1 meeting attended through conference call

Compensation Committee

The Compensation Committee of the Board consists of the following members:

- a) Mr. Shiv Nadar (Chairman)
- b) Mr. TSR Subramanian
- c) Ms. Robin Abrams

Terms of reference

The role of the Compensation Committee has been defined as under:

- a) To review and approve/ recommend the remuneration for the Corporate Officers or Whole-Time Directors of the Company;
- b) To review and recommend to the Board the remuneration policy for the Company;
- c) To approve grant of stock options to the employees and/ or Directors of the Company and subsidiary companies and perform such other functions as are required under the various Employees Stock Option Plans of the Company;
- d) To discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.

Four meetings of the Compensation Committee were held during the year, on the following dates:

August 31, 2004
October 25, 2004
January 25, 2005
April 25, 2005

Attendance details of each member at the Compensation Committee meetings during the current fiscal year are as follows:

Name of the committee member	Number of meetings held	Number of meetings attended
Mr. Shiv Nadar	4	3
Mr. TSR Subramanian	4	4
Ms. Robin Abrams	4	3

Remuneration Policy

The remuneration policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis and is in consonance with the existing industry practice.

Remuneration to Directors

Presently, the Company is paying remuneration to Mr. S Raman, who is a Whole-Time Director and also paying sitting fees and commission to non-executive directors.

The remuneration paid to Mr. S. Raman for the period July 1, 2004 to June 30, 2005 is as under:

Particulars	Rs./lacs
Salary	57.45
Allowances	13.20
Perquisites	2.07
Contribution to provident fund	6.89
Performance linked pay	80.20
Total	159.81

The appointment of Mr. S Raman can be terminated by the Company by giving six months notice in writing or such shorter notice as may be mutually agreed between Mr. Raman and the Company. In lieu of the notice, payment by the Company or by Mr. S Raman to the Company, equivalent to six months last drawn remuneration can be made.

The sitting fees/ commission as per the details given hereunder is paid/ approved by the Board:

Name of the Director	Sitting fees for the year ended June 30, 2005 Rs./lacs	Commission for the year ended June 30, 2005 Rs./lacs
Mr. TSR Subramanian	2.20	8.00
Ms. Robin Abrams	1.00	8.00
Mr. Amal Ganguli	1.80	8.00
Mr. Cyril Shroff	-	2.00
Mr. S. Bhattacharya	2.20	8.00
Mr. Ajai Chowdhry	0.80	-

The Company has also granted Stock Options to some of the independent directors and to Mr. S. Raman, Whole-Time Director under the 1999 Stock Option Plan of the Company as per the details given hereunder:

Name of the Director	Number of options granted	Vesting period (in years)	Vesting start date
Ms. Robin Abrams	48,800	5	October 1, 1999
Mr. TSR Subramanian	48,800	5	October 1, 1999
Mr. S. Raman	366,000	5	October 1, 2000

There were no other pecuniary relationships or transactions of the non-executive directors vis-à-vis the Company.

Shareholders Committee

The Shareholders Committee consists of the following members:

- Mr. TSR Subramanian (Chairman)
- Mr. Shiv Nadar
- Mr. S. Raman
- Mr. Subroto Bhattacharya
- Mr. Ajai Chowdhry
- Mr. Amal Ganguli

Mr. Allwyn Noronha, General Manager & Company Secretary is the compliance officer.

Terms of reference

In view of the SEBI Corporate Governance norms, which have been incorporated in the Listing Agreement, the Shareholders' Committee has been formed to undertake the following activities:

- To review and take all necessary actions for redressal of investors' grievances and complaints as may be required in the interests of the investors.
- To approve requests for share transfers, transmissions, transpositions, rematerializations, split and duplicate shares.

The details relating to number of shareholder complaints received, number not solved to the satisfaction of the shareholder and number of pending transfers has been provided in the shareholders information section.

During the year under review, the Committee met 14 times.

ESOP Allotment Committee

The ESOP Allotment Committee consists of following members:

- Mr. Shiv Nadar, Chairman & CEO
- Mr. S Raman, Chief Technology Advisor & Whole-Time Director
- Mr. T S R Subramanian, Director
- Mr. Subroto Bhattacharya, Director
- Mr. Vineet Nayar, President
- Mr. S L Narayanan, Corporate Vice President – Finance

This Committee has been formed to allot shares to the employees who have exercised their stock options under the Stock Option Plans of the Company. During the year under review, the Committee met 21 times.

General Body Meetings

The location and time of the General Body Meetings held during the preceding 3 years are as follows:

Year	Date	Venue	Time	Special Resolution
Annual General Body Meetings				
2001-2002	November 7, 2002	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	10.00 A.M.	—
2002-2003	December 20, 2003	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> ▪ Delisting of shares from the Delhi Stock Exchange
2003-2004	December 17, 2004	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> ▪ Appointment of Mr. Shiv Nadar as Chairman & MD ▪ Payment of commission to Non-Executive Directors ▪ Approval of 2004 Stock Option Plan for granting stock options: <ul style="list-style-type: none"> a) to employees & directors of the Company b) to employees & directors of subsidiaries of the Company
Extra-Ordinary General Body Meeting				
2004-2005	December 21, 2004	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> ▪ Issue of 19,358,989 equity shares of the Company to Deutsche Bank AG on preferential basis

No resolution has been passed during the last year or is proposed to be passed at the ensuing Annual General Body Meeting, through postal ballot.

Disclosures

a) Related party transactions

The Company has not entered into any transaction of a material nature with its subsidiaries, promoters, directors or the management, their relatives, etc., that may have any potential conflict with the interest of the Company.

b) Compliances by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the stock exchanges, SEBI or other statutory authorities relating to the above.

Shareholders' Information

a) General information

Dates of book closure:	December 8, 2005 to December 16, 2005 (both days inclusive)
Date, time and venue of the ensuing Annual General Meeting:	December 16, 2005; 11.00 A.M. FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001
Dividend payment date:	December 23, 2005
Listing on stock exchanges in India at:	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5 th Floor, Plot No. C/1 G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India Tel.: +91-22-2659 8236, Fax: +91-22-2659 8237 The Stock Exchange, Mumbai (BSE) Phiroze Jeejeebhoy Towers, Dalal Street Mumbai – 400 001, India Tel.: +91-22-2272 1233, Fax: +91-22-2272 3121
Listing fees:	Paid to all the above stock exchanges for the Year 2005-2006
Stock code:	National Stock Exchange – "HCLTECH" The Stock Exchange, Mumbai – "532281"
Registered office:	806, Siddharth, 96, Nehru Place New Delhi – 110 019, India Tel.: + 91-11-26444812, Fax: + 91-11-26436336 Homepage: www.hcltech.com

Means of Communication

- a) At present, half yearly report on accounts is not being sent to the shareholders.
- b) The quarterly financial results are generally published in Business Standard and Jansatta newspapers.
- c) The quarterly, half yearly and annual financial statements are posted on the Company's website that is <http://www.hcltech.com>
- d) The Company also makes a presentation to the investors and analysts after taking on record the quarterly results by the Company. Any press releases or official news are displayed on the Company's website.
- e) The Management Discussion and Analysis (MD&A) on the financial statements is provided in the Annual Report.

Registrar & Shares Transfer Agent	Alankit Assignments Limited 205-208, Anarkali Market Jhandewalan Extension New Delhi – 110 055 Tel.: + 91-11-51540060-63 Fax: + 91-11-51540064 E-mail: rta@alankit.com
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b) Share transfer system

Shares sent for physical transfer are generally registered and returned within a period of 15-20 days from the date of receipt of request, if the documents are complete in all respects.

c) Dematerialization of shares

Effective July 24, 2000, the shares of the Company have been placed by SEBI under compulsory dematerialization ("Demat") category and consequently, shares of the Company can be traded only in electronic form.

The system for getting the shares dematerialized is as under:

- ✓ Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to the Depository Participant (DP) with whom he/ she has opened a Depository Account.
- ✓ DP processes the DRF and generates a unique number, viz., DRN.
- ✓ DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- ✓ The Company's Registrar & Shares Transfer Agent after processing the DRF confirms or rejects the request to the Depositories.
- ✓ Upon confirmation, the Depository gives the credit to shareholder in his/ her depository account maintained with DP.

The process of dematerialization takes approx. 10-15 days from the date of receipt of DRF by the Registrar & Shares Transfer Agent of the Company.

About 99.86% of the shares issued by the Company have been dematerialized up to June 30, 2005.

Company's ISIN in NSDL & CDSL: INE860A01027

Since the trading in the shares of the Company can be done only in the electronic form, it is advisable that the shareholders who have the shares in physical form to get their shares dematerialized.

d) Distribution of shareholding as on June 30, 2005

Number of equity shares held	Shareholders (Numbers)	Shareholders (%)	Shares (Numbers)	Shares (%)
1 – 100	41,004	82.88	1,495,466	0.47
101 – 200	4,187	8.46	714,880	0.22
201 – 500	2,073	4.19	698,243	0.22
501 – 1000	798	1.61	610,857	0.19
1001 – 5000	952	1.92	2,222,175	0.70
5001 – 10000	216	0.44	1,497,479	0.47
10001 and above	247	0.50	311,975,684	97.73
Total	49,477	100.00	319,214,784	100.00

e) Categories of shareholders as on June 30, 2005

Category	Number of shares held	Voting strength (%)
A Promoters' Holding		
1. Indian Promoters	224,646,968	70.38
Foreign Promoters	Nil	Nil
2. Persons Acting in Concert	193,487	0.06
Sub-Total	224,840,455	70.44
B Non-Promoters' Holding		
3. Institutional Investors		
Mutual Funds & UTI	12,659,442	3.97
Banks, Financial Institutions, Insurance Companies	3,877,759	1.21
Foreign Institutional Investors	38,655,466	12.11
Sub-Total	55,192,667	17.29
4. Others		
Private Corporate Bodies	9,421,916	2.95
Indian Public	8,966,577	2.81
NRIs/ OCBs	1,389,854	0.44
Foreign Banks	19,360,089	6.06
Foreign Nationals	41,274	0.01
Trusts	1,952	0.00
Sub-Total	39,181,662	12.27
Grand Total	319,214,784	100.00

f) Stock market data

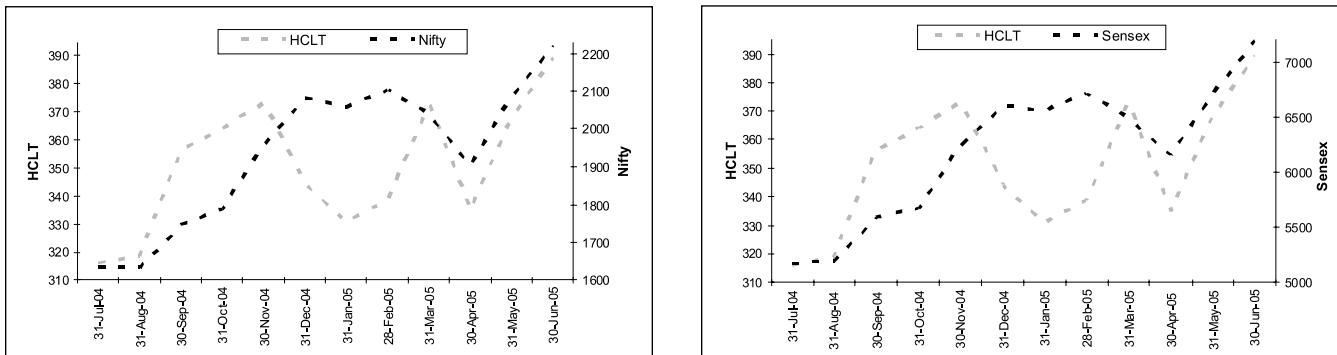
Monthly high and low quotations, as well as the volume of shares traded at the National Stock Exchange of India Limited ("NSE") and the Stock Exchange, Mumbai ("BSE"), for the fiscal year are as follows:

Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (Numbers)	High (Rs.)	Low (Rs.)	Volume (Numbers)
July 2004	320.00	271.00	19,079,344	320.00	275.00	5,310,115
August	332.40	300.30	12,552,222	333.00	305.10	3,034,184
September	361.00	317.55	13,353,101	361.70	317.25	3,298,103
October	407.00	336.30	14,476,719	407.20	354.40	3,823,088
November	378.90	351.00	12,732,656	378.45	353.65	2,752,606
December	377.90	333.10	13,373,997	378.70	334.00	2,464,990
January 2005	352.00	294.50	11,038,759	355.00	295.00	2,670,329
February	361.00	323.75	8,199,893	361.00	324.25	2,945,253
March	377.20	326.00	13,320,329	375.50	326.00	4,538,747
April	407.00	330.50	12,741,812	393.00	331.00	3,429,477
May	380.10	331.10	6,156,644	381.00	332.00	936,232
June	401.90	357.50	8,197,655	401.50	358.40	1,849,337

g) Liquidity

The Company's shares are among the most liquid and actively traded shares on NSE and BSE. The monthly trading volumes of the Company's shares on these exchanges are given in the table above in the Paragraph (f) titled 'Stock market data'.

h) Share price performance in comparison to broad based Indices



Investor services

(i) Complaints received during the year 2004-2005

Source of complaint	Received	Attended
Directly from the Investors	106	106
Through SEBI, Stock Exchanges, etc.	19	19
Total	125	125

(ii) **Share transfers** – As on June 30, 2005, 20 cases comprising of 1,423 shares were pending for transfer, transmission, etc., which were processed subsequently in due course of time.

i) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity**
The Company has not issued any GDRs/ADRs/Warrants or other instruments, which are pending for conversion.

j) **Location and addresses of Software Development Centers of the Company**

Gurgaon

3, Udyog Vihar Phase 1
Gurgaon, 122 016
Haryana, India
Tel. : +(91) 124 643 9900
Fax : +(91) 124 643 9910

Plot No. 244, Udyog Vihar Phase 1
Gurgaon, 122 016
Haryana, India
Tel. : +(91) 124 634 6405
Fax : +(91) 124 634 9020

Plot No. 5,6,7 Udyog Vihar Phase 4
Gurgaon, 122 016
Haryana, India
Tel. : +(91) 124 501 9000
Fax : +(91) 124 501 9851

Noida

A-10 & 11, Sector 3
Noida, 201 301
UP, India
Tel. : +(91) 120 252 0917
Fax : +(91) 120 252 6907

A-1/ CD, Sector 16

Noida, 201 301
UP, India
Tel. : +(91) 120 251 6321
Fax : +(91) 120 251 6315

A-8 & 9, Sector 60

Noida, 201 301
UP, India
Tel. : +(91) 120 258 4362-6
Fax : +(91) 120 258 2915

A-5, Sector 24

Noida, 201 301
UP, India
Tel. : +(91) 120 253 4265
Fax: +(91) 120 244 0155

A-11, Sector 16

Noida, 201 301
UP, India
Tel. : +(91) 120 251 0701
Fax : +(91) 120 251 0713

Chennai

50-53, Greams Road
Chennai, 600 006
India
Tel. : +(91) 44 2829 3298
Fax : +(91) 44 2829 4969

No. 51, J.N. Road, Guindy
Chennai, 600 097
India

Tel. : +(91) 44 2232 1960
Fax : +(91) 44 2234 4256

34 & 35, Haddows Road
Chennai, 600 034
India

Tel. : +(91) 44 5215 9999
Fax : +(91) 44 5213 2749

PM Towers, 37, Greams Road

Chennai, 600 006
India
Tel. : +(91) 44 2829 1735
Fax : +(91) 44 2829 1738

J-16, Anna Nagar East
Chennai, 600 102
India
Tel. : +(91) 44 2626 4206
Fax : +(91) 44 2628 1120

Thapar House
43/44, Montieth Road, Egmore
Chennai, 600 008
Tel. : +(91) 44 2851 1293
Fax : +(91) 44 2851 1986

No.184-188, 190,192 & 196 Arcot Road, Vadapalani
Chennai, 600 026
India
Tel. : +(91) 44 2372 8366
Fax : +(91) 44 2480 6640

64 & 65, Second Main Road
Ambattur Industrial Estate, Ambattur
Chennai, 600 058
India
Tel. : +(91) 44 2652 1077
Fax : +(91) 44 5206 0485

Plot No. 78, South Phase Road,
Ambattur Industrial Estate, Ambattur
Chennai, 600 058
India
Tel. : +(91) 44 2623 2318
Fax : +(91) 44 2625 9476

602 Tidel Park
4 Canal Bank Road, Taramani
Chennai, 600 113
India
Tel. : +(91) 44 2254 0473
Fax : +(91) 44 2254 0308

Plot no. 95, SP
Ambattur Industrial Estate
Ambattur, Chennai, 600 058
India

Module 812, 8th Floor, Raheja Towers
Mount Road
Chennai, 600 002
India

299, Arcot Road, Vadapalani
Chennai, 600 026
India
Tel. : +(91) 44 2375 0171
Fax : +(91) 44 2375 0185

D-12, 12B, Ambattur Industrial Estate
Ambattur
Chennai, 600 058
India
Tel. : +(91) 44 2623 0711
Fax : +(91) 44 2624 4213

49-50, Nelson Manickam Road
Chennai, 600 029
India
Tel. : +(91) 44 2374 1939
Fax : +(91) 44 2374 1038

Sapna Trade Centre
109/110 P H Road
Chennai, 600 084
India
Tel. : +(91) 44 2822 1129
Fax : +(91) 44 2821 4278

35, South Phase
Guindy Industrial Estate
Ekkaduthangal, Guindy
Chennai, 600 097
India

Bangalore
8&9, G B Palya
Off. Hosur Road
Bangalore, 560 068
India
Tel. : +(91) 80 2573 5171-6
Fax : +(91) 80 2573 5516

Kolkata
SDF Building, 1st Floor
Module No. 212-214
228-230, Block - GP
Sector - V, Salt Lake City,
Kolkata, 700 091
India
Tel. : +(91) 33 2357 3024-5
Fax : +(91) 33 2357 3027

k) Financial calendar (tentative and subject to change)

Financial reporting for the first quarter ending September 30, 2005	October 25, 2005
Financial reporting for the second quarter ending December 31, 2005	January 23, 2006
Financial reporting for the third quarter ending March 31, 2006	April 21, 2006
Financial reporting for the year ending June 30, 2006	August 21, 2006
Annual General Meeting for the year ending June 30, 2006	November 2006

l) Address for Investors correspondence

The Investor Relations
HCL Technologies Limited
A-10 & 11, Sector-3, Noida – 201 301
UP, India
Tel.: +91-120-254 6043, Fax: +91-120-252 6907
E-mail: investor@corp.hcltech.com

m) Compliance Certificate on the Corporate Governance from the Auditors

The certificate dated August 23, 2005 obtained from Statutory Auditors of the Company, M/s. Price Waterhouse, confirming compliance with the Corporate Governance requirements as stipulated under Clause 49 of the Listing Agreement, is annexed hereto.

AUDITORS' CERTIFICATE

ON COMPLIANCE WITH CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of HCL Technologies Limited

1. We have reviewed the implementation of Corporate Governance procedures by HCL Technologies Limited, (the Company) during the year ended June 30, 2005, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

3. We state no investors grievances are pending for a period exceeding one month against the Company except those under dispute or sub judice, as per the records maintained by the Shareholders'/ Investors' Grievance Committee.
4. On basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the Stock Exchange have been complied with in all material respect of the Company.

Kaushik Dutta
Partner
Membership No. 88540
For on behalf of
Price Waterhouse
Chartered Accountants

Place: New Delhi
Date: August 23, 2005

FINANCIAL STATEMENTS

AUDITORS' REPORT**To the Members of HCL Technologies Limited**

1. We have audited the attached Balance Sheet of HCL Technologies Limited, as at June 30, 2005 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of "The Companies Act, 1956" of India ("the Act") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (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 those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on June 30, 2005 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the company as at June 30, 2005;

- ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kaushik Dutta

Partner

Membership Number: F – 88540

For and on behalf of

Price Waterhouse

Chartered Accountants

Place: Delhi

Date : August 23, 2005

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Technologies Limited on the financial statements for the year ended 30th June 2005]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The Company has granted unsecured loan to a wholly-owned subsidiary covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loan aggregates to Rs. 4.87 crores and Rs.4 crores respectively.
(b) In our opinion, the rate of interest and other terms and conditions of such loan are not *prima facie* prejudicial to the interest of the Company.
(c) In respect of the aforesaid loan, the party is repaying the principal amount as stipulated and is also regular in payment of interest.
(d) In respect of the aforesaid loan, there is no overdue amount more than Rupees one lakh.
(e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative

sources do not exist for obtaining comparative quotations, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees five lakh in respect of any party during the year, are in respect of items of special nature and in respect of which alternative quotations are not considered necessary by the Company.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, wealth tax, service tax, customs duty and cess as at 30 June 2005 which have not been deposited on account of dispute other than sales tax, which is as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Tamil Nadu General Sales Tax Act	Sales Tax	1,091,564 672,472 218,493	1998 – 1999 1999 – 2000 2001 – 2002	Appellate Assistant Commissioner (Sales Tax)
Tamil Nadu General Sales Tax Act	Sales Tax	468,137	2003 – 2004	Commercial Tax Officer (Sales Tax)

9. The Company has no accumulated losses as at 30th June 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to financial institution or bank as at the balance sheet date. The Company has not issued any debentures.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to chit fund/nidhi / mutual benefit fund societies are not applicable to the Company.
13. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. The Company has not obtained any term loans during the year.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company has not raised any money by public issues during the year.
19. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.
20. Clauses (ii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Kaushik Dutta
Partner
Membership Number: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Delhi
Date: August 23, 2005

BALANCE SHEET as at 30 June 2005

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	As at 30 June 2005	As at 30 June 2004
Sources of Funds			
Shareholders' funds			
Share capital	1	63.84	59.22
Share application money pending allotment		1.64	0.03
Reserves and surplus	2	2,796.14	2,231.96
		2,861.62	2,291.21
Loan funds			
Secured loans	3	96.42	97.90
Unsecured loans	4	0.27	0.33
		96.69	98.23
		2,958.31	2,389.44
Application of Funds			
Fixed assets	5		
Gross block		632.06	412.32
Less: Accumulated depreciation		(272.11)	(207.04)
Net block		359.95	205.28
Capital work-in-progress (including capital advances)		71.78	118.63
		431.73	323.91
Investments	6	2,654.66	2,250.36
Deferred tax assets	16(8)	7.50	7.28
Current assets, loans and advances			
Sundry debtors	7	306.41	168.59
Cash and bank balances	8	84.53	72.78
Loans and advances	9	122.91	135.57
Other current assets	10	35.61	11.51
		549.46	388.45
Less: Current liabilities and provisions	11	(685.04)	(580.56)
Net current assets		(135.58)	(192.11)
		2,958.31	2,389.44

Significant accounting policies and notes to the accounts

16

The schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For HCL Technologies Limited

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Delhi, India
Date: August 23, 2005

Shiv Nadar
Chairman and CEO
S L Narayanan
Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian
Director

Allwyn Noronha
General Manager and
Company Secretary

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2005

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	Year ended 30 June 2005	Year ended 30 June 2004
Income			
Software services		1,447.01	1,127.98
Other income	12	83.02	146.76
		1,530.03	1,274.74
Expenditure			
Cost of software development	13	789.51	606.63
Administration and other expenses	14	328.41	263.71
Finance charges	15	5.62	5.48
Product development cost		–	2.50
Depreciation	5	67.56	56.89
		1,191.10	935.21
Profit before tax		338.93	339.53
Tax expense - current		(11.19)	(13.64)
- deferred		0.22	(0.14)
- fringe benefit		(1.16)	–
Provision for wealth tax		(0.02)	(0.03)
		326.78	325.72
Provision for income tax for earlier years written back		2.49	–
Profit after tax		329.27	325.72
Balance in Profit and Loss Account brought forward		1,109.78	1,150.69
Profit available for appropriation		1,439.05	1,476.41
Appropriations			
Proposed final dividend [including Rs. 0.59 crore (previous year Nil) paid for previous year]		128.47	118.43
Corporate dividend tax on proposed final dividend [including Rs. 0.08 crore (previous year Nil) paid for previous year]		18.01	15.48
Interim dividend		373.28	177.42
Corporate dividend tax on interim dividend		50.16	22.73
Transfer to general reserve		32.93	32.57
Balance carried forward to the balance sheet		836.20	1,109.78
		1,439.05	1,476.41
Earnings per equity share in rupees	16(17)		
Basic		10.71	11.06
Diluted		10.40	10.86
Number of shares used in computing earnings per equity share			
Basic		307,564,925	294,519,683
Diluted		316,546,245	299,985,305

Significant accounting policies and notes to the accounts

16

The schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Delhi, India
Date: August 23, 2005

Shiv Nadar
Chairman and CEO
S L Narayanan
Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian
Director
Allwyn Noronha
General Manager and
Company Secretary

CASH FLOW STATEMENT for the year ended 30 June 2005

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2005	Year ended 30 June 2004
Cash Flows from Operating Activities		
Profit before tax	338.93	339.53
Adjusted for:		
Income from investments, interest and rent	(24.90)	(61.37)
Gain on sale of investments	(38.32)	(65.99)
Loss on sale of investments	18.76	2.07
Depreciation	67.56	56.89
Loss/(gain) on sale of fixed assets	(0.96)	(0.27)
Provision for diminution in value of investments	–	18.34
Provision for diminution in value of investments written back	(18.21)	–
Provision for doubtful debts	0.10	0.08
Bad debts/ advances written off	6.83	0.27
Premium amortised on bonds	0.44	0.97
Miscellaneous expenditure written off	–	2.50
Finance charges	5.12	4.84
Employee stock compensation cost	2.49	–
Unrealised foreign exchange gains	(0.07)	–
	357.77	297.86
Decrease/ (increase) in sundry debtors	(138.27)	59.99
Decrease/ (increase) in loans and advances	(40.85)	3.01
Decrease/ (increase) in other current assets	(4.89)	(3.28)
Increase/ (decrease) in current liabilities and provisions	100.45	244.05
Income taxes paid	(8.47)	(3.47)
Net cash from operating activities	265.74	598.16
Cash Flows from Investing Activities		
Proceeds/(Investment) from mutual funds (net)	250.76	(282.51)
Proceeds from bonds (net)	126.61	8.00
Investment in subsidiaries	(25.48)	(28.57)
Refund of loans by subsidiaries	15.42	0.62
Refund of advance from HCL Technologies Limited Employees Trust	13.95	47.40
Purchase of fixed assets (including capital advances)	(163.07)	(186.47)
Principal payment on finance lease obligations	(3.29)	(2.24)
Proceeds from sale of fixed assets	2.30	1.51
Income from investments, interest and rent	27.72	63.34
Income taxes paid	(5.41)	(12.43)
Net cash from investing activities	239.51	(391.35)
Cash Flows from Financing Activities		
Issue of share capital (including securities premium and share application money pending allotment)	67.45	6.86
Increase/ (decrease) in unsecured loans	(0.06)	(0.08)
Dividends paid (including corporate dividend tax)	(557.43)	(266.72)
Finance charges on finance lease obligations	(0.98)	(0.84)
Interest charges on loans from banks	(2.24)	(2.60)
Interest charges on other loans	(0.45)	(0.02)
Loans raised during the year	–	92.05
Net cash used for financing activities	(493.71)	(171.35)

CASH FLOW STATEMENT for the year ended 30 June 2005 (Contd.)

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2005	Year ended 30 June 2004
Exchange differences on translation of foreign currency cash and cash equivalents	0.21	0.20
Net increase/ (decrease) in cash and cash equivalents	11.54	35.46
Cash and cash equivalents at the beginning of the year	72.78	37.12
Cash and cash equivalents at the end of the year	84.53	72.78

For components of cash and cash equivalents refer Schedule 8 of the Balance Sheet.

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3 issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate cash outflow.
3. Previous period figures have been regrouped and recast wherever necessary to conform to the current period classification.
4. Cash and cash equivalents includes the following which are not available for use by the Company:

Investor Education and Protection Fund- Unclaimed dividend	1.15
Bank Guarantee margin	0.01

This is the Cash Flow Statement referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Delhi, India
Date: August 23, 2005

Shiv Nadar
Chairman and CEO
S L Narayanan
Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian
Director

Allwyn Noronha
General Manager and
Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 1: Share Capital		As at 30 June 2005	As at 30 June 2004
Authorised			
400,000,000 equity shares of Rs. 2 each (previous year 400,000,000 equity shares of Rs. 2 each)		80.00	80.00
Issued, subscribed and paid up			
319,214,784 equity shares of Rs. 2 each, fully paid up (previous year 296,080,438 equity shares of Rs. 2 each, fully paid up)		63.84	59.22
		63.84	59.22

Notes:

1. Paid up share capital includes:
 - 42,449,979 (previous year 23,090,990) equity shares of Rs. 2 each allotted as fully paid up, pursuant to a contract for consideration other than cash. During the year 19,358,989 equity shares were issued as a consideration to Deutsche Bank AG for acquiring their stake of 49% in DSI Financial Solutions Pte. Limited, Singapore.
 - 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve.
 - 13,905,823 (previous year 11,621,722) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
 - 1,498,356 (previous year 7,100) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
2. Of the above subscribed shares 162,017,167 (previous year 162,017,167) equity shares are held by HCL Corporation Limited, the holding company and 1,500,000 (previous year 1,500,000) equity shares are held by HCL Peripherals Ltd., being the fellow subsidiary.

Schedule 2: Reserves and Surplus		As at 1 July 2004	Additions	Deductions	As at 30 June 2005
Securities premium account	941.20	760.08	–	–	1,701.28
	(934.19)	(7.01)	(–)	(–)	(941.20)
General reserve	180.98	75.19	–	–	256.17
	(171.59)	(32.57)	(23.18)	(–)	(180.98)
Employee stock options outstanding	–	2.49	–	–	2.49
[net of deferred employee compensation cost of Rs. 5 crores (previous year Nil)]	(–)	(–)	(–)	(–)	(–)
Profit and Loss Account	1,109.78	–	273.58	–	836.20
	(1,150.69)	(–)	(40.91)	(–)	(1,109.78)
	2,231.96	837.76	273.58	–	2,796.14
Previous year	(2,256.47)	(39.58)	(64.09)	(–)	(2,231.96)

Notes:

1. Additions to securities premium account represents:
 - Rs. 65.09 crores (previous year Rs. 7.01 crores) securities premium in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under Employee Stock Option Plan 1999 and Employee Stock Option Plan 2000.
 - Rs. 694.99 crores (previous year Rs. Nil) securities premium in respect of allotment of 19,358,989 equity shares of Rs. 2 each to Deutsche Bank AG in consideration for acquiring 49% stake in DSI Financial Solutions Pte. Limited, Singapore.
2. Additions/ (Deductions) to general reserve include Rs. 42.26 crores [previous year Rs. (23.18 crores)] on account of net gain/ (loss) on effective hedges.
3. Previous year figures are given in brackets.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 3: Secured Loans		As at 30 June 2005	As at 30 June 2004
From bank			
-Term loan (Secured by pledge of specified mutual fund units - refer note 1 of schedule 6)		87.02	92.05
From Others			
-Finance lease obligations [refer note 4 (i) of schedule 16] (Secured by hypothecation of leased vehicles)		9.40	5.85
		96.42	97.90

Schedule 4: Unsecured Loans		As at 30 June 2005	As at 30 June 2004
Other loans and advances			
-From financial institution [Amount payable within one year - Rs. 0.05 crore (previous year Rs. 0.06 crore)]		0.27	0.33
		0.27	0.33

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 July 2004	Addi- tions	Dispos- als/Adju- stments	As at 30 June 2005	As at 1 July 2004	Addi- tions	Dispos- als/Adju- stments	As at 30 June 2005	As at 30 June 2005	As at 30 June 2004
Goodwill	0.73	–	–	0.73	0.30	0.14	–	0.44	0.29	0.43
Freehold land	39.36	13.59	–	52.95	–	–	–	–	52.95	39.36
Leasehold land	12.34	91.32	–	103.66	0.71	0.71	–	1.42	102.24	11.63
Building	62.02	13.86	–	75.88	9.96	3.36	–	13.32	62.56	52.06
Plant and machinery	69.10	28.55	0.34	97.31	44.78	14.60	0.31	59.07	38.24	24.32
Computers	92.35	33.49	0.50	125.34	65.46	19.73	0.35	84.84	40.50	26.89
Software	50.90	8.17	–	59.07	35.91	10.28	–	46.19	12.88	14.99
Furniture and fixtures	73.32	27.36	0.65	100.03	45.14	15.72	0.60	60.26	39.77	28.18
Vehicles - owned	3.92	0.39	0.34	3.97	2.22	0.67	0.24	2.65	1.32	1.70
- leased	8.28	6.84	2.00	13.12	2.56	2.35	0.99	3.92	9.20	5.72
	412.32	223.57	3.83	632.06	207.04	67.56	2.49	272.11	359.95	205.28
Previous year	327.79	86.32	1.79	412.32	150.70	56.89	0.55	207.04	205.28	177.09
Capital work-in-progress (including capital advances)								71.78	118.63	

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2005	As at 30 June 2004	
Long term investments			
Equity shares in subsidiaries - 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, fully paid up)	23.65	23.65	
113,170,582 equity shares of USD 1 each, fully paid in HCL Bermuda Limited, Bermuda, formerly HCL Technologies (Bermuda) Limited, Bermuda (previous year- 113,170,582 equity shares of USD 1 each, fully paid up)	590.70	590.70	
17,920,700 equity shares of Rs. 10 each, fully paid up in Shipara Technologies Limited (previous year - 13,820,000 equity shares of Rs.10 each, fully paid up)	21.92	13.82	
4,950,000 equity shares of Rs. 10 each, fully paid up in HCL Technologies (Mumbai) Limited (previous year - 4,950,000 equity shares of Rs. 10 each, fully paid up)	4.95	4.95	
550,000 equity shares of SGD 1 each, fully paid up in HCL Singapore Pte. Limited , formerly HCL Technologies Singapore Pte. Limited, Singapore (previous year -550,000 equity shares of SGD 1 each, fully paid up)	5.25	5.25	
4,900 Equity Shares of SGD 1 each, fully paid up in DSI Financial Solutions Pte. Limited, Singapore (previous year Nil) (Balance 51% stake is held by HCL Bermuda Ltd., wholly-owned subsidiary of the Company)	701.24	–	
	1,347.71	638.37	
Preference shares in subsidiaries - Trade and unquoted			
350,000,000 1% cumulative redeemable preference shares of Rs. 1 each fully paid up in HCL Comnet Systems and Services Limited	35.00	–	
Total long term Investments (a)	1,382.71	638.37	
Current investments			
Investments in mutual funds - Non-trade and unquoted			
	Number of units	Face value per unit (Rupees)	Aggregate value
Prudential ICICI Blended Plan B Growth	10,000,000	10	10.00
	–	–	–
Birla Fixed Term Plan - Series C Growth	15,000,000	10	15.00
	–	–	–
Deutsche Fixed Term Fund-Growth Option	15,000,000	10	15.00
	–	–	–
Deutsche Fixed Term Fund Series II Growth Option	9,000,000	10	9.00
	–	–	–
GFMP - 4 Plan B (Institutional) Growth	15,000,000	10	15.00
	–	–	–
Grindlays Fixed Maturity 7th Plan -B- Growth	15,000,000	10	15.00
	–	–	–
ING Vysya Fixed Maturity Fund Series II Growth Option	10,000,000	10	10.00
	–	–	–
JM Fixed Maturity Plan YS01 Growth Option	12,500,000	10	12.50
	–	–	–
Kotak FMP Series I - Growth	14,500,000	10	14.50
	–	–	–
Principal Deposit Fund (FMP- 6) 371 Days Plan Mar 05-Growth	15,000,000	10	15.00
	–	–	–
Prudential ICICI FMP 1 Year Plus Series XII Institutional Growth	15,000,000	10	15.00
	–	–	–

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2005	As at 30 June 2004
Current investments (Contd.)					
Investments in mutual funds - Non-trade and unquoted					
Prudential ICICI FMP Series 5 Institutional Plan - Cummulative	5,000,000	10	5.00		
	—	—	—		
Prudential ICICI Plan I Year Plus Growth (Direct)	15,000,000	10	15.00		
	—	—	—		
Reliance Fixed Maturity Fund Annual Plan Series 1 Growth Option	10,069,224	10	10.07		
	—	—	—		
SBI Magna Debt Fund Series - 15 Months (Jan 05) Growth Option	15,004,127	10	15.00		
	—	—	—		
SBI MDFS 13 Months - Growth	11,500,000	10	11.50		
	—	—	—		
TATA Fixed Horizon Fund	15,000,000	10	15.00		
	—	—	—		
TATA Fixed Horizon Plan (371 days) Growth	15,000,000	10	15.00		
	—	—	—		
UTI Fixed Maturity Plan - YFMP (0205) Growth Plan	15,000,000	10	15.00		
	—	—	—		
UTI Fixed Maturity Plan - YFMP (1104) Growth	15,000,000	10	15.00		
	—	—	—		
Prudential ICICI Long Term Plan-Cumulative	—	—	—		
	(99,253,229)	(10)	(116.97)		
Prudential ICICI Long Term Plan-Dividend	—	—	—		
	(96,488,566)	(10)	(114.31)		
Prudential ICICI Flexible Income Plan-Growth	—	—	—		
	(9,076,887)	(10)	(10.58)		
HDFC Income Fund Premium Plus Plan-Dividend	—	—	—		
	(19,502,476)	(10)	(21.10)		
Birla Income Plus Institutional Plan-Dividend-Payout	—	—	—		
	(11,975,180)	(10)	(31.80)		
Grindlays Dynamic Bond Fund-Institutional Plan B-Quarterly Dividend	—	—	—		
	(38,278,546)	(10)	(39.74)		
Deutche Premier Institutional Plan-Growth	—	—	—		
	(6,694,017)	(10)	(7.00)		
Birla Bond Plus Institutional Plan-Growth	—	—	—		
	(16,755,119)	(10)	(19.27)		
Grindlays Medium Term Fund-Growth	—	—	—		
	(10,000,000)	(10)	(10.00)		
Grindlays Medium Term Institutional Plan - Bi Monthly Dividend	—	—	—		
	(11,805,007)	(10)	(11.91)		
HSBC Income Fund Investment Plan Growth	—	—	—		
	(7,496,884)	(10)	(8.00)		
Prudential ICICI Institutional Income Plan Growth	—	—	—		
	(25,539,276)	(10)	(49.34)		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2005	As at 30 June 2004
Current investments (Contd.)					
Investments in mutual funds - Non-trade and unquoted					
Grindlays Dynamic Bond Fund Super Institutional Plan C Qtry Dividend	—	—	—		
	(22,950,195)	(10)	(23.00)		
Prudential ICICI Flexible Income Plan - Quarterly Dividend	—	—	—		
	(19,056,766)	(10)	(20.33)		
Grindlays Dynamic Bond Fund Institutional Plan Growth	—	—	—		
	(4,878,610)	(10)	(5.73)		
Alliance Cash Manager Institutional Plan Weekly Dividend	—	—	—		
	(21,313,970)	(10)	(21.32)		
Birla Cash Plus Institutional Premium Divd Plan Fortnightly Dividend	—	—	—		
	(59,617,748)	(10)	(59.65)		
CanLiquid fund - Institutional Daily Dividend Reinvest	—	—	—		
	(4,491,435)	(10)	(4.51)		
Deutsche Insta Cash Plus Fund - Institutional Monthly Dividend Plan	—	—	—		
	(23,433,234)	(10)	(23.44)		
Deutsche Insta Cash Plus Fund - Regular Dividend Plan	—	—	—		
	(32,250,172)	(10)	(32.74)		
DSP Merrill Lynch Liquidity Fund - Weekly Dividend	—	—	—		
	(32,450,600)	(10)	(40.26)		
Grindlays Cash Fund Super Institutional Plan C Weekly Dividend	—	—	—		
	(80,006,432)	(10)	(80.06)		
HDFC Liquid -Premium Plus - Dividend Reinv. (Weekly)	—	—	—		
	(61,069,373)	(10)	(73.19)		
HSBC Cash Fund - Institutional - Monthly Dividend	—	—	—		
	(39,081,604)	(10)	(40.90)		
IDBI Principal Cash Management Institutional Plan - DM	—	—	—		
	(10,791,183)	(10)	(10.81)		
IL & FS Liquid Account - Inst. Plan Dividend	—	—	—		
	(16,378,092)	(10)	(16.38)		
JM High Liquidity Fund Inst. Plan - Divd. Reinv.	—	—	—		
	(11,253,941)	(10)	(11.28)		
Kotak Liquid Inst. Premium Plan Weekly Dividend	6,486	10	0.01		
	(36,435,914)	(10)	(36.54)		
Prudential ICICI Liq. Inst. Plus - Monthly Dividend	—	—	—		
	(63,993,353)	(10)	(76.31)		
SBI Magna Insta Cash Fund - Dividend Reinvestment	—	—	—		
	(9,802,742)	(10)	(10.33)		
Sundaram Money Fund- Divd Reinvest. Monthly	—	—	—		
	(15,876,066)	(10)	(15.89)		
TATA Liq. Super High Inv. Fund Monthly Dividend	—	—	—		
	(7,387,477)	(10)	(8.26)		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2005	As at 30 June 2004
Current investments (Contd.)					
Investments in mutual funds - Non-trade and unquoted					
Templeton India TMA Weekly Dividend Reinvestment	–	–	–		
	(358,705)	(1,000)	(44.65)		
SBI Magna Insta Cash Fund - STP Growth	–	–	–		
	(4,741,404)	(10)	(5.00)		
Birla Cash Plus Institutional Premium Plan Growth	101,294,882	10	104.17		
	–	–	–		
Chola Liquid Fund Institutional Plus Cummulative	1,524,820	10	2.00		
	–	–	–		
Deutsche Insta Cash Plus Fund - Institutional Growth	46,231,700	10	47.15		
	–	–	–		
DSP Merrill Lynch Liquidity Fund - Growth	13,645,971	10	21.73		
	–	–	–		
Grindlays Cash Fund Super Institutional Plan C Growth	99,429,641	10	101.76		
	–	–	–		
HDFC Liquid - Premium Plus - Growth	43,237,896	10	56.06		
	–	–	–		
HSBC Cash Fund - Institutional Plus - Growth	9,798,158	10	10.00		
	–	–	–		
ING Vysya Liquid Fund Institutional Plan Growth Option	4,766,781	10	5.00		
	–	–	–		
Principal Cash Management Fund Liquid Option Instl. Premium Plan Growth	19,854,467	10	20.00		
	–	–	–		
Prudential ICICI Liq. Inst. Plus - Growth (refer note 1)	37,312,255	10	59.69		
	–	–	–		
Sundaram Money Fund- Institutional - Appreciation	14,599,393	10	20.00		
	–	–	–		
TATA Liq Super High Inv. Fund Appreciation	33,751	1000	4.00		
	–	–	–		
Templeton India TMA Institutional PI Growth	319,246	1000	32.40		
	–	–	–		
UTI Liquid Cash Plan Institutional - Growth Option	220,420	1000	23.50		
	–	–	–		
JM Floater Fund Long Term Plan Premium Fortnightly Dividend	2,995,814	10	3.01		
	–	–	–		
Grindlays Floating Rate Fund Institutional Plan B LTP Growth	5,051,075	10	5.25		
	–	–	–		
HSBC Floating Rate Fund Long Term Institutional Plan B Growth	17,013,384	10	17.51		
	–	–	–		
HSBC Floating Rate Fund Long Term Regular Option Growth	1,005,068	10	1.01		
	–	–	–		
JM Floater Fund Long Term Plan Premium Growth	6,832,050	10	7.00		
	–	–	–		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2005	As at 30 June 2004
Current investments (Contd.)					
Investments in mutual funds - Non-trade and unquoted					
Principal FRF Flexible Maturity Fund Inst. Plan Growth	8,169,935	10	8.50		
	—	—	—		
Pru ICICI Long Term Floating Rate Plan B Growth	3,981,459	10	4.06		
	—	—	—		
HSBC Income Fund Short Term Plan-Dividend	—	—	—		
	(6,915,107)	(10)	(6.99)		
HDFC Short Term Premium Plan-Dividend	—	—	—		
	(32,377,667)	(10)	(35.03)		
HSBC Income fund Short term Institutional Dividend	1,869,035	10	2.01		
	(4,794,166)	(10)	(5.05)		
Prudential ICICI Short term Plan Institutional Dividend Option	1,830,977	10	2.02		
	(5,392,309)	(10)	(5.85)		
Templeton India Short Term Income Plan-Monthly Dividend	64,130	1,000	6.56		
	(4,404)	(1,000)	(0.45)		
Birla Bond Plus Institutional Plan Dividend Reinvt (Fortnightly)	1,443,918	10	1.51		
	(17,417,224)	(10)	(18.15)		
Deutsche Short Maturity Fund - Monthly Dividend Plan	2,456,942	10	2.50		
	(8,838,044)	(10)	(9.07)		
DSP Merrill Lynch Short Term Fund - Dividend Reinvestment	—	—	—		
	(19,353,065)	(10)	(19.72)		
JM Short Term Fund Institutional Plan - Dividend	2,932,124	10	3.01		
	—	—	—		
Prudential ICICI Short Term Plan Institutional DR Fortnightly	3,224,253	10	3.53		
	—	—	—		
Reliance Short Term Fund Monthly Dividend	2,458,698	10	2.60		
	—	—	—		
Tata Short Term Bond Fund -Dividend	1,838,187	10	2.00		
	—	—	—		
Grindlays Short Term Plan B Institutional Plan-Growth	—	—	—		
	(19,094,017)	(10)	(23.73)		
Kotak Mahindra K Bond Short Term Plan-Growth	152,724	10	0.18		
	(36,538,155)	(10)	(40.55)		
Prudential ICICI Short Term Plan Institutional-Growth	—	—	—		
	(21,834,020)	(10)	(25.52)		
Templeton India Short Term Income Plan-Growth (Formerly Kothari Pioneer ITI Short Term Income Plan-Growth)	14,171	1,000	1.75		
	(490,309)	(1,000)	(55.65)		
DSP Merrill Lynch Short Term Fund-Growth	6,528,912	10	7.50		
	(20,003,239)	(10)	(21.61)		
Deutche Short Maturity Fund-Growth Plan	—	—	—		
	(5,813,783)	(10)	(6.00)		
Principal Income Fund STP Institutional Plan - Growth	6,885,431	10	7.50		
	—	—	—		
HDFC High Interest Fund Short Term Plan-Growth (Formerly Zurich India High Interest Fund Short Term Plan-Growth)	—	—	—		
	(11,902,339)	(10)	(13.55)		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2005	As at 30 June 2004
Current investments (Contd.)					
Investments in mutual funds - Non-trade and unquoted					
HSBC Income Fund Short Term Plan Growth	–	–	–		
	(4,811,579)	(10)	(5.00)		
IL&FS Bond Fund - Short Term Plan Growth	–	–	–		
	(8,943,744)	(10)	(10.00)		
Tata Short Term Bond Fund - Growth	–	–	–		
	(20,898,646)	(10)	(22.50)		
Grindlays Floating Rate Fund Super Institutional Plan C Monthly Dividend	–	–	–		
	(4,383,483)	(10)	(4.38)		
Kotak Floater Short Term Monthly Dividend [Formerly Kotak Floater Monthly Dividend]	11,498	10	0.01		
	(13,144,802)	(10)	(13.17)		
ING Vysya Floating Rate Fund Weekly Dividend	4,970,059	10	5.00		
	–	–	–		
Kotak Floater Short Term Weekly Dividend	1,585,681	10	1.59		
	–	–	–		
Prudential ICICI Floating Rate Plan - Dividend Reinvestment	–	–	–		
	(13,982,186)	(10)	(14.05)		
Templeton Floating Rate Income Fund STP Divd Reinvestment	–	–	–		
	(5,082,495)	(10)	(5.08)		
Deutsche Floating Rate Fund Regular Plan - Growth	52,552,130	10	55.00		
	–	–	–		
DSP Merrill Lynch Floating Rate Fund Growth	71,445,030	10	77.00		
	–	–	–		
Grindlays Floating Rate Fund Super Institutional Plan C STP Growth	52,528,427	10	54.00		
	–	–	–		
HSBC Floating Rate Fund Short Term Institutional Option-Growth	24,989,024	10	25.00		
	–	–	–		
JM Floater Fund Short Term Plan Growth	110,316	10	0.12		
	–	–	–		
Principal Floating Rate Fund SMP Inst. Option Growth Plan	36,019,939	10	36.72		
	–	–	–		
Pru ICICI Floating Rate Plan C Growth (refer note 1)	53,320,988	10	54.00		
	–	–	–		
Sundaram Floater ST Institutional Growth	4,001,807	10	4.00		
	–	–	–		
TATA Floating Rate Short Term Inst.Plan Growth	40,301,962	10	40.51		
	–	–	–		
UTI Floating Rate Fund Short Term Plan Growth	6,883,999	10	7.50		
	–	–	–		
Templeton Floating Rate Income Fund-Short Term Plan-Growth	17,080,878	10	20.00		
	(8,162,579)	(10)	(9.00)		
Less: Diminution in value of investments				1,239.50	1,470.70
				(0.13)	(18.34)
				1,239.37	1,452.36

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2005	As at 30 June 2004
Current investments (Contd.)					
Investments in bonds and debentures-Non-trade and quoted					
Bank of Baroda 11.15% Bonds	–	–	–		
	(500)	(100,000)	(5.10)		
BPCL 9.95% Debentures	–	–	–		
	(25)	(10,000,000)	(25.00)		
ITI 10.5% Bonds-Series G	–	–	–		
	(100)	(500,000)	(5.00)		
NPC 10% Bonds	250	100,000	2.50		
	(1,500)	(100,000)	(15.00)		
SBI 10.80% Bonds	–	–	–		
	(2,500)	(100,000)	(25.02)		
SBI 11.90% Bonds	–	–	–		
	(200)	(1,000,000)	(20.70)		
10.90% PGC 2015 Bonds	–	–	–		
	(100)	(1,200,000)	(11.00)		
12.95% Standard Chartered Bank 2009 Debentures	–	–	–		
	(15)	(10,000,000)	(17.06)		
11.15% Grindlays Bank 2010 Debentures	–	–	–		
	(5)	(10,000,000)	(5.40)		
IRFC 7.8% Tax Free Bonds	100	1,000,000	10.00		
	(100)	(1,000,000)	(10.00)		
NPC 10.5% Tax Free Bonds	2,000	100,000	20.08		
	(2,000)	(100,000)	(20.35)		
				32.58	159.63
Total current investments (b)				1,271.95	1,611.99
Grand Total (a+b)				2,654.66	2,250.36

Notes:

1. These units have been pledged in favour of ABN Amro Bank.
2. Net asset value of investment in mutual funds as on June 30, 2005—Rs. 1,276.29 crores (previous year Rs. 1,470.38 crores).
3. Market value of investments in bonds and debentures as on June 30, 2005—Rs. 33.26 crores (previous year Rs. 173.04 crores).
4. Previous year figures are in brackets.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars of units of mutual funds purchased and sold during the year ended 30 June 2005.

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Purchase price		
Abn Amro Cash Fund Institutional Daily Dividend	21,575,918	10	21.58		
Abn Amro Floating Rate Fund - Institutional Growth	8,993,750	10	9.05		
Alliance Cash Manager Institutional Plan Weekly Dividend	413,230	10	0.41		
Birla Bond Plus Institutional Plan Dividend Reinv (Fortnightly)	5,032,263	10	5.26		
Birla Cash Plus Institutional Premium Divd Plan Daily Dividend Reinvestment	6,488,298	10	6.50		
Birla Cash Plus Institutional Premium Divd Plan Fortnightly Dividend	30,055,357	10	30.16		
Birla Cash Plus Institutional Premium Divd Plan Weekly Dividend Reinvestment	5,032,914	10	5.05		
Birla Floating Rate Fund STP Dividend Reinvestment	9,818,114	10	10.19		
Birla Income Plus Institutional Plan - Growth	3,600,846	10	10.00		
Birla Income Plus Plan B - Growth	3,650,256	10	10.07		
CanLiquid fund - Institutional Daily Dividend Reinvest	84,147	10	0.08		
Deutsche Insta Cash Plus Fund - Institutional Daily Dividend Plan	24,474,906	10	24.52		
Deutsche Insta Cash Plus Fund - Institutional Growth	19,282,919	10	19.64		
Deutsche Insta Cash Plus Fund - Institutional Monthly Dividend Plan	46,509,685	10	46.56		
Deutsche Insta Cash Plus Fund - Regular Dividend Plan	218,879	10	0.22		
Deutsche Short Maturity Fund - Monthly Dividend Plan	5,972,469	10	6.06		
DSP Merrill Lynch Bond Fund Institutional Plan - Growth	7,307,471	10	8.00		
DSP Merrill Lynch Bond Fund Retail - Growth	3,560,909	10	8.07		
DSP Merrill Lynch Liquidity Fund - Daily Dividend	10,680,453	10	10.69		
DSP Merrill Lynch Liquidity Fund - Growth	14,346,095	10	22.71		
DSP Merrill Lynch Liquidity Fund - Weekly Dividend	23,638,971	10	29.32		
Grindlays (Stanchart) All Seasons Bond Fund Plan B Growth	1,991,199	10	2.00		
Grindlays Cash Fund Super Institutional Plan C Daily Dividend	16,004,052	10	16.00		
Grindlays Cash Fund Super Institutional Plan C Weekly Dividend	24,903,667	10	24.92		
Grindlays Dynamic Bond Fund Institutional Plan B Qtry Dividend	267,253	10	0.27		
Grindlays Dynamic Bond Fund Super Institutional Plan C Qtry Dividend	41,766	10	0.04		
Grindlays Fixed Maturity 10th Plan -B- Dividend	10,000,000	10	10.00		
Grindlays Floating Rate Fund Institutional Plan B LTP Growth	9,683,448	10	9.75		
Grindlays Floating Rate Fund Institutional Plan B STP Daily Dividend	4,965,720	10	5.00		
Grindlays Floating Rate Fund Super Institutional Plan C Monthly Dividend	38,869,824	10	38.93		
Grindlays Medium Term Institutional Plan - Bi Monthly Dividend	44,870	10	0.04		
HDFC Cash Management Fund -Savings Plus plan -Dividend	19,418,180	10	19.43		
HDFC Floating Rate Income Fund LTP Growth	1,835,469	10	2.00		
HDFC Floating Rate Income STP - Dividend Reinvestment	65,036,616	10	65.19		
HDFC Income Fund Growth	6,455,289	10	10.06		
HDFC Income Fund Premium Plan Growth	6,396,593	10	10.00		
HDFC Liquid -Premium Plus - Dividend Reinv. (Weekly)	29,700,303	10	35.72		
HDFC Short Term Plan - Premium Plan-Dividend	96,226	10	0.10		
HSBC Cash Fund - Institutional - Monthly Dividend	11,704,665	10	12.23		
HSBC Cash Fund - Institutional Plus - Monthly Dividend	56,842,778	10	56.87		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars of units of mutual funds purchased and sold during the year ended 30 June 2005.

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Purchase price		
HSBC Floating Rate Fund Long Term Institutional Plan B Growth	11,847,363	10	12.00		
HSBC Floating Rate Fund Long Term Regular Option Growth	980,536	10	0.99		
HSBC Floating Rate Fund Short Term Institutional Daily Dividend	29,756,105	10	29.80		
HSBC Income Fund Investment Institutional Growth	8,923,313	10	10.00		
ING Vysya Floating Rate Fund Weekly Dividend	1,994,951	10	2.00		
ING Vysya Liquid Fund Institutional Daily Dividend Option	16,997,460	10	17.01		
JM Fixed Maturity Plan QSC4 Dividend Option	5,000,000	10	5.00		
JM Floater Fund Short Term Plan Growth	4,588,756	10	4.88		
JM Floater Fund STP Dividend Fortnightly Reinvest	9,479,833	10	9.54		
JM High Liquidity Fund Inst. Plan - Divd. Reinv	15,677	10	0.02		
JM High Liquidity Fund Super Inst. Plan - Daily Divd. Reinv	4,993,523	10	5.00		
JM High Liquidity Fund Super Inst. Plan - Divd. Reinv	17,986,848	10	18.03		
JM Short Term Fund Institutional Plan - Growth	2,729,431	10	3.00		
K Bond Institutional Plan-Growth	2,312,054	10	4.00		
K Bond Short Term Plan-Growth	10,494,589	10	12.32		
Kotak Floater Short Term Monthly Dividend	24,609,663	10	24.68		
Kotak Floater Short Term Weekly Dividend	108,524,084	10	108.64		
Kotak FMP Series VIII Dividend Monthly	5,002,374	10	5.00		
Kotak Liquid Inst Premium Plan Daily Dividend	31,291,302	10	38.26		
Kotak Liquid Inst Premium Plan Weekly Dividend	723,412	10	0.73		
Principal Cash Management Fund Liquid Option Institutional Plan - Daily Dividend Reinvest	13,499,639	10	13.50		
Principal Cash Management Fund Liquid Option Institutional Plan - Growth	6,510,174	10	7.00		
Principal Cash Management Institutional Plan - DM	15,100,673	10	15.14		
Principal Floating Rate Fund SMP Inst. Option Daily Dividend	23,609,522	10	23.61		
Principal FRF Flexible Maturity Fund Inst. Plan WD	4,526,720	10	4.53		
Principal Income Fund Institutional Plan - Growth Accumulation Plan	1,866,873	10	2.00		
Pru ICICI Floating Rate Plan C Dividend	42,312,855	10	42.32		
Pru ICICI Long Term Floating Rate Plan B Growth	4,859,512	10	4.94		
Prudential ICICI Floating Rate Plan - Dividend Reinvestment	131,213	10	0.13		
Prudential ICICI Institutional Income Plan Growth	5,151,267	10	10.00		
Prudential ICICI Liq. Inst. Plus - Growth	37,725,014	10	60.35		
Prudential ICICI Liq. Inst. Plus - Monthly Dividend	172,827,689	10	206.50		
Prudential ICICI Liq. Inst. Plus - Weekly Dividend	31,481,349	10	37.35		
Prudential ICICI Short term Plan Institutional Dividend Option	21,344,759	10	23.33		
Reliance Fixed Term Scheme Monthly Plan 17 Dividend Option	10,004,786	10	10.00		
Reliance Fixed Term Series XV Monthly Dividend	5,000,000	10	5.00		
Reliance Floating rate Fund Daily Dividend Reinvestment	14,033,131	10	14.10		
Reliance Floating rate Fund Growth	4,924,780	10	5.02		
RIF- Institutional Plan - Growth Plan - Growth Option	972,734	10	2.00		
RLF- Treasury Plan- Institutional Option- Daily Dividend Option	6,549,049	10	10.00		
RLF- Treasury Plan- Institutional Option- Weekly Dividend Option	3,943,678	10	6.02		
SBI Magna Insta Cash Fund - Dividend Reinvestment	28,287	10	0.03		
SBI Magna Institutional Income Fund - Savings Dividend	22,396,078	10	22.47		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars of units of mutual funds purchased and sold during the year ended 30 June 2005.

Schedule 6: Investments (Contd.)	Number of units	Face value per unit (Rupees)	Purchase price		
SBIMF - MDIF -180 days (30th Nov 2004) FMP - Dividend Option	5,096,792	10	5.10		
Sundaram Bond Saver-Institutional Plan -Growth	944,448	10	2.00		
Sundaram Floater ST Institutional Daily Dividend	2,028,035	10	2.04		
Sundaram Money Fund- Divd Reinvest. Monthly	255,687	10	0.26		
Sundaram Money Fund- Institutional - Dividend reinvestment Daily	3,964,030	10	4.00		
TATA Floating Rate Short Term Inst.Plan Daily Dividend	6,998,738	10	7.01		
TATA Liq Super High Inv. Fund Mthly Dividend	10,912,182	10	12.20		
Templeton Floating Rate Income Fund LTP Growth	1,690,617	10	2.00		
Templeton Floating Rate Income Fund STP Divd Reinvestment	55,414,088	10	55.47		
Templeton IBA Plan A Growth	4,347,677	10	10.00		
Templeton India Short Term Income Plan Growth	96,011	1,000	11.50		
Templeton India TMA Institutional PI Growth	458,732	1,000	46.47		
Templeton India TMA Institutional PI Weekly Dividend Reinvestment	521,005	1,000	52.12		
Templeton India TMA Regular Plan Daily Dividend Reinvestment	39,692	1,000	6.00		
Templeton India TMA Weekly Dividend Reinvestment	4,893	1,000	0.61		
UTI - Liquid Advantage Fund Institutional Dividend Plan	186,577	10	0.19		
UTI - Liquid Advantage Fund Institutional Growth Plan	41,421	1,000	5.00		
UTI Fixed Maturity Plan- QFMP (Series - IX) Dividend Plan	3,000,370	10	3.00		
UTI Fixed Maturity Plan Qfmp (Series VI) Dividend Plan	5,000,000	10	5.00		
UTI Floating Rate Fund Short Term Plan Weekly Dividend	7,957,190	10	8.01		
UTI Liquid Cash Plan Institutional - Daily Income Option	78,977	1,000	8.00		
UTI Liquid Fund Short Term Plan - Growth Option	4,665,137	10	5.00		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 7: Sundry Debtors		As at 30 June 2005	As at 30 June 2004
Unsecured - considered good (refer note)			
- Debts outstanding for more than six months	5.34	0.83	
- Other debts	301.07	167.76	
	306.41	168.59	
Unsecured - considered doubtful			
- Debts outstanding for more than six months	1.67	1.56	
	1.67	1.56	
Less: Provision for doubtful debts	(1.67)	(1.56)	
	306.41	168.59	

Note: Sundry debtors include Rs. 191.48 crores (previous year Rs. 86.57 crores) recoverable from subsidiaries of the Company.

Schedule 8: Cash and Bank Balances		As at 30 June 2005	As at 30 June 2004
Cash in hand	0.06	0.08	
Remittances in transit	61.49	20.44	
Balances with scheduled banks			
- On current accounts in Indian rupees (refer note 1)	1.71	7.31	
- On current accounts in foreign currency	17.44	33.20	
- On fixed deposit accounts in Indian rupees (refer note 2)	3.39	11.54	
Balances in current accounts with non-scheduled banks			
- Citi Bank N.A. Singapore - Singapore dollar account (refer note 3)	0.07	0.09	
- Citi Bank N.A. Singapore - United States dollar account (refer note 4)	0.34	0.09	
- Deutsche Bank, France-Euro account (refer note 5)	0.03	0.03	
	84.53	72.78	

Notes:

- Includes Rs.1.15 crores (previous year Rs. 0.56 crore) in unclaimed dividend account.
- Pledged with banks as security for guarantees Rs. 0.01 crore (previous year Rs. 0.01 crore).
- Maximum balance outstanding during the year Rs. 0.32 crore (previous year Rs. 0.15 crore).
- Maximum balance outstanding during the year Rs. 1.76 crores (previous year Rs. 0.41 crore).
- Maximum balance outstanding during the year Rs. 0.17 crore (previous year Rs. 0.14 crore).

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 9: Loans and Advances		As at 30 June 2005	As at 30 June 2004
(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 note 1 and 2)		90.17	69.75
- Considered doubtful		0.33	0.34
Loans to subsidiaries		24.77	40.19
Advance Income Tax (refer note 3)		6.50	1.34
Share application money to subsidiary		–	20.00
Dividend receivable from subsidiary		0.22	–
Interest receivable (refer note 4)		1.25	4.29
		123.24	135.91
Less: Provision for doubtful advances		(0.33)	(0.34)
		122.91	135.57

Notes:

- Includes Rs. 31.69 crores (previous year Rs. 10.16 crores) recoverable from the subsidiaries of the Company.
- Includes Rs. 0.05 crore (previous year Rs. 20.50 crores) on account of loan given to HCL Technologies Limited Employees Trust.
- Net of provision for Income tax of Rs. 51.40 crores (previous year Rs. 76.12 crores).
- Includes Rs. 0.52 crore (previous year Rs. Nil) recoverable from the subsidiaries of the Company.

Schedule 10: Other Current Assets		As at 30 June 2005	As at 30 June 2004
Unbilled revenue (refer note)		16.40	11.51
Unrealised gain on forward exchange contracts		19.21	–
		35.61	11.51

Note: Includes Rs. 6.09 crores (previous year Rs. 4.47 crores) in respect of subsidiaries of the Company.

Schedule 11: Current Liabilities and Provisions		As at 30 June 2005	As at 30 June 2004
Current liabilities			
Sundry creditors (refer note 1 and 2)		339.92	220.47
Unrealised loss on forward exchange contracts		–	17.88
Unearned revenue (refer note 3)		20.86	4.07
Advances from customers (refer note 4)		139.59	176.35
Interest accrued but not due on term loan		1.33	0.75
Investor Education and Protection Fund - Unclaimed dividend		1.15	0.56
Other liabilities		8.26	6.21
		511.11	426.29

Notes:

- Sundry creditors include Rs. 219.42 crores (previous year Rs. 139.86 crores) due to subsidiaries of the Company.
- According to the information available with the Company, Rs. Nil (previous year Rs. Nil) is payable to small-scale industrial undertakings as defined under Section 3 (j) of the Industries (Development and Regulation) Act, 1951 as on 30 June 2005.
- Unearned revenue includes Rs. 4.50 crores (previous year Rs. 2.24 crores) pertaining to the subsidiaries of the Company.
- Advances from customers include Rs. 139.39 crores (previous year Rs. 176.26 crores) pertaining to subsidiaries of the Company.

Provisions			
Provision for staff benefits		26.93	20.33
Provision for fringe benefit tax		1.16	–
Provision for wealth tax		0.03	0.03
Proposed dividend (including tax thereon)		145.81	133.91
		173.93	154.27
		685.04	580.56

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 12: Other Income	Year ended 30 June 2005	Year ended 30 June 2004
Interest income - gross [Tax deducted at source Rs. 0.86 crore (previous year Rs. 3.27 crores)]		
- On fixed deposits	0.13	0.10
- From customers	–	0.41
- On non-trade investments	7.91	17.24
- On loans	0.24	0.17
Dividend from non-trade investments	15.81	38.34
Dividend from trade investments	0.22	4.52
Exchange differences	–	18.89
Rent received	0.59	0.59
Profit on sale of non-trade investments	38.32	65.99
Profit on sale of fixed assets (net)	0.96	0.27
Provision for diminution in value of investments written back	18.21	–
Bad Debts recovered	–	0.14
Miscellaneous income	0.63	0.10
	83.02	146.76

Schedule 13: Cost of Software Development	Year ended 30 June 2005	Year ended 30 June 2004
Personnel expenses		
Salaries, wages and bonus	449.08	332.18
Contribution to provident and other funds	16.93	11.64
Staff welfare expenses	22.53	18.57
Employee stock compensation expenses	2.49	–
Software development expenses - external	298.48	244.24
	789.51	606.63

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 14: Administration and Other Expenses	Year ended 30 June 2005	Year ended 30 June 2004
Rent	23.72	17.19
Power and fuel	22.11	13.49
Insurance	1.75	0.31
Repairs and maintenance		
- Plant and machinery	6.45	5.53
- Building	7.78	4.67
- Others	6.24	6.39
Communication costs	20.41	16.32
Travel and conveyance	120.18	91.31
Marketing expenses	18.12	34.49
Business promotion	2.56	1.73
Legal and professional charges	8.73	6.43
Lease rent	5.52	5.77
Software licence fee	24.56	12.67
Printing and stationery	2.34	1.97
Rates and taxes	8.91	8.61
Advertising and publicity	0.20	0.09
Books and periodicals	2.10	2.03
Recruitment, training and development	14.48	10.96
Provision for doubtful debts	0.10	0.08
Bad debts/ advances written off	6.83	0.27
Donations	0.05	0.02
Loss on sale of non-trade investments	18.76	2.07
Provision for diminution in value of investments	–	18.34
Premium amortisation on bonds	0.44	0.97
Exchange differences	2.72	–
Miscellaneous expenses	3.35	2.00
	328.41	263.71

Schedule 15: Finance Charges	Year ended 30 June 2005	Year ended 30 June 2004
Interest		
- on vehicles under finance lease	0.98	0.84
- on loan from bank	2.82	2.60
- others	1.32	1.40
Bank charges	0.50	0.64
	5.62	5.48

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and 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. The financial statements are presented in crores of Indian rupees.

(ii) Use of estimates

The preparation of financial statements in conformity with 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. Any revision to accounting estimates is recognised prospectively in current and future periods.

(iii) Revenue recognition

Revenue from software developed on a time and materials basis is recognised as the related 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 cost incurred in respect of each contract as a proportion of total cost 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. Revenue from products developed for customers under a revenue sharing plan is recognised in accordance with the terms of the contract. Costs and earnings in excess of billing are classified as unbilled revenue, while billing in excess of costs and earnings are classified as unearned income. Incremental revenue from existing contracts, arising on future sales of customer's product, will be recognised when it is earned.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income and brokerage is recognised when the right to receive the same is established.

(iv) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. 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 improvements is provided on the straight-line method based on estimated useful lives, as determined by the management. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over a period of four years or the remaining period of the lease, whichever is shorter. Estimated useful life of goodwill is five years and the carrying value of goodwill at the end of each accounting period is reviewed for impairment. 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 estimate 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 (excluding mainframes)	3
Mainframe computer system (including related software)	6
Software	3
Furniture and fixtures	4
Vehicles-owned	5
Vehicles-leased	Over the period of lease or 5 years, whichever is lower

These rates are equal to or higher than the rates specified by Schedule XIV to the Companies Act, 1956.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)**(vii) Leases****Finance leases****Up to 31 March 2001**

In respect of assets taken on lease, the lease rental payments are charged to the Profit and Loss Account rateably over the period of lease.

From 1 April 2001

The assets taken on finance lease are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Operating leases

Lease payments under an operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(viii) Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as long-term or current investments, based on management's intention at the time of purchase. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

(ix) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of the transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss Account. Foreign currency monetary assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations are recognised in the Profit and Loss Account.

The branches of the Company are considered integral to the Company's operations. The transactions of these branches have been translated as if the transactions of the branches were the transactions of the Company itself.

(x) Forward exchange contracts

The Company enters into forward foreign exchange contracts where the counter party is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates associated with forecast sales transactions.

The Company records the gain or loss on effective hedges in the general reserve until the transactions are complete. On completion the gain or loss is transferred to the Profit and Loss Account for that period.

To designate a forward contract as an effective hedge, management objectively evaluates each contract with appropriate supporting documentation and evidence at the inception of each forward contract and on an ongoing basis to determine whether these forward contracts are effective in achieving offsetting cash flows attributable to the hedged risk or not. In the absence of an effective hedge, the gain or loss is recognised in the Profit and Loss Account.

(xi) Employee stock option based compensation

The Company calculates the compensation cost based on the intrinsic value method wherein 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 Schemes of the Company, is recognised as deferred stock compensation cost and is amortised over the vesting period on a straight line basis.

(xii) Taxation

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

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

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

(xiii) Retirement benefits

Contributions to provident fund are deposited with a recognised provident fund trust, set up by the Company. The interest rate payable by the trust to the beneficiaries every year is being notified by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. 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.

(xiv) Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary/ exceptional item. Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares outstanding during the year and dilutive equity equivalent shares outstanding at the year-end, except where the results would be anti dilutive.

2. Employee Stock Option Plan (ESOP)

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004, for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively, to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 84 months respectively, from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

Each option granted under the above plans entitles the holder to two equity shares of the Company at an exercise price, which is approved by the Compensation Committee.

As at 30 June 2005, 10,085,833 (previous year 8,351,795) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999.

	Year ended 30 June 2005	Year ended 30 June 2004
Options outstanding at the beginning of the year	8,351,795	10,927,381
Add: Granted during the year	4,140,336	–
Less: Forfeited during the year	(764,929)	(490,092)
Exercised during the year	(1,417,520)	(1,711,405)
Expired during the year	(223,849)	(374,089)
Options outstanding at the end of the year	10,085,833	8,351,795

As at 30 June 2005, 12,702,119 (previous year 7,639,239) options were outstanding with the employees of the Company and its subsidiaries in respect of the ESOP 2000.

	Year ended 30 June 2005	Year ended 30 June 2004
Options outstanding at the beginning of the year	7,639,239	8,814,611
Add: Granted during the year	7,195,445	109,275
Less: Forfeited during the year	(844,650)	(651,526)
Exercised during the year	(923,752)	(185,476)
Expired during the year	(364,163)	(447,645)
Options outstanding at the end of the year	12,702,119	7,639,239

As at 30 June 2005, 373,472 (previous year Nil) options were outstanding with the employees of the Company and its subsidiaries in respect of the ESOP 2004.

	Year ended 30 June 2005	Year ended 30 June 2004
Options outstanding at the beginning of the year	–	–
Add: Granted during the year	373,472	–
Less: Forfeited during the year	–	–
Exercised during the year	–	–
Expired during the year	–	–
Options outstanding at the end of the year	373,472	–

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

3. HCL Technologies Limited Employees Trust

During the year ended March 31, 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust ("Trust"). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issues these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

	Year ended 30 June 2005	Year ended 30 June 2004
Shares held at the beginning of the year	994,445	4,098,887
Add: shares purchased during the year	–	–
Less: shares issued to employees	(994,445)	(3,104,442)
Shares held at the end of the year	–	994,445

4. (i) The Company has acquired vehicles on a finance lease basis. The legal title to assets acquired under the finance leases vests in the lessors. The total minimum lease payments and maturity profile of finance leases at the balance sheet date, the element of interest included in such payments, and the present value of the minimum lease payments are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	3.65	0.82	2.83
	(2.40)	(0.59)	(1.81)
Later than one year but not later than five years	7.41	0.84	6.57
	(4.64)	(0.60)	(4.04)
	11.06	1.66	9.40
	(7.04)	(1.19)	(5.85)

Previous year figures are in brackets.

(ii) The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognised in the Profit and Loss Account for the year is Rs. 25.51 crores (previous year Rs. 19.32 crores). Future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

	Year ended 30 June 2005	Year ended 30 June 2004
Not later than one year	24.21	23.15
Later than one year but not later than five years	62.27	78.04
Later than five years	3.18	11.62
	89.66	112.81

5. Segment Reporting

The Company renders software services to customers in various geographical locations, which have been identified as primary segments. These are as follows:

- America
- Europe
- Others (includes Australia, New Zealand, Singapore, Malaysia, Hong Kong, Israel, South Korea and India)

The above segments have been identified and reported taking into account the differing risks and returns, nature of regulatory environment, underlying currency risks and internal financial reporting systems.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

Financial information relating to the primary segments is presented below:

	For the year ended 30 June 2005				For the year ended 30 June 2004			
	America	Europe	Others	Total	America	Europe	Others	Total
Segment revenues	1,117.29	213.83	115.89	1,447.01	906.50	151.05	70.43	1,127.98
Segment results	337.62	32.85	20.96	391.43	255.34	24.54	23.57	303.45
Less: Unallocated corporate expenses and depreciation				(132.80)				(110.68)
Operating profit				258.63				192.77
Income from treasury operations and other income				83.02				127.87
Exchange differences				(2.72)				18.89
Net profit before tax				338.93				339.53
Assets								
Segment assets	349.98	64.79	77.26	492.03	240.22	27.16	28.41	295.79
Unallocated corporate, treasury and deferred tax assets				2,719.59				2,350.30
Unallocated fixed assets				431.73				323.91
Total assets				3,643.35				2,970.00
Liabilities								
Segment liabilities	401.18	98.63	31.10	530.91	362.78	53.92	8.39	425.09
Unallocated corporate liabilities				250.82				253.70
Total liabilities				781.73				678.79
Significant non-cash adjustments affecting segment results								
Provision for doubtful debts and bad debts written off	–	–	0.43	0.43	0.35	–	–	0.35
Amortisation of product development costs	–	–	–	–	2.50	–	–	2.50

The Company is engaged exclusively in the business of providing a comprehensive range of information technology services including software development, systems maintenance, engineering design services and product development. These have been considered to constitute one single business segment, i.e. software services based on the internal reporting systems and nature of regulatory environment.

Segment accounting policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

All segment assets (excluding fixed assets) and liabilities have been allocated to the various segments on the basis of specific identification or on the basis of revenue generated from each segment. Fixed assets used in the Company's business have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments.

Segment assets principally consist of sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not, however, include fixed assets, unallocated corporate investments, treasury assets and net tax assets.

Segment liabilities include sundry creditors, advance from customers, other liabilities and unaccrued income. Segment liabilities do not include share capital, reserves, unsecured loans, secured loans in respect of leased vehicles, borrowings and provision for income tax.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification and actual efforts made. However, segment revenue does not include miscellaneous income, income from investments and other income. Segment expenses do not include depreciation, financing cost, unallocated costs which are not directly attributable to a segment, e.g. managerial remuneration, premium amortised on bonds and diminution allowance in respect of non-trade investments, etc.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)**6. Related Party Transactions****a) Related parties where control exists****Holding company**

HCL Corporation Limited, India

Subsidiaries

HCL America Inc., United States of America (formerly "HCL Technologies America Inc., United States of America")

HCL Great Britain Ltd., United Kingdom (formerly "HCL Technologies Europe Limited, United Kingdom")

HCL (Netherlands) BV, Netherlands (formerly "HCL Technologies (Netherlands) BV, Netherlands")

HCL Technologies GmbH, Germany

HCL Technologies Belgium NV, Belgium

HCL Technologies Sweden AB, Sweden

HCL Technologies Italy SLR, Italy

HCL Australia Services Pty. Ltd., Australia (formerly "HCL Technologies Australia (Pty.) Limited, Australia")

HCL (New Zealand) Ltd., New Zealand (formerly "HCL Technologies (New Zealand) Limited, New Zealand")

HCL Hong Kong SAR Ltd., Hong Kong (formerly "HCL Technologies (Hong Kong) Limited, Hong Kong")

HCL Technologies Japan Limited, Japan

HCL Comnet Systems and Services Limited, India

HCL Comnet Limited, India

HCL Bermuda Ltd., Bermuda (formerly "HCL Technologies Bermuda Limited, Bermuda")

HCL Venture Capital Limited, Bermuda

HCL Holdings GmbH, Austria

eServe Holdings Limited, Mauritius

HCL Technologies BPO Services Limited, India

HCL Enterprise Solutions Limited, Mauritius

HCL Technologies (Illinois) Inc., USA

HCL Enterprise Solutions (India) Limited, India

Intelicent India Limited, India

DSI Financial Solutions Pte. Limited, Singapore

DSL Software Limited, India

DSL GmbH, Germany

HCL BPO Services (NI) Ltd., Northern Ireland (formerly "HCL Technologies BPO Services NI Limited, Northern Ireland")

HCL Technologies (Mass.) Inc., USA

HCL Technologies (Mumbai) Limited, India

HCL Jones Technologies (Bermuda) Limited, Bermuda

HCL Jones Technologies, LLC, United States of America

Insys Inc., Canada

HCL Singapore Pte. Ltd., Singapore (formerly "HCL Technologies Singapore Pte. Singapore")

HCL Technologies (Malaysia) Sdn. Bhd., Malaysia

Infosystems Europe Limited, United Kingdom

Infosystems Australia Pty. Limited, Australia

HCL m.a. Limited

Shipara Technologies Limited, India

Aquila Technologies Limited

HCL EAI Services Pvt. Limited, India (formerly "Aalayance E-Com Service Private Limited, India")

Aalayance Inc., United States of America

Aalayance UK Limited, UK

Others

HCL Technologies Limited Employees Trust

b) Related parties with whom transactions have taken place during the year**Subsidiaries**

HCL America Inc., United States of America (formerly "HCL Technologies America Inc., United States of America")

HCL Great Britain Ltd., United Kingdom (formerly "HCL Technologies Europe Limited, United Kingdom")

HCL (Netherlands) BV, Netherlands (formerly "HCL Technologies (Netherlands) BV, Netherlands")

HCL Technologies GmbH, Germany

HCL Technologies Belgium NV, Belgium

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

HCL Technologies Sweden AB, Sweden

HCL Australia Services Pty. Ltd., Australia (formerly "HCL Technologies Australia (Pty.) Limited, Australia")

HCL (New Zealand) Ltd., New Zealand (formerly "HCL Technologies (New Zealand) Limited, New Zealand")

HCL Hong Kong SAR Ltd., Hong Kong (formerly "HCL Technologies (Hong Kong) Limited, Hong Kong")

HCL Comnet Systems and Services Limited, India

HCL Comnet Limited, India

HCL Bermuda Ltd., Bermuda (formerly "HCL Technologies Bermuda Limited, Bermuda")

HCL Technologies BPO Services Limited, India

HCL Technologies (Illinois) Inc., USA

HCL Enterprise Solutions (India) Limited, India

Intelicent India Limited, India

DSL Software Limited, India

DSL GmbH, Germany

HCL Technologies (Mass.) Inc., USA

HCL Technologies (Mumbai) Limited, India

HCL Jones Technologies (Bermuda) Limited, Bermuda

HCL Jones Technologies, LLC, United States of America

HCL Singapore Pte. Ltd., Singapore (formerly "HCL Technologies Singapore Pte. Singapore")

HCL Technologies (Malaysia) Sdn. Bhd., Malaysia

Shipara Technologies Limited, India

Aquila Technologies Limited

HCL EAI Services Pvt. Limited, India (formerly "Aalayance E-Com Service Private Limited, India")

Fellow subsidiaries

HCL Infosystems Limited*

HCL Infinet Limited*

HCL Peripherals Limited

* Ceased to be a fellow subsidiary w.e.f 10th February 2005. The holding company continues to have substantial interest in the voting power.

Associate

HCL EAI Services Pvt. Limited, India (formerly "Aalayance E-Com Service Private Limited, India") upto 31st January, 2005

Others

HCL Technologies Limited Employees Trust

Key managerial personnel

S. Raman

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

c) Transactions with related parties during the year in the ordinary course of business

Particulars	Subsidiaries		Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key managerial personnel		Total	
	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005
Sale of materials and services	730.01	560.21	5.23	3.37	—	1.73	—	—	—	—	—	—	735.24	565.31
Purchase of materials and services	310.72	240.23	12.95	0.94	—	25.02	0.46	1.80	—	—	—	—	324.13	267.99
Payment for use of facilities	1.03	—	1.44	1.45	—	1.03	—	—	—	—	—	—	2.47	2.48
Receipt for use of facilities	0.59	0.59	—	—	—	—	—	—	—	—	—	—	0.59	0.59
Dividend income	0.22	4.52	—	—	—	—	—	—	—	—	—	—	0.22	4.52
Interest paid	1.31	1.40	—	—	—	—	—	—	—	—	—	—	1.31	1.40
Other receipts	0.26	0.40	—	—	—	0.16	—	—	—	—	—	—	0.26	0.56
Investments	43.10	18.65	—	—	—	4.00	—	—	—	—	—	—	43.10	22.65
Loans (net of repayments)	(15.42)	2.64	—	—	—	(3.26)	—	—	(13.95)	(47.40)	—	—	(29.37)	(48.02)
Purchase of capital equipments	—	0.12	22.99	12.49	—	—	—	—	—	—	—	—	22.99	12.61
Sale of capital equipment	0.96	0.40	—	—	—	—	—	—	—	—	—	—	0.96	0.40
Bad debts/ advances written off	—	—	—	—	—	—	—	—	6.50	—	—	—	6.50	—
Remuneration	—	—	—	—	—	—	—	—	—	—	1.60	1.20	1.60	1.20
Guarantees	308.57	184.09	—	—	(0.25)	4.60	—	—	—	—	—	—	308.32	188.69

d) Outstanding balances with related parties

Particulars	Subsidiaries		Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key managerial personnel		Total	
	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005	Year ended 30 June	2005
Debtors	191.48	86.57	1.67	1.16	—	—	—	—	—	—	—	—	193.15	87.73
Short term loans by Company	24.77	39.07	—	—	—	1.12	—	—	0.05	20.50	—	—	24.82	60.69
Other receivables	38.52	14.63	1.78	0.64	—	2.28	—	—	—	—	—	—	40.30	17.55
Creditors	219.42	139.86	1.06	0.62	—	5.57	—	0.18	—	—	—	—	220.48	146.23
Advance received	139.39	176.26	—	—	—	—	—	—	—	—	—	—	139.39	176.26
Unearned revenue	4.50	2.24	—	—	—	—	—	—	—	—	—	—	4.50	2.24

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

7. Loans and Advances in the Nature of Loans to Subsidiaries and Others

Name of the company	Amount of loan	Rate of interest	Maximum amount outstanding during the year
HCL Technologies BPO Services Limited	20.77	–	58.87
	(39.07)	(–)	(47.15)
Shipara Technologies Limited	4.00	9%	4.87
	(1.12)	(9%)	(5.12)
HCL Technologies Limited Employees Trust	0.05	–	20.50
	(20.50)	(–)	(68.08)

Previous year figures are given in brackets.

8. Components of Deferred Tax Asset

	As at 30 June 2005	As at 30 June 2004
Depreciation	7.49	6.94
Amortisation of premium on bonds	0.01	0.34
	7.50	7.28

9. Capital Commitments and Contingent Liabilities

	As at 30 June 2005	As at 30 June 2004
Estimated amount of unexecuted capital contracts (net of advances)	14.24	16.24
Outstanding letter of credit	–	0.43
Guarantees given by the Company on behalf of various joint ventures and subsidiaries	497.01	188.69
Commitment to contribute to a joint venture company	10.78	–
Disputed sales tax	0.29	0.22
	522.32	205.58

10. Derivative Financial Instruments

The Company enters into forward foreign exchange contracts where the counter party is a bank. The forward foreign exchange contracts mature between one to twelve months. The Company considers the risk of non performance by the counter party as negligible. The value of forward cover contracts outstanding as on 30 June 2005 amounted to Rs. 987.31 crores (previous year Rs. 456.39 crores).

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

11. Auditors' Remuneration*

	Year ended 30 June 2005	Year ended 30 June 2004
Statutory audit	0.85	0.47
Tax audit fees	0.15	0.15
Other services	0.81	0.03
	1.81	0.65

* excluding service tax

12. CIF Value of Imports

	Year ended 30 June 2005	Year ended 30 June 2004
Capital goods	29.08	15.44
	29.08	15.44

13. Expenditure in Foreign Currency

	Year ended 30 June 2005	Year ended 30 June 2004
Software development charges	296.16	243.31
Interest	4.14	2.91
Travel (on cash basis)	94.06	74.44
Rates and taxes	8.29	8.35
Exchange differences	2.72	—
Marketing expenses	18.12	34.49
Others	3.73	7.64
	427.22	371.14

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

14. Earnings in Foreign Currency

	Year ended 30 June 2005	Year ended 30 June 2004
Income from software services	1,428.12	1123.73
Interest	–	0.40
Exchange differences	–	18.89
Dividend from subsidiary	–	4.52
	1,428.12	1,147.54

Expenditure reimbursed by the customers in foreign currency has been netted off against the related expenses in the Profit and Loss Account and amounts to Rs. 35.88 crores (previous year Rs. 19.61 crores).

15. Dividend Remitted in Foreign Currency

	Year ended 30 June 2005	Year ended 30 June 2004
Final dividend		
Number of non-resident shareholders	113	55
Number of shares held	61,607,779	64,136,466
Amount remitted (net of tax)	24.64	12.83
Year to which it relates	2003-2004	2002-03
1st Interim dividend		
Number of non-resident shareholders	118	56
Number of shares held	61,946,251	64,551,968
Amount remitted (net of tax)	24.78	12.91
Year to which it relates	2004-2005	2003-04
2nd Interim dividend		
Number of non-resident shareholders	104	56
Number of shares held	61,581,631	62,472,111
Amount remitted (net of tax)	24.63	12.49
Year to which it relates	2004-2005	2003-04
3rd Interim dividend		
Number of non-resident shareholders	95	54
Number of shares held	61,495,281	62,563,461
Amount remitted (net of tax)	24.60	12.51
Year to which it relates	2004-2005	2003-04

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

16. Managerial Remuneration

i) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non whole-time directors:

		Year ended 30 June 2005
Profit before tax as per Profit and Loss Account		338.93
Add:		
Depreciation as per books of account	67.56	
Provision for doubtful debts	0.10	
Book loss on sale of Investments	18.76	
Donations	0.05	86.47
Less:		
Depreciation under Section 350 of the Companies Act, 1956	67.56	
Book profit on sale of fixed assets credited to Profit and Loss Account	0.96	
Provision for diminution in value of investments written back	18.21	
Profit on sale of investments	38.32	125.05
Profit as per Section 349		300.35
Add:		
Director's remuneration		1.94
Profit as per Section 198		302.29
Commission payable to non whole-time directors:		
Maximum commission allowed under Section 309 of the Companies Act, 1956 @ 1%		3.02
Commission approved by the Board		0.34

ii) Managerial remuneration comprises:

	Year ended 30 June 2005	Year ended 30 June 2004
Salaries and allowances	1.51	1.12
Perquisites	0.02	0.02
Contribution to provident fund	0.07	0.06
Sitting fees	0.08	0.10
Commission to non-executive directors	0.34	0.36
	2.02	1.66

The above excludes provision for gratuity which is actuarially determined on an overall basis.

During the year ended 30 June 2005, wholly-owned subsidiaries have made following payments to directors of the Company:

	Year ended 30 June 2005	Year ended 30 June 2004
Remuneration paid to executive directors	1.31	4.14
Reimbursement of expenses paid to non-executive directors	–	0.15
Sitting fees	–	0.25
	1.31	4.54

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 16: Significant Accounting Policies and Notes to the Accounts (Contd.)

17. Earnings Per Equity Share (EPS)

	Year ended 30 June 2005	Year ended 30 June 2004
Net profit as per Profit and Loss Account for computation of EPS	329.27	325.72
Weighted average number of shares outstanding in computation of basic EPS	307,564,925	294,519,683
Dilutive effect of stock options outstanding	8,981,320	5,465,622
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	316,546,245	299,985,305
Nominal value of equity shares	2	2
Basic	10.71	11.06
Diluted	10.40	10.86

18. A Scheme for amalgamation of DSL Software Limited, Shipara Technologies Limited, HCL Technologies BPO Services Limited, HCL Technologies (Mumbai) Limited, Aquila Technologies Limited and HCL Enterprise Solutions (India) Limited, all wholly-owned subsidiaries of the Company, with the Company has been filed with the Hon'ble High Courts of Delhi and Karnataka. The effective date of amalgamation, on approval by the said courts, shall be April 1, 2005.

19. The Company has a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company appoints independent consultants for conducting a Transfer Pricing Study to determine whether the transactions with associate enterprises are undertaken, during the financial year, on an "arms length basis". Adjustments, if any, arising from the transfer pricing study shall be accounted for as and when the study is completed for the current financial year. However the management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

20. Previous year figures have been re-classified/ re-grouped to conform to current year's classification.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

S L Narayanan
Corporate Vice President - Finance

Allwyn Noronha
General Manager and Company Secretary

Place: Noida (UP), India
Date: August 23, 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(All amounts in thousands of rupees, unless otherwise stated)

I. Registration details

Registration No.	55-46369	State Code	55
Balance Sheet Date	30 June 2005		

II. Capital raised during the year

Public issue	Rights issue
<i>Nil</i>	<i>Nil</i>
Bonus issue	Private placement
<i>Nil</i>	7,663,132

Note: Capital raised during the year includes share application money.

III. Position of mobilisation and deployment of funds

Total liabilities	Total assets
29,583,115	29,583,115

Sources of funds

Paid-up capital	Reserves and surplus
654,827*	27,961,383
Secured loans	Unsecured loans
964,185	2,720

*Includes Rs. 16,398 thousands in respect of share application money.

Application of funds

Net fixed assets	Investments
4,317,182**	26,546,554
Net current assets	Misc.expenditure
(1,355,660)	<i>Nil</i>
Accumulated losses	Deferred tax
<i>Nil</i>	75,038

** Includes Rs. 717,804 thousands in respect of capital work-in-progress.

IV. Performance of Company

Turnover	Total expenditure
15,300,312	11,910,922
Profit before tax	Profit after tax
3,389,390	3,292,727
Earnings per share (in Rs.)	Dividend rate
10.71 (<i>Basic</i>)	800%
10.40 (<i>Diluted</i>)	



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 and CEO

S L Narayanan
Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian
Director
Allwyn Noronha
General Manager and Company Secretary

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF HCL TECHNOLOGIES LIMITED

1. We have audited the attached consolidated Balance Sheet of HCL Technologies Limited ("the Company"), as at June 30, 2005, the consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain consolidated entities whose financial statements reflect total assets of Rs. 1147.05 crores, as at June 30, 2005 and total revenues of Rs. 585.93 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements AS 23, Accounting for Investment in Associates in Consolidated Financial Statements AS 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidated entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Company and its consolidated entities as at June 30, 2005;
 - (ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and
 - (iii) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

Place: Delhi, India
Date : August 23, 2005

Kaushik Dutta
Partner
Membership Number: F – 88540
For and on behalf of
Price Waterhouse
Chartered Accountants

CONSOLIDATED BALANCE SHEET as at 30 June 2005

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	As at 30 June 2005	As at 30 June 2004
Sources of Funds			
Shareholders' funds			
Share capital	1	63.84	59.22
Share application money pending allotment		1.64	0.04
Reserves and surplus	2	3,376.93	2,573.14
		3,442.41	2,632.40
Minority interest		11.77	118.82
Loan funds			
Secured loans	3	185.71	178.01
Unsecured loans	4	0.35	0.39
		186.06	178.40
		3,640.24	2,929.62
Application of Funds			
Fixed assets	5		
Gross block		1,933.50	998.21
Less: Accumulated depreciation and amortisation		(697.20)	(556.53)
Net block		1,236.30	441.68
Capital work-in-progress (including capital advances)		100.11	144.63
		1,336.41	586.31
Investments	6	1,804.52	1,989.47
Deferred tax asset (net)	19(4)	39.72	39.82
Current assets, loans and advances			
Inventories	7	38.97	25.70
Sundry debtors	8	598.52	466.61
Cash and bank balances	9	231.35	224.88
Loans and advances	10	201.56	145.76
Other current assets	11	73.80	25.15
		1,144.20	888.10
Less: Current liabilities and provisions	12	(684.61)	(574.08)
Net current assets		459.59	314.02
		3,640.24	2,929.62

Significant accounting policies and notes to the accounts

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The schedules referred to above form an integral part of the Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For HCL Technologies Limited

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants
Place: Delhi, India
Date: August 23, 2005

Shiv Nadar
Chairman and CEO
S L Narayanan
Corporate Vice President - Finance
Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian
Director
Allwyn Noronha
General Manager and
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 June 2005

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	Year ended 30 June 2005	Year ended 30 June 2004
Income			
Sales	13	3,351.20	2,563.69
Other income	14	120.03	476.51
		3,471.23	3,040.20
Expenditure			
Cost of goods sold	15	102.98	113.31
Cost of services	16	1,754.67	1,368.95
Administration and other expenses	17	736.31	581.53
Finance costs	18	10.18	9.69
Depreciation and amortisation	5	151.58	165.20
		2,755.72	2,238.68
Profit before tax, minority interest and share of loss of equity investees		715.51	801.52
Tax expense - current		(49.73)	(40.73)
- deferred (net)		1.61	15.48
- fringe benefit		(1.68)	-
		665.71	776.27
Profit before minority interests and share of loss of equity investees		665.71	776.27
Share of income/ (loss) of equity investees		(0.49)	(10.97)
Share of minority shareholders		(46.50)	(79.07)
		618.72	686.23
Balance in Profit and Loss Account brought forward		1,438.79	1,109.70
Profit available for appropriation		2,057.51	1,795.93
Appropriations			
Proposed final dividend [including Rs. 0.59 crore (previous year Rs. Nil) paid for previous year]		128.47	118.43
Corporate dividend tax on final dividend [including Rs. 0.08 crore (previous year Nil) paid for previous year]		18.02	15.48
Interim dividend		373.28	177.42
Corporate dividend tax on interim dividend		50.16	22.73
Transfer to general reserve		32.93	32.57
Balance Profit and Loss Account carried forward to the Balance Sheet		1454.65	1,429.30
		2,057.51	1,795.93
Earnings per equity share (in rupees)			
Basic		20.12	23.30
Diluted		19.55	22.88
Weighted average number of equity shares used in computing earnings per equity share	19(10)		
Basic		307,564,925	294,519,683
Diluted		316,546,245	299,985,305

Significant accounting policies and notes to the accounts

19

The schedules referred to above form an integral part of the Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For HCL Technologies Limited

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO
S L Narayanan
Corporate Vice President - Finance

T S R Subramanian
Director

Allwyn Noronha
General Manager and
Company Secretary

Place: Delhi, India
Date: August 23, 2005

Place: Noida (UP), India
Date: August 23, 2005

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2005

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2005	Year ended 30 June 2004
Cash Flows from Operating Activities		
Profit before tax	715.51	801.52
Adjusted for:		
Income from investments and interest	(44.69)	(47.87)
(Profit)/ loss on sale of investments (net)	(25.00)	(70.93)
(Profit)/ loss on sale of investments in joint venture	-	(306.19)
Depreciation and amortisation	151.58	165.20
Finance charges on lease	1.37	0.79
Interest on term loans	4.70	3.41
(Profit)/ loss on sale of fixed assets	(1.11)	(0.08)
Diminution in value of investments	-	18.68
Provision for doubtful debts/ bad debts written off	8.36	(10.81)
Provision for doubtful advances/ advances written off	7.64	-
Premium amortised on bonds	0.44	0.97
Provision for diminution in value of investments written back	(18.46)	-
Provision for liabilities written back	(4.46)	(0.89)
Miscellaneous expenditure written off	-	2.50
Amortisation of stock compensation	2.49	-
Taxes paid	(40.41)	(17.45)
Decrease/(increase) in sundry debtors	(153.15)	(155.57)
Decrease/(increase) in inventories	(13.28)	6.87
Decrease/(increase) in other current assets	(17.49)	(14.45)
Decrease/(increase) in loans and advances	(86.44)	(39.86)
Increase/(decrease) in current liabilities and provisions	107.20	98.02
Net cash from (used for) operating activities	594.80	433.86
Cash Flows from Investing Activities		
Investment in mutual funds (net)	98.32	(503.75)
Investment in bonds (net)	127.05	8.97
(Loan)/ repayment by Employees Stock Option Trust	13.95	47.40
Investment in Venture Capital Funds	(17.07)	(23.52)
Proceeds from sale of investment in Joint Venture	-	461.80
Purchase of fixed assets (including capital advances)	(297.05)	(285.75)
Proceeds from sale of fixed assets	3.14	4.92
Payment for business acquisition (net of cash acquired)	(42.78)	(5.85)
Income from investments and interest	44.69	47.87
Principal payment for capital lease obligations	(5.17)	(2.32)
Net cash from (used for) investing activities	(74.92)	(250.23)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2005 (Contd.)

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2005	Year ended 30 June 2004
Cash Flows from Financing Activities		
Payment for capital lease obligations	(1.37)	(0.79)
Proceeds/(repayment) of short-term loans	(13.84)	31.57
Interest on term loans	(4.70)	(3.41)
Proceeds from long-term loans	-	92.05
Issue of share capital (including share application money pending allotment and net of share issue expenses)	67.45	6.87
Dividend paid to minority shareholders of consolidated subsidiaries	-	(9.16)
Dividends paid (including corporate dividend tax)	(558.03)	(266.72)
Cash flows from (used for) financing activities	(510.49)	(149.59)
Effect of exchange rates on cash and cash equivalents held in foreign currency	(2.92)	11.67
Net increase/(decrease) in cash and equivalents	6.47	45.71
Cash and equivalents at the beginning of the year	224.88	179.17
Cash and equivalents at the end of the year	231.35	224.88

For components of cash and cash equivalents refer schedule 9 of the Balance Sheet.

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate cash outflow.
3. Previous year figures have been regrouped and recast wherever necessary to confirm to the current period classification.
4. Cash and cash equivalents includes the following, which are not available for use by the Company:
 - Investor Education and Protection Fund - Unclaimed dividend 1.15
 - Bank Guarantees margin 0.01

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta

Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants
Place: Delhi, India
Date: August 23, 2005

Shiv Nadar

Chairman and CEO
S L Narayanan
Corporate Vice President - Finance
Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian

Director
Allwyn Noronha
General Manager and
Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 1: Share Capital		As at 30 June 2005	As at 30 June 2004
Authorised			
400,000,000 (previous year 400,000,000) equity shares of Rs. 2 each	80.00	80.00	
Issued, subscribed and paid up			
319,214,784 (previous year 296,080,438) equity shares of Rs. 2 each, fully paid up	63.84	59.22	
	63.84	59.22	

Notes:

1. Paid up share capital includes:

- 42,449,979 (previous year 23,090,990) equity shares of Rs. 2 each allotted as fully paid up, pursuant to consideration other than cash. During the year 19,358,989 equity shares were issued to Deutsche Bank AG for acquiring 49% stake in DSI Financial Solutions Pte. Limited, Singapore.
- 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve.
- 13,905,823 (previous year 11,621,722) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
- 1,498,356 (previous year 7,100) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.

2. Of the above subscribed shares, 162,017,167 (previous year 162,017,167) equity shares are held by HCL Corporation Limited, the holding Company and 1,500,000 (previous year 1,500,000) equity shares are held by HCL Peripherals Ltd., being a fellow subsidiary.

Schedule 2: Reserves and Surplus		As at 1 July 2004	Additions	Deletions	As at 30 June 2005
Securities premium account	941.21	760.08	-	1,701.29	
	(931.40)	(9.81)	(-)	(941.21)	
Foreign currency translation reserve	5.22	(55.82)	-	(50.60)	
	(-2.31)	(7.53)	(-)	(5.22)	
General reserve	187.92	81.18	-	269.10	
	(191.02)	(32.57)	(35.67)	(187.92)	
Employee stock options outstanding [net of deferred employee compensation cost of Rs. 5 crores (previous year Rs. Nil)]	-	2.49	-	2.49	
	(-)	(-)	(-)	(-)	
Profit and Loss Account	1,438.79	48.79	32.93	1454.65	
	(1,109.70)	(361.66)	(32.57)	(1,438.79)	
	2,573.14	836.72	(32.93)	3,376.93	
	(2,229.81)	(411.57)	(68.24)	(2,573.14)	

Notes:

1. Addition to the securities premium account represents:

- Rs. 65.09 crores (previous year Rs. 7.02 crores) securities premium in respect of allotment of equity shares to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999 and Employee Stock Option Plan 2000.
- Rs. Nil (previous year Rs. 2.79 crores) representing excess of carrying value of investments over face value of the shares of the Company held by HPS, which was excluded from securities premium account in prior year on proportionate consolidation in accordance with AS 27.
- Rs. 694.99 crores (previous year Rs. Nil) securities premium in respect of allotment of equity shares to Deutsche Bank AG in pursuance of acquisition of remaining 49% stake in DSI Financial Solution Pte. Ltd., Singapore.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

2. The Profit & Loss Account includes profit/ (loss) of HCL Answerthink Inc. Rs. (1.51) crores [previous year Rs. (1.51) crores], Aquila Technologies Private Limited Rs. Nil (refer note 3(d) of Schedule 19)[previous year Rs. (0.72) crore] and Shipara Technologies Limited Rs. Nil (refer note 3(c) of Schedule 19) [previous year Rs. (6.46) crores] being the jointly controlled entities.
3. Deletion from general reserve includes Rs. Nil crore (previous year Rs. 9.49 crores) transferred to Profit and Loss Account on account of sale of a joint venture [refer note 3(h) of Schedule 19].
4. Addition/ (deletion) to general reserve includes Rs. 48.25 crores (previous year Rs. (26.18) crores) on account of net unrealised gain/ (loss) on effective hedges [refer note 1(e) Schedule 19].
5. Previous year figures are in brackets.

Schedule 3: Secured Loans		As at 30 June 2005	As at 30 June 2004
From bank			
Term loan (Refer note 1 and 2)		130.53	138.08
From others			
Short term loan (Refer note 3 and 4)		41.10	31.55
Finance lease obligations (Secured by hypothecation of leased vehicles)		14.08	8.38
		185.71	178.01

Notes:

1. Term loan includes loan of Rs 87.02 crores (previous year Rs. 92.05 crores) secured by pledge of specified units of mutual fund.
2. Term loan includes loan of Rs. 43.51 crores (previous year Rs. 46.03 crores) taken by a subsidiary and secured by hypothecation of first and pari passu charge of all current assets including stocks, book debts and other receivables both present and future and moveable plant and machinery, both present and future of that subsidiary.
3. Short term loan includes loan of Rs. 23.39 crores (previous year Rs. Nil) taken by a subsidiary and secured by first fixed charge over land and building, furniture and fixture, fixed plant and machinery of one of the centres of that subsidiary.
4. Short term loan includes loan of Rs. 17.71 crores (previous year Rs. 31.55 crores) taken by a subsidiary and secured by hypothecation of first and pari passu charge of all current assets including stocks, book debts and other receivables both present and future and moveable plant and machinery, both present and future and intangible moveable goods of that subsidiary.

Schedule 4: Unsecured Loans		As at 30 June 2005	As at 30 June 2004
Other loans and advances			
From financial institution [Amount payable within one year is Rs. 0.05 crore (previous year Rs. 0.06 crore)]		0.35	0.39
		0.35	0.39

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 5: Fixed Assets

PARTICULARS

	GROSS BLOCK			ACCUMULATED DEPRECIATION AND AMORTISATION			NET BLOCK		
	As at 1 July 2004	Additions/ Adjust- ments	Deletions	As at 30 June 2005	As at 1 July 2004	Additions/ Adjust- ments	Deletions	As at 30 June 2005	As at 30 June 2005
Goodwill	269.94	566.36	-	836.30	172.88	1.72	-	174.60	661.70
Intellectual property rights	1.62	-	-	1.62	1.62	-	-	1.62	-
Non-compete agreements	0.56	-	-	0.56	0.29	0.08	-	0.37	0.19
Freehold land	39.36	13.59	-	52.95	-	-	-	-	52.95
Leasehold land	12.34	96.75	-	109.09	0.71	0.79	-	1.50	107.59
Buildings	68.19	35.30	-	103.49	12.03	4.26	-	16.29	87.20
Plant and machinery:									56.16
- Owned	123.44	45.65	0.40	168.69	77.82	26.97	0.30	104.49	64.20
- Leased	0.06	-	0.05	0.01	0.06	-	0.05	0.01	-
Computers	229.44	85.73	0.87	314.30	137.64	50.37	0.51	187.50	126.80
- Owned	0.18	0.01	0.17	0.02	0.17	0.01	0.17	0.01	0.01
- Leased	6.10	-	-	6.10	5.55	0.13	-	5.68	0.42
Mainframe computer system	97.43	25.54	0.24	122.73	67.30	22.52	0.12	89.70	33.03
Software									30.13
Furniture and fixtures:									
- Owned	131.93	61.70	1.29	192.34	73.56	33.43	1.08	105.91	86.43
- Leased	0.23	0.09	0.21	0.11	0.23	-	0.12	0.11	-
Vehicles	5.08	0.85	0.79	5.14	2.96	1.13	0.61	3.48	1.66
- Owned	12.31	13.05	5.31	20.05	3.71	3.72	1.50	5.93	14.12
- Leased	998.21	944.62	9.33	1,933.50	556.53	145.13	4.46	697.20	1,236.30
Previous year	910.76	193.91	106.46	998.21	447.32	160.16	50.95	556.53	441.68
Capital Work-in-progress (including capital advances)									463.44
									100.11
									144.63

Notes:

1. Gross block of plant and machinery includes Rs. 31.55 crores (previous year Rs. 2.86 crores) in respect of assets given on operating leases. The accumulated depreciation on these assets upto 30 June 2005 and the depreciation for the year ended on that date amounted to Rs. 0.91 crore (previous year Rs.1.92 crores) and Rs.2.24 crores (previous year Rs. 1.07 crores) respectively.
2. Additions to fixed assets and accumulated depreciation include Rs. Nil (previous year Rs. 2.25 crores) and Rs. Nil (previous year Rs. 4.12 crores) respectively, in respect of the Company's share of fixed assets on account of proportionate consolidation of joint ventures.
3. Deletions from fixed assets and accumulated depreciation include Rs. Nil (previous year Rs. 84.82 crores) and Rs. Nil (previous year Rs. 43.66 crores) respectively, on account of divestment of the Company's 50% stake in HCL Perot Systems N.V., Netherlands ("HPS N.V.") a proportionately consolidated company [refer note 3(h) of Schedule 19].
4. Additions/Adjustments to fixed assets and current year depreciation and amortisation include Rs. 5.71 crores (previous year Rs 5.78 crores) and Rs. (6.45) crores (previous year Rs. (5.49) crores) respectively, on account of translation of functional currency into reporting currency.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2005	As at 30 June 2004
Long Term Investments		
Trade and unquoted		
Investment in associate		
Nil shares (previous year 1,854,080 shares) of no par value in Aalayance Inc., United States of America (refer note 3(e) of Schedule 19)	-	1.78
	-	1.78
Non-trade and unquoted		
Investment in Limited liability partnership (venture capital funds)		
Diamondhead Ventures, LLP	42.38	34.70
FCPR Viventures LP	11.36	9.51
Arena Capital Investment Fund, LP	38.50	40.59
Carlyle Internet Partners, Europe LP	11.39	11.68
Carlyle Asia Venture Partners, LP	8.33	17.87
	111.96	114.35
Less: Provision for diminution in value	(22.37)	(23.90)
	89.59	90.45
Others		
Harmony Software Inc., United States of America	9.21	9.21
Less: Provision for diminution in value	(9.21)	(9.21)
	-	-
Current Investments		
Non-trade and quoted		
Investments in mutual funds[refer note 1 of Schedule 3]	1,682.13	1,755.45
Less: Provision for diminution in value	(0.13)	(18.59)
	1682.00	1,736.86
Investments in bonds and debentures	32.58	159.63
Investment in 153,321 shares of Technology Solution Company (previous year 1,022,139 shares of Zamba Corporation, United States of America) - (refer note 3 below)	0.72	1.64
Less: Provision for diminution in value	(0.37)	(0.89)
	0.35	0.75
	1,804.52	1,989.47

Notes:

1. Net asset value of investments in mutual funds as on 30 June 2005 Rs 1,725.89 crores (previous year Rs. 1,757.59 crores).
2. Market value of bonds and debentures as on 30 June 2005 Rs. 33.26 crores (previous year Rs. 173.04 crores).
3. During the current year Zamba Corporation was acquired by Technology Solution Company (TSC), United States of America and 0.15 shares were allotted in TSC for each share held in Zamba Corporation. Market value of Investment in shares of TSC as on June 30, 2005 is Rs. 0.35 crore (previous year Rs. 0.75 crore). Further it includes warrants to purchase 92,251 shares in TSC (previous year 615,006 shares in Zamba Corporation) of the investee's common stock. Warrants are exercisable at any time till 21 February 2007 at a per share purchase price of Rs. 177.09.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 7: Inventories		As at 30 June 2005	As at 30 June 2004
Networking equipment		34.73	23.43
Work-in-progress		1.26	1.25
Goods in transit		2.98	1.02
		38.97	25.70

Schedule 8: Sundry Debtors		As at 30 June 2005	As at 30 June 2004
Unsecured	- Considered good		
	- Debts outstanding for more than six months	36.60	51.29
	- Other debts	561.92	415.32
		598.52	466.61
Unsecured	- Considered doubtful		
	- Debts outstanding for more than six months	22.44	46.76
	- Other debts	1.59	4.44
		24.03	51.20
Less: Provision for doubtful debts		(24.03)	(51.20)
		598.52	466.61

Schedule 9: Cash and Bank Balances		As at 30 June 2005	As at 30 June 2004
Cash in hand		0.20	0.32
Cheques in hand		4.91	7.52
Remittances in transit		72.49	23.40
Balances with scheduled banks			
- On current accounts in Indian rupees (refer note 1)		21.05	28.60
- On current accounts in foreign currency		26.25	36.60
- On fixed deposit accounts in Indian rupees (refer note 2)		4.07	6.27
Balance with non-scheduled banks (refer note 3)			
- On current accounts		53.27	89.83
- On deposit accounts		49.11	32.34
		231.35	224.88

Notes:

- Includes Rs. 1.15 crores (previous year Rs. 0.56 crore) in unclaimed dividend account.
- Pledged with banks as security for guarantees and letters of credit – Rs. 0.01 crore (previous year Rs. 1.42 crores).
- Refer note 16 of Schedule 19 for details of balances in non-scheduled banks.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 10: Loans and Advances		As at 30 June 2005	As at 30 June 2004
(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 note 1)	179.53	128.83	
- Considered doubtful	1.51	0.60	
Interest receivable	1.81	4.22	
Advance income tax (refer note 2)	20.22	12.71	
	203.07	146.36	
Less: Provision for doubtful advances	(1.51)	(0.60)	
	201.56	145.76	

Notes:

- Includes Rs. 0.05 crore (previous year Rs. 20.50 crores) on account of loan given to HCL Technologies Limited Employees Trust.
- Net of provision for income tax of Rs. 105.84 crores (previous year Rs. 99.01 crores).

Schedule 11: Other Current Assets		As at 30 June 2005	As at 30 June 2004
Unbilled revenue	43.71	25.15	
Unrealised gain on foreign exchange contracts	30.09	-	
	73.80	25.15	

Schedule 12: Current Liabilities and Provisions		As at 30 June 2005	As at 30 June 2004
Current liabilities			
Sundry creditors	371.62	296.23	
Unrealised loss on forward exchange contracts	-	20.48	
Other liabilities	31.25	26.81	
Advance from customers	5.51	6.64	
Unearned revenue	65.99	45.31	
Investor Education and Protection Fund- Unclaimed dividend	1.15	0.56	
Interest accrued but not due on borrowings	1.38	0.79	
	476.90	396.82	
Provisions			
Provision for fringe benefit tax	1.55	-	
Proposed dividend (including corporate dividend tax)	145.82	133.91	
Provision for warranty (refer note 15 of Schedule 19)	2.08	1.97	
Provision for staff benefits	58.26	41.38	
	207.71	177.26	
	684.61	574.08	

Schedule 13: Sales		Year ended 30 June 2005	Year ended 30 June 2004
Goods			
- Networking equipment	103.42	113.19	
- Software	14.77	6.29	
Services			
- Software	2,618.96	2,028.23	
- Networking	172.29	115.24	
- Business process outsourcing	441.76	300.74	
	3,351.20	2,563.69	

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 14: Other Income	Year ended 30 June 2005	Year ended 30 June 2004
Interest income		
- On fixed deposits	0.98	0.53
- On non-trade investment	7.91	17.25
- Others	0.98	0.87
Exchange differences	1.56	18.53
Dividend from non-trade investments		
- Limited liability partnership (venture capital funds)	20.90	40.31
- Others	11.65	8.85
Provision for liabilities not required written back	4.46	0.89
Profit on sale of non-trade investments	44.41	70.93
Profit on sale of stake in joint venture [refer note 3 (h & i) of Schedule 19]	-	306.19
Profit on sale of fixed assets (net)	1.11	0.08
Provision for diminution in value of investments written back	18.46	-
Miscellaneous income	7.61	12.08
	120.03	476.51

Schedule 15: Cost of Goods Sold	Year ended 30 June 2005	Year ended 30 June 2004
Opening stock	23.43	26.99
Purchases	114.28	109.75
Closing stock	(34.73)	(23.43)
	102.98	113.31

Schedule 16: Cost of Services	Year ended 30 June 2005	Year ended 30 June 2004
Personnel expenses		
Salaries, wages and bonus	1,351.32	1,031.81
Contribution to provident and other funds	140.87	98.38
Staff welfare expenses	28.21	15.94
Employee stock compensation expenses	2.49	-
	1,522.89	1,146.13
Others		
Software development expenses	215.38	207.82
License and transponder fee	16.40	15.00
	1,754.67	1,368.95

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Administration and Other Expenses	Year ended 30 June 2005	Year ended 30 June 2004
Rent	68.59	52.15
Power and fuel	38.93	23.66
Insurance	13.69	11.12
Repairs and maintenance		
- Buildings	9.21	2.90
- Plant and machinery	14.04	16.19
- Others	26.53	18.35
Communication costs	52.35	77.04
Travel and conveyance	255.78	191.89
Business promotion	5.36	3.30
Legal and professional charges	28.91	25.15
Software license fee	27.60	16.42
Software tools	9.21	10.58
Printing and stationery	10.39	6.99
Rates and taxes	13.84	13.50
Advertising and publicity	0.93	0.88
Postage and courier	2.60	2.45
Provision for doubtful advances/ advances written off	7.64	0.36
Donations	1.47	0.02
Recruitment, training and development	27.51	21.08
Provision for doubtful debts/ bad debts written off	8.36	5.68
Other establishment cost	7.38	4.89
Provision for diminution in value of investments	-	18.68
Premium amortised on bonds	0.44	0.97
Loss on sale of investments	19.41	1.21
Miscellaneous expenses	86.14	56.07
	736.31	581.53

Schedule 18: Finance Costs	Year ended 30 June 2005	Year ended 30 June 2004
Interest		
- on vehicles under finance lease	1.37	0.79
- on loan from banks	4.70	3.41
- others	1.39	2.99
Bank charges	2.72	2.50
	10.18	9.69

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts

1. Significant accounting policies

a) Basis of preparation

The financial statements are prepared and presented 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, to the extent applicable. The financial statements are prepared in crores of Indian rupees.

b) Principles of consolidation

These consolidated financial statements relate to HCL Technologies Limited ("HCL" or "the Company"), the parent company, its subsidiaries, joint ventures and associates, which are as follows:

Name of the company	Location	Holding percentage
Subsidiaries		
1. HCL America Inc. [formerly HCL Technologies America Inc.]	United States of America	100%
2. HCL Great Britain Limited [formerly HCL Technologies Europe Limited]	United Kingdom	100%
3. HCL (Netherlands) BV [formerly HCL Technologies Netherlands BV]	Netherlands	100%
4. HCL Technologies GmbH	Germany	100%
5. HCL Technologies Belgium NV	Belgium	100%
6. HCL Technologies Sweden AB	Sweden	100%
7. HCL Technologies Italy SLR	Italy	100%
8. HCL Australia Services Pty. Limited [formerly HCL Technologies (Australia) Pty. Limited]	Australia	100%
9. HCL (New Zealand) Limited [formerly HCL Technologies (New Zealand) Limited]	New Zealand	100%
10. HCL Hong Kong SAR Limited [formerly HCL Technologies (Hong Kong) Limited]	Hong Kong	100%
11. HCL Technologies Japan Limited	Japan	100%
12. HCL Comnet Systems & Services Limited	India	99.88%
13. HCL Comnet Limited	India	99.88%
14. HCL Bermuda Limited [formerly HCL Technologies (Bermuda) Limited]	Bermuda	100%
15. HCL Venture Capital Limited	Bermuda	100%
16. HCL Holdings GmbH	Austria	100%
17. eServe Holdings Limited	Mauritius	100%
18. HCL Technologies BPO Services Limited	India	100%
19. HCL Enterprise Solutions Limited [Refer note 3(a) of Schedule 19]	Mauritius	100%
20. HCL Technologies (Illinois) Inc. [Refer note 3(a) of Schedule 19]	United States of America	100%
21. HCL Enterprise Solutions (India) Limited [Refer note 3(a) of Schedule 19]	India	100%
22. Intelicent India Limited	India	100%
23. DSI Financial Solutions Pte. Limited [Refer note 3(b) of Schedule 19]	Singapore	100%
24. DSL Software Limited [Refer note 3(b) of Schedule 19]	India	100%
25. DSL GmbH [Refer note 3(b) of Schedule 19]	Germany	100%
26. HCL BPO Services (NI) Limited [formerly HCL Technologies BPO Services NI Limited] [Refer note 3(f) of Schedule 19]	United Kingdom	100%
27. HCL Technologies (Mass.) Inc.	United States of America	100%
28. HCL Jones Technologies, LLC	United States of America	51%
29. HCL Jones Technologies (Bermuda) Limited	Bermuda	51%
30. HCL m.a. Limited	United Kingdom	51%

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Name of the company		Location	Holding percentage
31.	HCL Technologies (Mumbai) Limited	India	100%
32.	Insys Inc., Canada	Canada	100%
33.	HCL Singapore Pte. Limited [formerly HCL Technologies Singapore Pte. Limited]	Singapore	100%
34.	HCL Technologies (Malaysia) Sdn. Bhd.	Malaysia	100%
35.	Infosystems Europe Limited	United Kingdom	100%
36.	Infosystems Australia Pty. Limited	Australia	100%
37.	Shipara Technologies Limited [Refer note 3(c) of Schedule 19]	India	100%
38.	Aquila Technologies Limited [Refer note 3(d) of Schedule 19]	India	100%
39.	Aalayance, Inc. USA [Refer note 3(e) of Schedule 19]	United States of America	58.09%
40.	Aalayance (UK) Ltd., [Refer note 3(e) of Schedule 19]	United Kingdom	58.09%
41.	HCL EAI Services Pvt. Limited (formerly Aalayance E-com Services Pvt. Ltd.) [Refer note 3(e) of Schedule 19]	India	58.09%
Joint ventures			
1.	HCL Answerthink Inc.	United States of America	50%

Subsidiary companies are those in which HCL, directly or indirectly, have an interest of more than one half of the voting power or otherwise have power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date of disposal.

All material inter company transactions, balances and unrealised surplus and deficit on transactions between group companies are eliminated. Consistency in adoption of accounting policies among all group companies is ensured to the extent practicable. Separate disclosures are made of minority interest.

Investment in business entities over which the company exercises joint control are accounted for using the proportionate consolidation except where the control is considered to be temporary. Investments in associates are accounted for using the equity method.

Minority interest in subsidiaries represents the minority shareholders proportionate share of net assets and the net income of HCL's majority owned subsidiaries.

Goodwill has been recorded to the extent of the cost of acquisition, comprising purchase consideration and transaction costs, exceed the book value of net assets in the acquired company. The goodwill arising on consolidation is not amortised and tested for impairment on periodic basis.

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires the 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 results of operations during the reporting period. Examples of such estimates include estimate of cost and efforts expected to be incurred to complete performance under software development arrangements, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

d) Foreign exchange transactions and translation of financial statements of foreign operations

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 are recognised in the Profit and Loss Account. Foreign currency monetary assets and liabilities are translated at year-end rates and resultant gains/ losses on foreign exchange translations are recognised in the Profit and Loss Account.

Foreign operations of the Company are classified into integral and non-integral. The financial statements of an integral foreign operation are translated as follows:

Revenue items, except opening and closing inventories and depreciation, are translated at weighted average rate. Opening and closing inventories are translated at the rate prevalent at the commencement and close respectively, of the accounting period.

Monetary assets and liabilities are translated using the closing rate. Non-monetary assets and liabilities, other than investments and fixed assets, are translated using the exchange rate at the date of the transaction, i.e. the date when they were acquired.

Fixed assets existing at the date of acquisition of a subsidiary are translated using the exchange rate at that date. For fixed assets acquired later, the exchange rate at the date of acquisition of the fixed asset is used. Investments are translated at historical cost. The net exchange

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

difference resulting from the translation of items in the financial statements of the subsidiary is recognised as income or expense for the period.

In respect of foreign operations identified as non-integral to the operations of the Company, the translation of functional currency into reporting currency is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gain or loss resulting from such translations is accumulated in a foreign currency translation reserve.

Contingent liabilities are translated at the closing rate.

e) Forward exchange contracts

The Company enters into forward foreign exchange contracts where the counter party is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates associated with forecast sales transactions.

The Company records the gain or loss on effective hedges in the general reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account for that period.

To designate a forward contract as an effective hedge, management objectively evaluates each contract with appropriate supporting documentation and evidence at the inception of each forward contract and on an ongoing basis to determine whether these forward contracts are effective in achieving offsetting cash flows attributable to the hedged risk or not. In the absence of an effective hedge, the gain or loss is recognised in the Profit and Loss Account.

f) Revenue recognition*i) Software Services*

Revenue from software development services comprise income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognised as related services are performed. 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 cost incurred in respect of each contract as a proportion of total cost 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. Revenue accrued not yet billed is classified as unbilled revenue, while billings on uncompleted contracts in excess of accrued revenue are classified as unearned revenue. Incremental revenue from contracts arising on future sale by the customers' products will be recognised when it is earned.

ii) Networking Services

Revenue from the sale of networking equipments and software is recognised on transfer of all the significant risks and rewards of ownership of goods to the buyer and excludes sales tax.

Revenue from installation services is recognised when installation of networking equipment at customer site is completed and accepted by the customer.

Revenue from bandwidth services is recognised upon actual usage of such services by customers based on either the time for which these service are provided or volume of data transferred or both and excludes service tax.

Revenue from maintenance services is recognised ratably over the period of the contract. Revenue from IT enabled services is derived from both time based and unit based contracts and is recognised as the related services are performed.

Unearned income arising in respect of bandwidth services and maintenance services is calculated on the basis of unutilised period of service at the balance sheet date and represents revenue, which is expected to be earned in future periods in respect of these services.

iii) Business process outsourcing services

Revenue from business process outsourcing is derived from both time based and unit-price contracts. Revenue is recognised as the related services are performed in accordance with the specific terms of the contracts with the customer.

iv) Others

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 are recognised when the right to receive the same is established.

In respect of distribution received from partnership firms, distribution to the extent of accumulated earnings are taken into income. Any excess distribution from accumulated earnings of the fund, being return of capital, is reduced from cost of investments..

g) Expenditure

Expenses are accounted for on an accrual basis and provisions is made for all known losses and liabilities.

h) Inventory

Inventories are valued at the lower of cost and net realisable value. The cost is calculated on the basis of weighted average price method. The net realisable value is determined with reference to selling price of related finished goods. The comparison of cost and net realisable value is made on an item by item basis.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

i) Fixed assets, intangible assets and capital work-in-progress

Fixed assets are stated at 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.

Intangibles assets represent goodwill and identified amortisable intangible assets such as intellectual property rights and non-compete agreements, which arise or have been acquired through acquisitions. Values have been assigned to the identified intangibles based on the valuation done by independent valuers.

j) Leases

Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. The finance income is recognised based on periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

Assets given under operating leases are shown in the balance sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

Assets taken on finance lease are capitalised at the inception of the lease at the lower of the fair value and the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Lease payments under an operating lease are recognised as expenses in the Profit and Loss Account on a straight-line basis over the lease term.

k) Depreciation and amortisation

Depreciation on fixed assets except leasehold land and leasehold improvement is provided on the straight-line method based on estimated useful lives, as determined by the management. These rates are equal to or higher than the rates prescribed by Schedule XIV to the Companies Act, 1956. Leasehold land is amortised over the period of lease. Leasehold improvements are amortized over a period of 4 years or the remaining period of the lease, whichever is shorter. 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.

Intangible assets are amortised over their respective individual estimated useful life on a straight line basis.

The management's estimates of the useful life of the various fixed assets/ intangibles are as follows:

	Life (in years)
Fixed Assets	
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4 to 5
Computers (excluding mainframes)	3 to 4
Mainframe computer systems (including related software)	6
Furniture and fixtures	4
Vehicles - owned	5
Vehicles - leased	Over the period of lease or 5 years, whichever is lower
Intangibles	
Software	3
Goodwill (arising other than on consolidation-Refer note 2 of Schedule 19)	5
Intellectual property rights	4
Non-compete agreements	3 to 5

l) Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as long term or current investments, based on management intention. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investment.

m) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future use, is capitalised under relevant heads.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)**n) Warranty**

Provision for warranty is calculated on the basis of the unexpired warranty period of equipment installed during the year and the annual maintenance cost of equipment.

o) Income taxes

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under the taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written up or down to reflect the amount that is reasonably virtually certain (as the case may be) to be realised. The deferred tax liabilities/assets and tax expense are determined separately for parent, each subsidiary and joint venture and then aggregated.

p) Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary/exceptional item. Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares outstanding during the year and dilutive equity equivalent shares outstanding at the year-end, except where the results are anti-dilutive.

q) Retirement benefits to employees**India**

Contributions to provident fund are deposited with a recognised provident fund. For the trust set up by the Company, the interest payable to the beneficiaries every year is notified by the Government. The Company has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates. 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.

Subsidiaries in the US

The Company has a saving and investment plan under Section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to income in the period in which they accrue. Leave encashment is provided in accordance with Company policy on full liability basis.

Subsidiaries in Europe

The Company contributes towards pension plans of government for its employees of the subsidiaries in United Kingdom, Sweden, Netherlands and Northern Ireland.

Subsidiaries in Australia

As per local laws of Australia, employers must provide a minimum level of superannuation for most employees or incur a non-tax deductible superannuation guarantee charge including interest and penalties. The required level of employer superannuation contribution is a percentage of the employee's earnings base. The Company contributes to a fund approved by the Government of Australia.

Subsidiaries in Malaysia and Singapore

As per local laws of Malaysia and Singapore, employers are required to contribute up to 13% of the basic salary of the employees. The Company contributes to a fund approved by the Government of the Country.

r) Employee stock based compensation

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares as of the date of the grant of the options over the exercise price of the options given to the employees under the Employee Stock Option Schemes of the Company, is recognised as deferred stock compensation cost and amortised over the vesting period on a straight line basis.

2. During the year ended 30 June 2005, the Company has changed the accounting policy relating to the amortisation of goodwill arising on consolidation. It has decided not to amortise such goodwill and instead test the same for impairment on periodic basis [Refer note (1) (b) of Schedule 19]. Consequent to the change in accounting policy, the profits for the year are higher by Rs. 95.35 crores.

3. Acquisitions/ Sale**a) Acquisition of an additional 16.33% in the ERP business of Computech Corporation and Systech Inc. ("HES")**

The Company had acquired 51% equity interest in the Enterprise Resource Planning business of Computech Corporation and Systech for cash in July, 2001. The Company acquired an additional 32.67% in two equal tranches during September 2002 and October 2003 for a cash consideration. During February 2005, the Company has acquired the remaining 16.33% stake for a cash consideration of Rs. 8.72 crores which has resulted in goodwill of Rs. 8.72 crores. Consequent to the acquisition, HES has become a 100% subsidiary of the Company.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise states)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

- b) Acquisition of balance 49% in the DSI Financial Solutions Pte. Ltd. Singapore ("DSI")**
The Company had acquired 51% equity interest in DSI, through its subsidiary HCL Technologies Bermuda for cash in October 2001. The Company has acquired the remaining 49% stake in December 2004, by issuing 19,358,989 equity shares to the shareholders of DSI at Rs. 361 per share which has resulted in goodwill of Rs. 549.05 crores. As a result of the acquisition, DSI has become a 100% subsidiary of the Company.
- c) Acquisition of remaining 23% stake in Shipara Technologies Limited ("Shipara")**
The Company held 77% stake in Shipara as of 30 June 2004 and was accounted for as jointly controlled entity as the minority shareholder, Rao Insulating Company Limited had certain significant participating rights. During October 2004, the Company has acquired the remaining 23% stake from the minority shareholders for a cash consideration of Rs. 8.10 crores which has resulted in goodwill of Rs. 5.95 crores. As a result of the acquisition, Shipara has become a 100% subsidiary of the Company.
- d) Acquisition of remaining 65% stake in Aquila Technologies Limited ("Aquila")**
The Company was holding 35% stake in Aquila through one of its joint ventures, Shipara. During the current year, the Company has acquired the remaining 65% stake in two tranches in July 2004 and February 2005, for a total cash consideration of Rs. 3.76 crores which has resulted in goodwill of Rs. 0.05 crore. As a result of the acquisition, Aquila has become a 100% a subsidiary of the Company.
- e) Acquisition of 39.06% in Aalayance Inc., USA ("Aalayance Inc.")**
The Company had acquired 19.03% stake in Aalayance Inc. through one of its subsidiaries, HCL Bermuda Limited for a cash consideration in January 2003. During January 2005, the Company has acquired an additional stake by way of subscription of 9,081,268 equity shares of Aalayance Inc. for a cash consideration of Rs. 8.64 crores, which has resulted in goodwill of Rs. 3.60 crores. Consequent to the acquisition, the Company's stake has increased to 58.09% (51% on fully diluted basis) making Aalayance Inc., and its subsidiaries, HCL EAI Services Private Limited, India and Aalayance UK Limited, UK, subsidiaries of the Company.

As per the shareholders' agreement, the Company is required to acquire and the minority shareholders are required to sell the remaining equity interest falling due on 31 January 2008. The consideration for the acquisition is payable in cash, based on earnings and revenue of the acquired business.

Aalayance had granted options of its shares to its employees and employees of its subsidiaries prior to it becoming the subsidiary of the Company. Options for 2,616,127 equity shares of Aalayance are outstanding as of 30 June 2005, which are exercisable and are required to be acquired by the Company by 1 October 2009 as per the terms of the shareholders agreement.
- f) Acquisition of 10% stake in HCL BPO Services (NI) Limited ("HCL NI")**
Following the initial acquisition of 90% equity interest in HCL NI, through one of its subsidiaries, HCL America Inc. for cash during December 2002, the Company has acquired the remaining 10% stake from British Telecommunications Plc. (BT) in December 2004 and discharged the total consideration of Rs. 15.12 crores in cash comprising Rs. 7 crores for the fixed portion and Rs. 8.12 crores towards the variable component, which has been determined on the basis of revenue from BT in excess of the firmly committed revenues. This has resulted in goodwill of Rs. 3.65 crores. As a result of the acquisition, HCL NI has become a 100% a subsidiary of the Company.
- g) Acquisition of assets and business of Answer Call Direct Limited ("Answer Call")**
During the year, one of the subsidiaries of the Company, HCL BPO Services (NI) Limited, has acquired business and assets of an existing call center, Answer Call, for a cash consideration of Rs. 7.55 crores which has resulted in goodwill of Rs 3.90 crores.
- h) Sale of 50% Equity interest in HCL Perot Systems NV ("HPS")**
During the previous year ended 30 June 2004, the Company through one of its subsidiaries has sold its holding in HPS to Perot Systems Corporation (PSC) on December 19, 2003 at a gross consideration of Rs. 484.82 crores. Consequent to the sale of its holding in HPS to PSC, the Company has recorded a gain of Rs. 305.99 crores, net of related expenses, in the year ended 30 June 2004.
- i) Sale of 46.72% equity interest in Net India Private Limited ("NIPL")**
During the year ended June 30, 2004, the Company has sold its stake in NIPL for a consideration of Rs. 0.20 crore in cash. Since the carrying value of the investment in NIPL was Nil at the date of sale, entire sale proceeds has been accounted for as a gain during the year ended 30 June 2004 in the income statement.
- j) Joint Venture with NEC Corporation Japan ("NEC")**
In June 2005, the Company entered into a Joint Venture Agreement with NEC and its subsidiary, NEC System Technologies, Ltd. ("NECST") to form a Joint Venture Company ("JVC") which would provide offshore led software engineering solutions to NEC, its subsidiaries and their clients, in Japan and globally. The 49% stake in JVC will be held by the Company for which there is a commitment to contribute Rs. 10.78 crores to the share capital of the proposed JVC.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

4. Component of Deferred Tax Assets/Liabilities

Components of deferred tax assets/liabilities are:

	As at 30 June	
	2005	2004
Deferred tax assets		
Business losses	3.21	11.47
Provision for doubtful debts	2.97	7.46
Accrued employee costs	17.56	10.13
Warranties	0.70	0.71
Depreciation and amortisation	14.35	9.25
Others	5.37	1.83
	44.16	40.85
Deferred tax liabilities		
Depreciation and amortisation	4.44	1.03
	4.44	1.03
Net deferred tax assets	39.72	39.82

5. Employee Stock Option Plan (ESOP)

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004, for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively, to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 84 months respectively, from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

Each option granted under the above plans entitles the holder to two equity shares of the Company at an exercise price, which is approved by the Compensation Committee.

As at 30 June 2005, 10,085,833 (previous year 8,351,795) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999.

	Year ended 30 June	
	2005	2004
Options outstanding at the beginning of the year	8,351,795	10,927,381
Add: Granted during the year	4,140,336	–
Less: Forfeited during the year	(764,929)	(490,092)
Exercised during the year	(1,417,520)	(1,711,405)
Expired during the year	(223,849)	(374,089)
Options outstanding at the end of the year	10,085,833	8,351,795

As at 30 June 2005, 12,702,119 (previous year 7,639,239) options were outstanding with the employees of the Company and its subsidiaries in respect of the ESOP 2000.

	Year ended 30 June	
	2005	2004
Options outstanding at the beginning of the year	7,639,239	8,814,611
Add: Granted during the year	7,195,445	109,275
Less: Forfeited during the year	(844,650)	(651,526)
Exercised during the year	(923,752)	(185,476)
Expired during the year	(364,163)	(447,645)
Options outstanding at the end of the year	12,702,119	7,639,239

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

As at 30 June 2005, 373,472 (previous year Nil) options were outstanding with the employees of the Company and its subsidiaries in respect of the ESOP 2004.

	Year ended 30 June	2005	2004
Options outstanding at the beginning of the year	-	-	-
Add: Granted during the year	373,472	-	-
Less: Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Options outstanding at the end of the year	373,472	-	-

HCL Technologies Limited Employees Trust

During the year ended 30 June 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust (Trust). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issues these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

	Year ended 30 June	2005	2004
Shares held at the beginning of the year	994,445	4,098,887	-
Add: Shares purchased during the year	-	-	-
Less: Shares issued to employees	(994,445)	(3,104,442)	-
Shares held at the end of the year	-	994,445	-

6. During the year ended 30 June 2000, the Company entered into software consulting and engineering service agreements with certain customers wherein these customers committed certain revenues. On achievement of the revenue and on fulfillment of the necessary conditions, shares of the Company will be transferred by the promoter shareholder. No such shares were transferred during the year ended 30 June 2004 and 2005.

7. Segment Reporting

The operations of the Company and its subsidiaries predominately relate to providing software services, delivered to customers located globally. Further, subsidiaries are also engaged in the business of rendering networking services including sale of networking equipment, software and business processing outsourcing services, which are in the nature of customer contact centers and technical help desks. The Chairman of the Company, who is the Chief Executive Officer, evaluates the Company's performance and allocated resources based on an analysis of various performance indicators by types of service provided by the Company and geographic segmentation of customers.

Accordingly, revenue from service segments comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

Revenue in relation to service segments is categorized based on items that are individually identifiable to that segment, while expenditure is categorized in relation to the associated turnover of the segment. Assets and liabilities are also identified to service segments.

Geographic segmentation is based on the location of the respective client. The principal geographical segments have been classified as America, Europe, India and others. Europe comprises business operations conducted by the Company in the United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Northern Ireland and Switzerland. Since services provided by the Company within these European entities are subject to similar risks and returns, their operating results have been reported as one segment, namely Europe. India has been identified as a separate segment. All other customers, mainly in Japan, Australia, New Zealand, Singapore, Malaysia and Hong Kong are included in others.

The Company is presenting only revenue for geographic segments.

Financial information about the business segments for the year ended 30 June 2005 is as follows:

	Software services	Networking services	Business process outsourcing services	Segment total	Inter segment transactions	Total
Revenue						
- External revenue	2,624.91	284.53	441.76	3,351.20	-	3,351.20
- Internal revenue	-	5.95	-	5.95	(5.95)	-
Total	2,624.91	290.48	441.76	3,357.15	(5.95)	3,351.20

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

	Software services	Networking services	Business process outsourcing services	Segment total	Inter segment transactions	Total
Identifiable operating expenses (net)	1,981.26	247.57	327.85	2,556.68	(5.95)	2,550.73
Depreciation and amortisation	93.64	19.39	38.55	151.58	-	151.58
Exchange differences	(1.73)	(0.20)	0.37	(1.56)	-	(1.56)
Segment results	551.74	23.72	74.99	650.45	-	650.45
Unallocated corporate expenses	-	-	-	-	-	43.23
Other income	-	-	-	-	-	108.29
Profit before taxes	-	-	-	-	-	715.51
Income tax expenses	-	-	-	-	-	49.80
Minority interest	-	-	-	-	-	46.50
Share of loss of equity investees	-	-	-	-	-	0.49
Net profit after taxes	-	-	-	-	-	618.72
Segment assets	2,259.34	280.68	228.70	2,768.72	(11.77)	2,756.95
Unallocated assets	-	-	-	-	-	1,567.90
Total assets	-	-	-	-	-	4,324.85
Segment liabilities	442.20	131.94	155.69	729.83	(11.77)	718.06
Unallocated liabilities	-	-	-	-	-	164.38
Total liabilities	-	-	-	-	-	882.44
Other information-						
Capital expenditure including capital work-in-progress	202.56	42.85	83.83	329.24	-	329.24
Unallocated corporate capital expenditure						4.50
Total capital expenditure	-	-	-	-	-	333.74
Significant non-cash adjustments affecting segment results						
Provision for doubtful debts and bad debts written off	0.87	6.30	1.19	8.36	-	8.36

Financial information about the business segments for the year ended 30 June 2004 is as follows:

	Software services	Networking services	Business process outsourcing services	Segment total	Inter segment transactions	Total
Revenue						
- External revenue	2,028.23	234.72	300.74	2,563.69	-	2,563.69
- Internal revenue	-	4.90	-	4.90	(4.90)	-
Total	2,028.23	239.62	300.74	2,568.59	(4.90)	2,563.69
Identifiable operating expenses (net)	1,544.36	215.28	255.87	2,015.51	(4.90)	2,010.61
Depreciation and amortisation	113.61	14.83	36.76	165.20	-	165.20
Exchange differences	(18.29)	0.65	(0.89)	(18.53)	-	(18.53)
Segment results	388.55	8.86	9.00	406.41	-	406.41
Unallocated corporate expenses						62.87
Other income						457.98
Profit before taxes						801.52
Income tax expenses						25.25
Minority interest						79.07
Share of loss of equity investees						10.97
Net profit after taxes						686.23
Segment assets	1,038.62	213.96	168.25	1,420.83	(36.23)	1,384.60
Unallocated assets						2,119.10
Total assets						3,503.70

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

	Software services	Networking services	Business process outsourcing services	Segment total	Inter segment transactions	Total
Segment liabilities	393.21	105.20	152.24	650.65	(36.23)	614.42
Unallocated liabilities						256.88
Total liabilities						871.30
Other information						
Capital expenditure including capital work-in-progress	225.02	39.16	27.65	291.83	-	291.83
Unallocated corporate capital expenditure						2.84
Total capital expenditure						294.67
Significant non-cash adjustments affecting segment results						
Provision for doubtful debts and bad debts written off	1.76	3.74	0.18	5.68	-	5.68

The Company has four geographic segments: America, Europe, India and Others. Revenue from the geographic segments based on domicile of the customer is as follows:

	Year ended 30 June	
	2005	2004
America	1,988.43	1,564.52
Europe	841.64	571.49
India	238.90	210.52
Others	282.23	217.16
	3,351.20	2,563.69

Substantial portion of the total assets of the Company are in the India geography. Assets used in the Company's business have not been identified to any of the geographic segments, as the assets are used interchangeably between the segments.

Other Information

During the year ended 30 June 2005, a single customer accounts for approximately 13.23% (previous year 12.15%) of the total revenue of the company.

Segment accounting policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

All segment assets and liabilities have been allocated to the various segments on the basis of specific identification.

Segment assets consist principally of fixed assets, sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not include unallocated corporate and treasury assets and net deferred tax assets.

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan in respect of leased vehicles. Segment liabilities do not include share capital, reserves and provision for income tax.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include miscellaneous income, income from investments and other income. Segment expenses do not include premium amortized on bonds and diminution allowance in respect of current and trade investments.

8. Related Parties

a) Related parties where control exists

Holding Company

HCL Corporation Limited, India

SCHEMES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Others

HCL Technologies Limited Employees Trust

b) Related parties with whom transactions have taken place during the year

Fellow subsidiaries

HCL Infosystems Limited*

HCL Infonet Limited*

HCL Peripherals Ltd.

*Ceased to be a fellow subsidiary w.e.f. February 10, 2005. The Holding Company continues to have substantial interest in these companies.

Joint ventures

Shipara Technologies Limited, up to 30 June 2004 [Refer note 3 (c) and 13 of Schedule 19] – 77% interest

Aquila Technologies Pvt. Limited, up to 30 June 2004 [Refer note 3 (d) & 13 of Schedule 19] – 26.95% interest

HCL Answerthink Inc, United States of America – 50% interest

Associates

Aalayance Inc, USA up to January 31, 2005 [Refer note 3 (e) of Schedule 19]

HCL EAI Services Private Limited, India up to January 31, 2005 [Refer note 3 (e) of Schedule 19]

Aalayance UK limited up to January 31, 2005 [Refer note 3 (e) of Schedule 19]

Key management personnel

Shiv Nadar-Chairman and CEO

S Raman

Others

HCL Technologies Limited Employees Trust

Transactions with related parties in the normal course of business

Particulars	Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key management personnel	
	Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June	Year ended 30 June
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sale of materials and services	11.17	5.75	-	1.02	-	-	-	-	-	-
Purchase of materials and services	6.83	6.69	-	8.41	1.50	2.84	-	-	-	-
Payment for use of facilities	-	1.45	-	0.06	-	-	-	-	-	-
Receipt for use of facilities	-	-	-	-	-	-	-	-	-	-
Loans and advances (net of repayments)	-	-	-	(0.75)	-	-	-	(47.40)	-	-
Advances written off	-	-	-	-	-	-	6.50	-	-	-
Purchase of capital equipments	35.97	21.53	-	-	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	-	-	2.91	5.30
Guarantees given	-	-	-	4.60	-	-	-	-	-	-

c) Outstanding balances

Particulars	Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key management personnel	
	As at 30 June		As at 30 June		As at 30 June		As at 30 June		As at 30 June	As at 30 June
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Debtors	4.07	1.83	-	0.64	-	-	-	-	-	-
Other receivables	7.89	0.70	-	0.34	0.39	-	-	-	-	-
Creditors	1.76	1.77	-	2.31	-	1.00	-	-	-	-

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

9. Leases

i) The future lease obligations in respect of assets taken on finance lease on or after 1 April 2001 are as follows:

	Total minimum lease payments outstanding as on 30 June 2005	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	5.49 (3.25)	1.27 (0.73)	4.22 (2.52)
Later than one year but not later than 5 years	11.39 (6.85)	1.53 (0.99)	9.86 (5.86)
	16.88	2.80	14.08
	(10.10)	(1.72)	(8.38)

ii) The Company's significant leasing arrangements are in respect of operating leases for office space and accommodation for its employees. The aggregate lease rental expense recognized in the Profit and Loss Account for the year amount to Rs. 79.76 crores (previous year Rs. 54.53 crores). Future minimum lease payments and payment profile of non-cancelable operating lease are as follows:

	Year ended 30 June	
	2005	2004
Not later than one year	65.89	16.65
Later than one year and not later than 5 years	168.92	40.87
Later than five years	8.64	9.34

iii) The Company has given networking equipment to its customers on non-cancelable operating lease for a maximum period of three years. The lease rental income recognized in the Profit and Loss Account for the year is Rs. 0.97 crore (previous year Rs. 2.27 crores). The future minimum lease receivables under such operating leases are as follows:

	Year ended 30 June	
	2005	2004
Not later than one year	0.53	0.27
Later than one year and not later than 5 years	0.58	0.04
Later than five years	-	-

iv) The Company has given networking equipments to its customers on finance lease basis.

The future lease payments in respect of assets given on finance lease on or after 1 April 2001 are as follows:

	Total minimum lease payments receivable as on 30 June 2005	Interest included in minimum lease payments receivable (Unearned finance income)	Present value of minimum lease payments receivable
Not later than one year	1.42	0.60	0.82
Later than one year but not later than 5 years	1.23	0.28	0.95

10. Earnings Per Share (EPS)

The computation of earnings per share is as follows:

	Year ended 30 June	
	2005	2004
Net profit as per Profit and Loss Account for computation of EPS	618.72	686.23
Weighted average number of equity shares outstanding in computation of basic EPS	307,564,925	294,519,683
Dilutive effect of stock options outstanding	8,981,320	5,465,622
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	316,546,245	299,985,305
Nominal value of equity shares (Rs.)	2	2
Earnings per equity share (Rs.)		
Basic	20.12	23.30
Diluted	19.55	22.88

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

11. Commitments and Contingent Liabilities

	As at 30 June	
	2005	2004
Capital commitments		
Estimated amount of unexecuted capital contracts (net of advances)	39.28	26.70
Other commitments		
Commitment to contribute to venture capital funds over the future years	47.65	73.31
Commitment to contribute to a joint venture company	10.78	-
Contingent liabilities		
Outstanding guarantees given on behalf of various subsidiaries	13.89	188.69
Outstanding letters of credit	-	0.43
Disputed sales tax	0.29	-
	111.89	289.13

12. Derivative Financial Instruments

The Company enters into forward foreign exchange contracts where the counter party is a bank. The forward foreign exchange contracts mature between one to twelve months. The Company considers the risk of non-performance by the counter party as non-material. The value of the forward foreign exchange contracts outstanding as on 30 June 2005 amounted to Rs. 1,543.47 crores (previous year Rs. 621.44 crores).

13. Joint Ventures

The Company has interest in the following jointly controlled entities:

Name of the company	Shareholding	Incorporated in
1. HCL Answerthink, Inc.	50%	USA
2. Aquila Technologies Limited, upto 30 June 2004 [Refer note 3(d) of schedule 19]**	26.95%	India
3. Shipara Technologies Limited upto 30 June 2004 [Refer note 3(d) of Schedule 19]**	77.00%	India

** As per the limited revision to Accounting Standard (AS) 27, "Financial Reporting of Interests in Joint Ventures", issued by ICAI, on or after April 1, 2004, if an enterprise by a contractual arrangement establishes joint control over an entity which is a subsidiary of that enterprise within the meaning of AS 21, "Consolidated Financial Statements", then the entity is consolidated under AS 21 by the enterprise, and is not treated as joint venture as per AS 27.

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Company in the above jointly controlled entities are given hereunder:

	Year ended 30 June	
	2005	2004
Revenue from software services	-	18.19
Other income	-	0.73
Total	-	18.92
Personnel expenses	-	14.35
Other expenses	-	2.93
Finance charges	-	0.15
Depreciation and amortisation	-	3.78
Total	-	21.21
Profit/(loss) before tax	-	(2.29)
Provision for tax	-	0.20
Net profit/(loss) after tax	-	(2.49)

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

	As at 30 June	
	2005	2004
Assets		
Fixed assets [including goodwill of Rs. Nil (previous year 2.17 crores)]	-	6.15
Sundry debtors	0.76	0.91
Cash and bank balances	0.37	1.50
Loans and advances	-	1.96
Deferred tax asset	-	0.01
Liabilities		
Secured loans	-	-
Current liabilities and provisions	0.28	3.88

14. Auditor's Remuneration

	Year ended 30 June	
	2005	2004
Statutory audit	3.23	2.64
Tax audit fee	0.35	0.34
Certification	0.08	0.03
Other services	1.08	0.46
	4.74	3.47

15. Movement in Provision for Warranty

	Year ended 30 June	
	2005	2004
Opening provision	1.97	1.38
Additional provision made during the year	1.75	4.02
Utilization during the year	(1.64)	(3.43)
Closing provision	2.08	1.97

16. Closing balance and Maximum balances outstanding with non-scheduled banks are as follows:

Non-scheduled Banks	Closing balance		Maximum balance	
	Year ended 30 June 2005	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2004
On Current account				
ABN Amro Bank, NV, Germany	-	-	-	0.25
ABN Amro Bank, NV, Netherlands	0.16	0.16	0.45	7.37
ANZ Bank, Sydney	0.01	-	0.01	-
Australia and New Zealand Banking Group Ltd., Sydney, Australia	0.00	1.58	0.04	9.04
Australia and New Zealand Banking Group Ltd., Wellington, New Zealand	1.85	0.48	1.85	0.52
Bank of America, United States of America	-	-	-	4.08
Banca Popolare di Sondrio, Italy	0.02	0.02	0.02	0.02
Bank of America, Boston, United States of America	2.05	-	9.17	0.02
Bank of Bermuda, Bermuda	0.16	0.79	1.59	0.16
Bank of Butterfield, Bermuda	-	-	-	0.79
Bank of Ireland - collection account, Belfast, Ireland	0.34	-	22.35	13.30
Bank of Ireland, Ireland	-	-	-	10.98
Bank of Ireland - payment account, Belfast, Ireland	0.58	1.46	19.25	0.09
Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan	2.90	1.97	5.93	0.55
Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan	0.31	0.13	1.24	0.40
Bank Brussels Lambert, Brussels, Belgium	0.27	0.10	0.52	5.58

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Non-scheduled banks	Closing balance		Maximum balance	
	Year ended 30 June 2005	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2004
Banque St. Generale, France	0.01	0.01	0.01	0.02
Barclays Bank Plc., United Kingdom	-	-	-	2.31
Bank Trust, New York, USA	5.37	-	10.86	-
Bank of Austria, Austria	0.09	0.05	0.09	0.05
Chevy Chase Bank, Virginia, United States of America	-	-	-	0.03
Citi Bank NA Singapore-SGD	0.07	0.09	0.07	0.89
Citi Bank NA Singapore-USD	0.34	0.09	0.34	11.71
Citi National Bank, United States of America	-	0.02	9.63	9.63
Creditanstalt AG, Vienna, Austria	-	-	-	0.51
Deutsche Bank, Hungary	-	-	-	0.10
Deutsche Bank, New York, United States of America	-	0.33	48.23	1.80
Deutsche Bank, Singapore	0.71	0.63	2.37	0.63
Deutsche Bank, Singapore (2nd account)	-	0.07	-	0.63
Deutsche Bank, London, United Kingdom	0.17	1.50	32.76	77.78
Deutsche Bank, Delaware	26.62	41.22	26.62	41.22
Deutsche Bank, London, United Kingdom, (USD)	(1.42)	-	2.25	-
Deutsche Bank, London, United Kingdom, (EURO)	(1.03)	-	2.55	-
Deutsche Bank, Franco -Euro	0.03	-	0.03	-
Dresdner Bank, Frankfurt, Germany	0.23	0.18	1.22	1.08
DSL Bank, Frankfurt, Germany	1.09	0.36	1.09	3.10
Fleet Bank, Boston, United States of America	-	-	-	0.06
Hong Kong & Shanghai Banking Corporation Limited, Hong Kong	2.05	2.86	5.08	2.60
Hong Kong & Shanghai Banking Corporation Limited, Mauritius	-	-	-	0.37
Hong Kong & Shanghai Banking Corporation Limited, Malaysia	0.05	3.94	0.05	1.75
Hong Kong & Shanghai Banking Corporation Limited, United States of America	-	-	-	0.52
Hong Kong & Shanghai Banking Corporation Limited, Sydney	0.08	0.60	0.08	22.63
Indian Overseas Bank, Singapore, SGD account	0.98	11.09	4.27	7.85
Indian Overseas Bank, Singapore, USD account	0.41	0.03	0.41	2.26
Industrial and Commercial Bank, Singapore, SGD account	0.09	-	1.41	1.33
Lloyds TSB, London, United Kingdom	0.39	1.89	22.07	21.52
Lloyds TSB, UK	1.02	-	3.23	-
May Bank, Malaysia	-	-	-	0.22
National Bank of Dubai, Dubai	-	-	-	1.56
PNC Bank	(0.51)	-	0.05	21.07
Public Bank Bhd., Malaysia	2.35	8.75	2.35	9.38
SBI International (Mauritius) Ltd., Mauritius	0.09	0.03	0.16	1.60
Scotia Bank, Winnipeg, Canada	0.01	0.05	0.01	0.38
South Shore Saving Bank, MA, USA	(0.21)	-	(0.21)	0.70
Skandinaviska Enskilda Banken AB, Stockholm, Sweden	0.24	-	0.64	0.39
Skandinaviska Enskilda Banken AB, Stockholm, Sweden, (USD account)	-	-	0.61	0.24
Silicon Valley Bank, CA, USA, United States of America	0.90	6.31	26.51	20.42
Standard Chartered Bank, Malaysia	-	-	-	0.02
Standard Chartered Bank, Singapore	-	-	-	9.63
Sumitomo Bank limited, Tokyo, Japan	0.26	0.78	2.44	3.00
Sumitomo Bank limited, Tokyo, Japan, USD account	-	-	-	0.25
Suntrust Bank,	0.40	0.39	4.41	0.39

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Non-scheduled banks	Closing balance		Maximum balance	
	Year ended 30 June 2005	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2004
TCF Bank, Illinois, United States of America	-	-	-	0.40
United Overseas Bank Limited, Singapore	-	0.59	-	3.73
UBS, AG Switzerland	-	-	-	0.43
Wells Fargo Bank, CA, United States of America	3.73	-	27.16	7.85
Wells Fargo Bank, CA, United States of America	-	1.25	-	0.79
Westpac	0.01	0.03	0.01	0.03
Total	53.27	89.83	-	-
- On Deposit accounts				
Australia and New Zealand Banking Group Limited, Sydney, Australia - USD account	1.41	2.97	1.41	2.97
Australia and New Zealand Banking Group Limited, Wellington, New Zealand - Call account	-	0.20	-	0.20
Australia and New Zealand Banking Group Limited, Sydney, Australia - Cash management	4.35	7.29	4.35	7.29
Australia and New Zealand Banking Group Limited, Wellington, New Zealand - USD account	0.01	0.01	0.01	0.01
Australia and New Zealand Banking Group Limited, Wellington, New Zealand - Serious saver	1.70	0.90	1.70	0.90
Hong Kong & Shanghai Banking Corporation Limited, USD account, United States of America	-	0.38	-	0.38
Hongkong & Shanghai Banking Corporation Limited, Malaysia	3.60	-	3.60	-
South Shore Savings Bank, MA, United States of America	-	0.35	10.76	0.35
Industrial & Commercial Bank, Singapore	10.48	-	10.48	-
Bank of America NA, United States of America	-	-	-	-
Bank of Ireland, Ireland	0.58	1.07	14.39	1.07
South Shore Bank	2.53	-	2.53	-
Public Bank Bhd., MA, USA	6.84	-	6.84	-
PNC Bank	17.61	15.69	17.61	15.69
Wells Fargo Bank, CA United Bank of America	-	3.48	-	3.48
Total	49.11	32.34		

17. The Company and its various subsidiaries are required to comply with the local transfer pricing regulations, which are contemporaneous in nature. The Company appoints independent consultants annually for conducting a Transfer Pricing Study to determine whether transactions with associate enterprises are undertaken on an arm's length basis. Adjustments, if any, arising from the transfer-pricing-study will be accounted for as and when the study is completed. The management is of the opinion that its international transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statements, particularly on the amount of the tax expense and that of provision for taxation.
18. Previous year figures have been re-classified/ re-grouped to conform to current year's classifications.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

S L Narayanan
Corporate Vice President - Finance

Allwyn Noronha
General Manager and Company Secretary

Place: Noida (UP), India
Date: August 23, 2005

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

S.No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest in the subsidiary at the end of financial year	Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are not dealt with in the Company's accounts (All amounts in Rupees thousands)				Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)
				Shareholding (No. of shares)	Extent of holding (%)	For the year ended June 30, 2005	For previous financial years of the subsidiary since it became the Holding Company's subsidiary	
1	HCL Bermuda Limited (formerly HCL Technologies (Bermuda) Limited)	30-Jun-05	113,170,582	100	91,197	(268,620)	Nil	Nil
2	HCL America Inc. (formerly HCL Technologies America Inc.)	30-Jun-05	5,541,233	100	167,613	(314,558)	Nil	Nil
3	HCL Great Britain Limited (formerly HCL Technologies Europe Limited)	30-Jun-05	10,568,000	100	49,585	(533,630)	Nil	Nil
4	HCL Technologies Sweden AB	30-Jun-05	10,000	100	714	96	Nil	Nil
5	HCL (Netherlands) BV (formerly HCL Technologies (Netherlands) BV)	30-Jun-05	400	100	(5,356)	(124,688)	Nil	Nil
6	HCL Technologies GmbH	30-Jun-05	25,565	100	(4,946)	(112,806)	Nil	Nil
7	HCL Technologies Italy SLR	30-Jun-05	20,000,000	100	(703)	(2,561)	Nil	Nil
8	HCL Technologies Belgium NV	30-Jun-05	2,750	100	836	(9,659)	Nil	Nil
9	HCL Australia Services Pty. Limited (formerly HCL Technologies Australia (Pty.) Limited)	30-Jun-05	500,000	100	10,745	19,001	Nil	Nil
10	HCL (New Zealand) Limited (formerly HCL Technologies (New Zealand) Limited)	30-Jun-05	10	100	8,203	10,724	Nil	Nil
11	HCL Hong Kong SAR Limited (formerly HCL Technologies (Hong Kong) Limited)	30-Jun-05	193,167	100	4,749	9,884	Nil	Nil
12	HCL Technologies Japan Limited	30-Jun-05	4,400	100	35,297	(117,510)	Nil	Nil
13	HCL Holdings GmbH	31-Dec-04	6,500,000	100	(240,777)	4,005,811	Nil	Nil
14	HCL Venture Capital Limited	30-Jun-05	12,000	100	(316)	(8,811)	Nil	Nil
15	Intelicent India Limited	30-Jun-05	106,000	100	9,525	138,733	Nil	Nil
16	HCL Comnet Systems and Services Limited	30-Jun-05	12,778,551	99.88	158,484	571,083	2186	Nil
17	Shipara Technologies Limited	30-Jun-05	17,920,700	100	54,169	(64,640)	Nil	Nil
18	E Serve Holding Limited	30-Jun-05	1,000,002	100	(559)	(1,328)	Nil	Nil
19	HCL Technologies BPO Services Limited	30-Jun-05	4,680,700	100	393,265	(136,911)	Nil	Nil
20	HCL Enterprise Solutions Limited	30-Jun-05	60,000	100	(725)	(1,157)	Nil	Nil
21	HCL Technologies (Illinois) Inc.	30-Jun-05	500	100	32,197	58,365	Nil	Nil
22	HCL Enterprise Solutions (India) Limited	30-Jun-05	150,070	100	3	(21)	Nil	Nil
23	DSI Financial Solutions Pte. Limited	30-Jun-05	10,000	100	(494)	2,715	Nil	Nil
24	DSL Software Limited	30-Jun-05	50,020	100	1,357,858	1,143,517	Nil	Nil
25	DSL GmbH	30-Jun-05	2	100	(10,936)	15,730	Nil	Nil
26	HCL BPO Services (NI) Limited (formerly HCL Technologies BPO Services (NI) Limited)	30-Jun-05	4,444,445	100	151,216	(22,316)	Nil	Nil
27	HCL Technologies (Mass) Inc.	30-Jun-05	200	100	51,048	(7,796)	Nil	Nil
28	HCL Comnet Limited	30-Jun-05	949,840	99.88	56,042	36,770	Nil	Nil
29	HCL Jones Technologies LLC	30-Jun-05	1,000,000	51	(20,961)	(3,868)	Nil	Nil
30	HCL Jones Technologies (Bermuda) Limited	30-Jun-05	510	51	44,908	19,578	Nil	Nil
31	HCL m.a. Limited	30-Jun-05	102,000	51	4,693	(12,726)	Nil	Nil
32	HCL Technologies (Mumbai) Limited	30-Jun-05	4,950,060	100	4,330	11,764	Nil	Nil
33	Insys Inc., Canada	30-Jun-05	2,400,000	100	(247)	1,948	Nil	Nil

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

S.No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest in the subsidiary at the end of financial year		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are not dealt with in the Company's accounts (All amounts in Rupees thousands)	Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)	
			Shareholding (No. of shares)	Extent of holding (%)		For the year ended June 30, 2005	For previous financial years of the subsidiary since it became the Holding Company's subsidiary
34	HCL Singapore Pte. Limited (formerly HCL Technologies Singapore Pte. Limited)	30-Jun-05	2,000,000	100	63,148	21,164	Nil 45,245
35	HCL Technologies (Malaysia) Sdn. Bhd. (formerly HCL Infosystems (Malaysia) Sdn. Bhd.)	30-Jun-05	100,000	100	21,750	31,799	Nil Nil
36	Infosystems (Europe) Limited	30-Jun-05	314,510	100	0.08	18,543	Nil Nil
37	Infosystems Australia Pty. Limited	30-Jun-05	629,034	100	(181)	(11,391)	Nil Nil
38	Aquila Technologies Limited	30-Jun-05	8,300,880	100	4,966	-	Nil Nil
39	Aalayance Inc.	31-Dec-04	10,935,348	58.09	-	-	Nil Nil
40	HCL EAI Services Private Limited (formerly Aalayance E-Com Service Private Limited)	30-Jun-05	610,003	58.09	(817)	-	Nil Nil
41	Aalayance (UK) Limited	(Refer note 2)		58.09	-	-	Nil Nil

Notes :

- 1) In respect of the subsidiaries whose financial year do not co-incide with the financial year of the Company, neither there has been change in the holding company's interest in the subsidiary nor any material transaction has occurred except in case of Aalayance Inc., where company has acquired, by way of subscription, 9,081,268 equity shares, where by company stake has increased from 19.03% to 58.09%.
- 2) The first accounting year for Aalayance (UK) Ltd. has not ended by June 30, 2005, being a newly incorporated entity.

For HCL Technologies Limited

Shiv Nadar
Chairman and CEO

S L Narayanan
Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 23, 2005

T S R Subramanian
Director

Allwyn Noronha
General Manager and Company Secretary

The Ministry of Company Affairs, Government of India, vide its approval letter no. 47/149/2005-CL-III dated September 19, 2005 has granted exemption to the Company from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under section 212 of the Companies Act, 1956 for the year ending June 30, 2005. The Company would provide the annual accounts of the subsidiaries and the related detailed information to the investors of the Company and its subsidiaries on specific requests made to it in this regard by the said investors. The annual accounts of the subsidiaries will also be kept for inspection by any investor at the registered office of the Company and that of the subsidiary company concerned.

Statement regarding Subsidiary Companies as required by the approval granted under Section 212(8) of the Companies Act, 1956

(All amounts in Rupees thousands)

S. No.	Name of the Subsidiary Company	Share capital	Reserves	Total assets	Total liabilities	Investments (other than in subsidiaries)	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
1	HCL Bermuda Limited (formerly HCL Technologies (Bermuda) Limited)	4,924,052	210,635	5,166,766	32,078	895,858	139,363	91,197	-	91,197	-
2	HCL America Inc.[refer note (a)] (formerly HCL Technologies America Inc.)	1,198,319	134,556	9,311,870	7,978,995	1,416,746	10,150,595	254,491	86,878	167,613	-
3	HCL Great Britain Limited (formerly HCL Technologies Europe Limited)	824,065	(194,242)	1,485,945	856,122	-	2,731,152	84,097	34,512	49,585	-
4	HCL Technologies Sweden AB	556	809	62,763	61,398	-	26,314	681	-	681	-
5	HCL (Netherlands) BV (formerly HCL Technologies (Netherlands) BV)	954	(127,679)	96,205	222,930	-	57,601	(5,356)	-	(5,356)	-
6	HCL Technologies GmbH	1,344	(117,752)	204,205	320,613	-	139,971	(4,946)	-	(4,946)	-
7	HCL Technologies Italy SLR	526	(3,264)	556	3,295	-	46	(703)	-	(703)	-
8	HCL Technologies Belgium NV	3,583	(8,823)	47,068	52,308	-	64,162	836	-	836	-
9	HCL Australia Services Pty. Limited (formerly HCL Technologies Australia (Pty.) Limited)	16,551	30,463	155,773	108,759	-	650,158	16,396	(5,650)	10,745	-
10	HCL (New Zealand) Limited (formerly HCL Technologies (New Zealand) Limited)	1,536	20,730	54,132	31,866	-	212,539	13,752	4,768	8,984	-
11	HCL Hong Kong SAR Limited (formerly HCL Technologies (Hong Kong) Limited)	1,081	14,632	85,268	69,555	-	211,148	4,749	-	4,749	-
12	HCL Technologies Japan Limited	86,353	(82,213)	196,700	192,561	-	548,954	16,771	(18,526)	35,297	-
13	HCL Holdings GmbH	24,858	3,860,756	3,929,452	43,838	-	140,021	(240,689)	88	(240,777)	-
14	HCL Venture Capital Limited	522	(9,127)	47,827	56,432	-	-	(316)	-	(316)	-
15	Intelicent India Limited	1,061	148,258	150,453	1,135	143,956	28,850	13,199	3,675	9,525	-
16	HCL Comnet Systems and Services Limited	478,094	925,666	1,711,695	307,936	206,666	1,026,439	167,291	6,428	160,863	2,186
17	Shipara Technologies Limited	179,207	(26,475)	300,434	147,702	-	408,826	57,297	(176)	57,474	-
18	E Serve Holding Limited	43,510	(1,887)	43,971	2,348	-	-	(559)	-	(559)	-
19	HCL Technologies BPO Services Limited	46,807	286,327	1,253,063	919,928	-	2,227,772	453,148	59,883	393,265	-
20	HCL Enterprise Solutions Limited	2,611	246,102	256,532	7,819	-	-	(801)	-	(801)	-
21	HCL Technologies (Illinois) Inc.	-	238,644	403,952	165,308	-	1,067,294	60,482	24,892	35,589	-
22	HCL Enterprise Solutions (India) Limited	1,501	(18)	1,527	44	-	77	4	2	3	-
23	DSI Financial Solutions Pte. Limited	526	9,507	11,576	1,543	-	-	(1,334)	-	(1,334)	-
24	DSL Software Limited	500	4,053,697	4,905,496	851,299	2,433,635	5,136,640	1,839,104	40,617	1,798,487	-
25	DSL GmbH	55,373	859,871	4,479,752	3,564,509	1,023,984	8,312,454	(684,301)	77,002	(761,303)	-
26	HCL BPO Services (NI) Limited (formerly HCL Technologies BPO Services (NI) Limited)	311,978	172,948	1,193,094	708,168	-	2,094,406	250,533	83,901	166,632	-
27	HCL Technologies (Mass) Inc.	791	43,252	150,733	106,690	-	663,138	51,361	313	51,048	-
28	HCL Comnet Limited	9,499	632,864	1,605,291	962,928	163,429	1,931,580	88,041	31,931	56,110	-
29	HCL Jones Technologies LLC	85,314	(48,685)	126,606	89,977	-	507,717	(41,026)	74	(41,100)	-
30	HCL Jones Technologies (Bermuda) Limited	522	126,443	139,472	12,507	-	199,664	88,055	-	88,055	-

Statement regarding Subsidiary Companies as required by the approval granted under Section 212(8) of the Companies Act, 1956

(All amounts in Rupees thousands)

S. No.	Name of the Subsidiary Company	Share capital	Reserves	Total assets	Total liabilities	Investments (other than in subsidiaries)	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
31	HCL m.a. Limited	156	(312)	312	468	-	-	9,201	-	9,201	-
32	HCL Technologies (Mumbai) Limited	49,501	15,988	81,679	16,191	47,406	94,275	9,393	6,063	4,330	-
33	Insys Inc., Canada	8,517	(19,383)	100	10,966	-	-	(247)	-	(247)	-
34	HCL Singapore Pte. Limited (formerly HCL Technologies Singapore Pte. Limited)	51,699	216,817	473,369	204,853	-	653,407	67,161	4,013	63,148	-
35	HCL Technologies (Malaysia) Sdn. Bhd. (formerly HCL Infosystems (Malaysia) Sdn. Bhd.)	1,145	97,516	256,916	158,255	-	352,545	22,323	573	21,750	-
36	Infosystems (Europe) Limited	24,524	(18,311)	6,213	-	-	-	-	-	-	-
37	Infosystems Australia Pty. Limited	20,823	(11,571)	9,251	-	-	65	(181)	-	(181)	-
38	Aquila Technologies Limited	41,504	2,038	49,728	6,186	-	63,823	14,499	(764)	15,263	-
39	Aalayance Inc. [refer note (b)]	48,792	(27,737)	77,802	56,747	-	201,046	(26,071)	35	(26,106)	-
40	HCL EAI Services Private Limited (formerly Aalayance E-Com Service Private Limited)	10,501	20,765	52,855	21,589	-	163,661	(4,218)	-	(4,218)	-
41	Aalayance (UK) Limited [refer note (c)]	-	-	-	-	-	-	-	-	-	-

Notes:

- a) Share capital includes Rs. 957,220,000 the share application money received pending allotment of shares.
- b) Share capital includes Rs. 12,844,108 call made but not paid by the shareholders.
- c) The first accounting year for Aalayance (UK) Limited has not ended by June 30, 2005, being a newly incorporated entity.

For HCL Technologies Limited

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

S L Narayanan
Corporate Vice President - Finance

Allwyn Noronha
General Manager and Company Secretary

Place: Noida (UP), India
Date: August 23, 2005



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HCL Technologies BPO Services Limited
C-23, Sector 58, Noida - 201301
Uttar Pradesh, India

India - Chennai and Bangalore

Networking Products Division
Centre 1
49-50 Nelson Manickam Road,
Chennai 600 029
India
Tel: +91-44-237-41939-42
Fax: +91-44-237-41038

Networking Products Division
Centre 2
299 (Old Numer 158) Arcot Road
158 Arcot Road
Vadapalani
Chennai 600 026
India
Tel: +91-44-237-50171
Fax: +91-44-237-50185

Networking Products Division
Centre 3
184, Arcot Road
Vadapalani, Chennai - 600 026
India
Tel: +91-44-2372-8366
Fax: +91-44-2480-6640

Networking Technologies Lab
Plot 78, South Phase Road,
Ambattur Industrial Estate,
Chennai - 600 058
India
Tel: +91-44-2623-2318
Fax: +91-44-2625-9476

Application Solutions Development
Centre
J-16 Anna Nagar East
Chennai 600 102
India
Tel: +91-44-262-64206
Fax: +91-44-262-81120

Software Engineering Solutions Centre
Sapna Trade Centre
109/110 P H Road
Chennai 600 084
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Tel: +91-44-282-21129
Fax: +91-44-282-14278

IO3

Integrated Technologies Centre
D-12, 12B Ambattur Industrial Estate
Ambattur
Chennai 600 058
India
Tel: +91-44-262-30711
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Core Technologies Division
50-53 Greams Road
Chennai 600 006
India
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Fax: +91-44-282-94969

Core Technologies Centre
PM Towers, 37 Greams Road
Chennai 600 006
India
Tel: +91-44-282-91735
Fax: +91-44-282-91738

Business Solutions Centre
No. 51 J.N. Road,
Guindy
Chennai 600 097
India
Tel: +91-44-223-21960-65
Fax: +91-44-223-44256

Banking Software Development
Center
602 Tidel Park
No. 4, Canal Bank Road
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HCL Technologies Ltd
Plot no. 95, SP
Ambattur Industrial Estate,
Ambattur, Chennai 600 058
India

HCL Technologies Ltd
64 & 65, Second Main Road
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India
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HCL Technologies Ltd
35, South Phase
Guindy Industrial estate
Ekkaduthangal, Guindy
Chennai 600 097
India

HCL Technologies Ltd
Module 812, 8th Floor, Raheja Towers
Mount Road,
Chennai, 600 002
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HCL Technologies Ltd.
"6th Floor, Leela Galleria,"
"No.23, Airport Road,"
Bangalore - 560 008
India.
Tel: + 91-80-5054000

Shipara Technologies Ltd.
No. 8 & 9,
G.B. Palya, Off Hosur Road
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India
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Aquila Technolgies
5, 100FT Ring Road, BTM Layout,
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Tel: +91-80-668-9684
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Kolkata:

HCL Technologies Ltd
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Kolkata 700 091
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