Press Release

HCL Tech revenues jump 32%, net income up 40%

Highlights for the Quarter

- Revenues at Rs 1,054.2 crore; up 32% YoY
- EBITDA at Rs 237.7 crore; up 29% YoY
- Net income grows to Rs 181.1 crore; up 40% YoY
- Sequentially, revenues up 8.6%; EBITDA up 10.1%; and net income up 8.1%
- 12 consecutive quarterly dividends; interim dividend of 200% declared

Overview

New Delhi, 18 January 2006: The quarter under review saw HCL Technologies capitalize on its transformation strategy and further consolidate its position across all business lines. The company's focused approach to growth in its chosen service lines and verticals saw it make deeper inroads into the *Fortune 1000* customer umbrella, with several large deals being signed and recognition for the unique product and service offerings coming from across the world.

"We are witnessing increased demand for emerging services and emerging verticals, and are seeing the overall industry size grow at a good pace. We also see technology spending amongst enterprises picking up, particularly as rapid globalization pushes enterprises to increase efficiencies and productivity, thereby remaining globally competitive. HCL is uniquely positioned to gain from these trends, given its focus and investments in emerging areas. The current results are a reflection of the success of this strategy," Shiv Nadar, Chairman and CEO, HCL Technologies, said.

"Our transformation initiatives kicked off in Q1 have begun to show early signs of success—in employee satisfaction, new customer acquisition and increasing revenues from existing customers. Our focus on integrated offerings and transformational IT, coupled with a unique pricing proposition, is increasingly gaining acceptance and driving our strong performance," Vineet Nayar, President, HCL Technologies, said. "The company's focus on emerging services as a growth driver continued through the quarter under review, with infrastructure services growing by a healthy 74%, stronger even than the 67% growth witnessed in the previous quarter," he added.

"The Q2 performance in the BPO space has been consistent with our projections, as we added over 1,500 employees against large contracts that will be executed in Q3. We are looking to the second half of the year to become a leader in large-scale BPO outsourcing," Ranjit Narasimhan, head of HCL's BPO operations, said.

SL Narayanan, Corporate Vice-President (Finance), said, "Key financial metrics have started accelerating, which augurs well for the rest of the year."

Consolidation of Large Deal Strategy

Multi-year, multi-service deals signed…

- HCL has been selected as the IT partner of by a *Fortune 500* supplier of industrial automation equipment and services in its Global Transformation Project (GTP). **HCL will set up an Application Optimisation & SAP Implementation Centre of Excellence** that will work with the client across locations in achieving this transformation over four years. The project is amongst the biggest transformation projects of its kind and HCL's selection is yet another validation of the company's dominance in the IT transformation market space

- **Multi-year and multi-million-dollar deal** with a *Fortune 1000* logistics & transportation company for worldwide application development and management—to reduce cost per transaction and enhance customer business performance in a very competitive market

- In a path-breaking initiative, HCL **entered into $100-million strategic agreement with EXA Corporation,** a leading system integrator in Japan, to provide offshore based IT solutions and system integration services to EXA's blue-chip customer base. This is the first partnership of such a large scale between a Japanese system integrator and an Indian offshore vendor, ever

- HCL became **the first India-based design house validated as 'Ready for IBM Technology'**. The 'Ready for IBM Technology' mark identifies solutions that have been pre-tested and validated for compatibility with IBM Microelectronics products and services by the solution developers. Under this program, HCL will design and carry out the silicon-level implementation of advanced integrated circuits (ICs) for manufacturing in IBM's state of-the art wafer foundries

Business Highlights

Software Services

- AMR Research recently released a report titled 'An Executive Guide to Selecting Retail Service Providers'—a a comparative analysis of all global, offshore and niche service providers for the retail industry. In all categories, **HCL has been ranked higher than most offshore competitors**, further underlining the company's supply chain capabilities
- HCL Great Britain chosen as one of the **top Information and Communication Technology (ICT) Employers in the UK** by a new guide from the Corporate Research Foundation (CRF)—an independent international organization conducting research into best business practices from an HR perspective
- **HCL establishes the first Power Architecture™ Design Center outside an IBM business line,** expanding the company's credentials as a premier design house. The initiative is in line with HCL's strategy to offer superior customer value and transformational R&D services. HCL is also a sponsor member of the power.org to evangelize PowerPC
- NEC HCL System Technologies Ltd Joint Investment in Centre of Excellence for Product Engineering between HCL and NEC System Technologies Ltd was inaugurated in Noida by the President of NEC
- **Saila Systems Inc, Japan and HCL jointly announced the launch of Panax Finder**, a statistical analysis software package which can be used by pharmaceutical companies in the drug discovery process, thereby reducing a labor-intensive approach and saving thousands of dollars and cutting down on cycle times

BPO

- **Two new delivery centers become operational in Noida and Chennai**, adding 1,57,000 sq ft of operational area
- **Addition of two new customers**—a leading automobile manufacturer in India and one of the top European banks in Belfast
- HCL **BPO ranked among the "Top 5 Dream BPO Companies"** to work for in India (IDC-Dataquest Employee Satisfaction Survey)

- **Additional grant approved for NI operations** in recognition of HCL's continued growth in Northern Ireland

Infrastructure Management Services

- HCL ranked as a **'Strong Performer' in Remote Infrastructure Management** in its Global Delivery Infrastructure Management Scorecard Summary: Key Findings From "The Forrester Wave^{TM}: Global Delivery Infrastructure Management, Q4 2005", Forrester Research, Inc, December 2005
- HCL's Infrastructure Management Division ranked 4th for the second consecutive year in the **'Best Companies to Work For in India'** Survey 2005, conducted by *Business Today* in partnership with Mercer & International Marketing Research Major TNS
- HCL's Infrastructure Division set up India's **First Microsoft Centre of Excellence** (CoE) for Infrastructure Management. This centre will add to HCL's existing capabilities in offering migration and project services to worldwide customers on new Microsoft technologies, further strengthening its remote infrastructure management service capabilities and leadership

About HCL Technologies

HCL Technologies is one of India's leading global IT Services companies, providing software-led IT solutions, BPO and remote infrastructure management services. Having made a foray into the services domain in 1997-98, HCL Technologies focuses on technology and R&D outsourcing, working with clients in areas at the core of their business. The company leverages an extensive offshore infrastructure and its global network of 26 offices in 15 countries to deliver solutions across select verticals including Banking, Insurance, Retail & Consumer, Aerospace, Automotive, Semiconductors, Telecom and Life Sciences. For the twelve-month period ended 31 December 2005, HCL Technologies, along with its subsidiaries, had revenues of US $864 million (Rs 3,890 crore) and employed 28,182 professionals. For more information, please visit www.hcltech.com

About HCL Enterprise

HCL Enterprise is a leading global technology and IT enterprise, comprising two companies listed in India—HCL Technologies & HCL Infosystems. The three-decade-old enterprise, founded in 1976, is one of India's original IT garage start-ups. Its range of offerings span product engineering, technology and application services, BPO, infrastructure services, IT hardware, systems integration, and distribution of technology and telecom products. The HCL team comprises of over 30,000 professionals of diverse nationalities, operating out of 15 countries, including 300 points of presence in India alone. HCL has global partnerships with several leading *Fortune 1000* firms, including leading IT and Technology firms. For more information please visit www.hcl.in

Forward-looking Statements

Certain statements in this release are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies/ entities in which we have made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

Financials

Second Quarter Results Analysis based on the unaudited US GAAP financial results for Q2FY 2005-06

Consolidated Income Statement (as per US GAAP) (in Rs crore)

	Quarterly Details			Growth	
	Q2 FY '05	Q1 FY '06	Q2 FY '06	QoQ	YoY
Gross Revenues	**801.4**	**970.7**	**1054.2**	**8.6%**	**31.5%**
Direct Costs	503.2	609.1	656.4		
Gross Profits	**298.1**	**361.7**	**397.8**	**10.0%**	**33.4%**
SG & A	113.7	145.8	160.1		
EBITDA	**184.5**	**215.8**	**237.7**	**10.1%**	**28.8%**
Depreciation & Amortisation	36.4	44.7	49.3		
EBIT	**148.1**	**171.1**	**188.3**	**10.1%**	**27.2%**
Foreign Exchange Gains/ (Loss)	4.5	(3.0)	(13.2)		
Other Income, net	16.0	15.4	27.6		
EBT	**168.7**	**183.5**	**202.7**	**10.4%**	**20.2%**
Provision for Tax	13.6	16.9	20.3		
EAT	**155.1**	**166.6**	**182.4**	**9.5%**	**17.6%**
Share from equity investments	(0.6)	0.0	(0.7)		
Share of (income) / loss of minority shareholders	(25.3)	0.9	(0.6)		
Net Income	**129.1**	**167.5**	**181.1**	**8.1%**	**40.2%**

Note 1: The financials are based on a convenience translation using the closing USD rates for the last day of the quarter: USD1=Rs 45.02 for Q2 of FY '06; USD1=Rs 44.01 for Q of 1FY '06; and USD1=Rs 43.45 for Q2 of FY '05)

Note 2: Statement of Financial Accounting Standard ("SFAS") 123R, Share-Based Payments, has become applicable to Public Companies from fiscal periods beginning after June 15, 2005 and accordingly, SFAS 123R applies to the Company from the quarter beginning July 2005. This would result in a non-cash charge, and is estimated to be in the region of USD 19 million for the full year ending 30 June 2006. However, the Company is in the process of evaluating the appropriate method for computing fair value of the options and the other implications of this standard. Compensation charge for current year arising out of SFAS 123R will be considered in the annual accounts for the year ending 30 June 2006.

Key Ratios

	Quarterly details		
	Q2FY'05	Q1FY'06	Q2FY'06
Gross Margin	37.2%	37.3%	37.7%
Opex/Gross revenue	14.2%	15.0%	15.2%
EBIDTA Margin	23.0%	22.2%	22.5%
Net income/Gross revenue	16.1%	17.3%	17.2%

Consolidated Balance Sheet (as per US GAAP) (in Rs crore)

	As On		
	Dec 31 '04	Sept 30 '05	Dec 31 '05
ASSETS			
a. Cash and cash equivalents	142.6	143.1	105.7
b. Accounts receivable, net	609.9	766.5	880.1
c. Treasury Investments	1,833.3	1,737.0	1,501.0
d. Other current assets	265.6	355.4	331.7
A. Total current assets (a+b+c+d)	**2,851.3**	**3,002.0**	**2,818.6**
B. Property and equipment, net	561.3	717.2	776.7
C. Intangible assets, net	271.6	840.3	840.0
D. Investments in Venture Funds / Equity investees	92.0	86.1	79.7
E. Other Assets	63.0	75.6	87.1
Total assets (A+B+C+D+E)	**3,839.2**	**4,721.2**	**4,602.0**
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	527.5	659.4	677.1
f. Long -term debt	130.4	44.0	11.9
g. Other liabilities	17.4	28.0	19.4
E. Total liabilities (e+f+g)	**675.3**	**731.4**	**708.4**
F. Minority Interest	154.2	7.8	8.6
G. Total Stockholders equity	3,009.6	3,982.0	3,885.0
Total liabilities and stockholders equity (E+F+G)	**3,839.2**	**4,721.2**	**4,602.0**

Note: Unrealized gains on Treasury Investments as of 31 December 2005 stood at Rs 44.5 crore

Revenue breakup between various business categories (in Rs crore)

	Software Services				
	Q2FY '05	Q1FY '06	Q2FY '06	QoQ	YoY
Gross Revenues	**628.6**	**743.4**	**800.1**	**7.6%**	**27.3%**
Direct Costs	392.9	464.2	495.9		
Gross Profits	**235.7**	**279.3**	**304.2**	**8.9%**	**29.1%**
SG & A	85.6	110.0	121.0		
EBITDA	**150.1**	**169.2**	**183.2**	**8.3%**	**22.0%**
Depreciation & Amortisation	22.8	28.0	29.3		
EBIT	**127.3**	**141.2**	**153.9**	**9.0%**	**20.9%**

	BPO Services				
	Q2 FY '05	Q1 FY '06	Q2 FY '06	QoQ	YoY
Gross Revenues	**109.4**	**130.7**	**133.9**	**2.4%**	**22.4%**
Direct Costs	71.7	80.4	79.3		
Gross Profits	**37.7**	**50.3**	**54.6**	**8.5%**	**44.9%**
SG & A	12.2	15.9	18.2		
EBITDA	**25.5**	**34.4**	**36.4**	**5.6%**	**43.0%**
Depreciation & Amortisation	9.0	10.9	11.3		
EBIT	**16.4**	**23.6**	**25.1**	**6.3%**	**52.6%**

	Infrastructure Mgt				
	Q2 FY '05	Q1 FY '06	Q2 FY '06	QoQ	YoY
Gross Revenues	**66.7**	**96.9**	**120.2**	**24.1%**	**80.4%**
Direct Costs	41.9	64.8	81.3		
Gross Profits	**24.7**	**32.1**	**39.0**	**21.5%**	**57.5%**
SG & A	15.8	19.9	20.9		
EBITDA	**8.9**	**12.1**	**18.1**	**48.9%**	**103.3%**
Depreciation & Amortisation	4.5	5.8	8.7		
EBIT	**4.4**	**6.3**	**9.3**	**47.9%**	**114.3%**

	Inter Co Adjustment		
	Q2 FY '05	Q1 FY '06	Q2 FY '06
Gross Revenues	**(3.2)**	**(0.3)**	**0.0**
Direct Costs	(3.2)	(0.3)	0.0

For details, contact

Investor Relations

S Rajalakshmi

rajalakshmis@hcltech.com

Tel: +91-120 254 6043

Fax: +91 120 252 6907

Media Relations

Manisha Singh

singh.manisha@hcl.in

+91 9811816750

HCL Technologies Ltd,

A 10-11, Sector-III,
NOIDA-201301
www.hcltech.com

Nora Pradhan

npradhan@genesispr.com

+91 9899878182

+91 124 4044744

Financials (USD)

(Q2 FY 2006 analysis based on unaudited US GAAP financial results)
Consolidated Income Statement (as per US GAAP) in USD million

	Q2 FY '05	Q1 FY '06	Q2 FY '06	QoQ Growth	YoY Growth
Gross Revenues	**184.42**	**220.57**	**234.16**	**6%**	**27%**
Direct Costs	115.81	138.39	145.80		
Gross Profits	**68.61**	**82.18**	**88.35**	**8%**	**29%**
SG & A	26.16	33.14	35.56		
EBITDA	**42.45**	**49.04**	**52.79**	**8%**	**24%**
Depreciation & Amortisation	8.37	10.17	10.96		
EBIT	**34.08**	**38.87**	**41.83**	**8%**	**23%**
Foreign Exchange Gains/ (Loss)	1.04	(0.68)	(2.94)		
Other Income, net	3.69	3.51	6.13		
Provision for Tax	3.13	3.85	4.51		
Share from equity investments	(0.14)	0	(0.15)		
Share of (income) / loss of minority shareholders	(5.82)	0.20	(0.13)		
Net Income	**29.72**	**38.05**	**40.23**	**6%**	**35%**

Note 2: Statement of Financial Accounting Standard ("SFAS") 123R, Share-Based Payments, has become applicable to Public Companies from fiscal periods beginning after June 15, 2005 and accordingly, SFAS 123R applies to the Company from the quarter beginning July 2005. This would result in a non-cash charge, and is estimated to be in the region of USD 19 million for the full year ending 30 June 2006. However, the Company is in the process of evaluating the appropriate method for computing fair value of the options and the other implications of this standard. Compensation charge for current year arising out of SFAS 123R will be considered in the annual accounts for the year ending 30 June 2006.

Financials (By Service Offering…)

Software Services	Q2 FY' 05	Q1 FY '06	Q2 FY '06	Q0Q Growth	YoY Growth
Gross Revenues	**144.65**	**168.93**	**177.71**	**5%**	**23%**
Direct Costs	90.41	105.47	110.14		
Gross Profits	**54.24**	**63.46**	**67.57**	**6%**	**25%**
SG & A	19.69	25.00	26.87		
EBITDA	**34.55**	**38.45**	**40.69**	**6%**	**18%**
Depreciation & Amortisation	5.25	6.37	6.50		
EBIT	**29.30**	**32.08**	**34.19**	**7%**	**17%**

BPO Services	Q2 FY' 05	Q1 FY' 06	Q2 FY' 06	QoQ Growth	YoY Growth
Gross Revenues	**25.17**	**29.69**	**29.73**	**0%**	**18%**
Direct Costs	16.49	18.26	17.61		
Gross Profits	**8.67**	**11.43**	**12.13**	**6%**	**40%**
SG & A	2.82	3.60	4.05		
EBITDA	**5.86**	**7.83**	**8.08**	**3%**	**38%**
Depreciation & Amortisation	2.08	2.47	2.52		
EBIT	**3.78**	**5.36**	**5.57**	**4%**	**47%**

Infrastructure Mgt	Q2 FY' 05	Q1 FY' 06	Q2 FY' 06	QoQ Growth	YoY Growth
Gross Revenues	**15.34**	**22.02**	**26.71**	**21%**	**74%**
Direct Costs	9.65	14.73	18.05		
Gross Profits	**5.69**	**7.29**	**8.66**	**19%**	**52%**
SG & A	3.65	4.53	4.64		
EBITDA	**2.05**	**2.76**	**4.02**	**46%**	**96%**
Depreciation & Amortisation	1.04	1.32	1.94		
EBIT	**1.00**	**1.44**	**2.08**	**45%**	**107%**

Consolidated Balance Sheet in USD million

As on	Dec 31 '04	Dec 31 '05
ASSETS		
a. Cash and cash equivalents	32.8	23.5
b. Accounts receivable, net	140.3	195.5
c. Treasury Investments	421.9	333.4
d. Other current assets	61.1	73.7
A. Total current assets (a+b+c+d)	**656.2**	**626.1**
B. Property and equipment, net	129.2	172.5
C. Intangible assets, net	62.5	186.6
D. Investments in Venture Funds / Equity investees	21.2	17.7
E. Other Assets	14.5	19.4
Total assets (A+B+C+D+E)	**883.5**	**1022.2**
LIABILITIES AND STOCKHOLDERS' EQUITY		
e. Total current liabilities	121.4	150.4
f. Long -term debt	30.0	2.6
g. Other liabilities	4.0	4.3
E. Total liabilities (e+f+g)	**155.4**	**157.4**
F. Minority Interest	35.5	1.9
G. Total Stockholders equity	692.6	863.0
Total liabilities and stockholders equity (E+F+G)	**883.5**	**1022.2**

Note: Unrealized gains on Treasury Investments as of 31 December 2005 stood at $9.9 million