

Press Release

Noida, National Capital Region (NCR), India October 16, 2006

HCL Tech Q1 revenues up 42% and net income up 49% YoY

Highlights for the Quarter (INR)

- ❑ Revenues at Rs. 1379 crore, up 42.1% YoY and 10.0% sequentially
- ❑ EBITDA (before non cash stock option charge) at Rs. 299 crore, up 38.5% YoY and 6.2% sequentially
- ❑ Net Income at Rs. 250 crore; up 49.4% YoY and 7.4% sequentially
- ❑ Interim dividend of 200%, 15th consecutive quarterly dividend
- ❑ 3826 net additions in headcount, taking employee strength to 36,452 as of September end.

Overview

The quarter ended 30th September 2006, saw **HCL Technologies Ltd. ("HCL") revenue grow by 42% YoY, aggregating Rs. 1379 crore for the quarter.** This growth vindicates HCL's emphasis on **large multi-service deals**, which are starting to pay off.

"HCL's numbers do the talking. Our robust sequential revenue growth of 10% and YoY growth of 42% are testimony to the successful Transformational Strategy that we embraced over the last year. What is satisfying is that the growth is broad based and has emerged from HCL's wide range of service. HCL's talent base, strong multi service positioning with customers, and our investments in creating future momentum augur well for the year ahead," said **Shiv Nadar, Chairman and CEO, HCL Technologies.**

"The company wide internal transformation along with focus on blue ocean strategy has resulted in significant growth this quarter, closely following good growth last quarter. **Our overall Core software and Infrastructure Services grew by 11% sequentially,** which follows a 13% sequential growth last quarter. The YoY revenue growth for the quarter in these businesses has been 43%, fuelled by our **Infrastructure Services' phenomenal 17% sequential and 88% YoY increase in revenue.** This has been complimented by performance in our Core Software Services that sustained its growth momentum with 10% sequential and 37% YoY growth in revenue," said **Vineet Nayar, President, HCL Technologies.** He added "We continued on our course of Transformation with the launch of Enterprise Transformation Services that has premium domain services structured under it to tap market potentials of key verticals."

"HCL's BPO registered a profitable growth trend this quarter with a revenue increase of 50% YoY from Indian operations and a major client win in the Legal Process Outsourcing. The quarter also saw the **highest ever quarterly ramp up in our man-power** that has taken the **total employee strength to the 11,000 mark,**" said **Ranjit Narasimhan, Head of HCL's BPO business.** He added, "HCL's BPO business has now established a firm base which we shall leverage for future growth."

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

- HCL entered into a 5-year, USD 70million **multi-service outsourcing deal** with Teradyne, a leading supplier of Automatic Test equipment.
 - The scale of the engagement includes IT Consulting, Application Development and end-to-end Application and IT Infrastructure Management involving datacenter, network, security and help desk services.
 - This multi-service outsourcing deal with a co-sourcing model of engagement integrates Remote Infrastructure Management with other critical operations for Teradyne.
- HCL entered into a transformational, multi-million, multi-service Engineering ODC Engagement with a leading global supplier of end-to-end solutions of wireless communications networks. Under this engagement, HCL will provide software engineering, RF design, Hardware design / C2 M, FPGA / ASIC, mechanical Design and Development to the client.

Vindication of our unique Business Model

Enterprise Transformation services @ HCL

- HCL announced its vision for Transformation with the Launch of **Enterprise Transformation Services**. The launch of ETS further strengthens HCL's focus on value centric leadership.
- HCL has identified the following key services that will help architect transformation for customer's organization:
 - Business and IT Consulting
 - Legacy Modernization
 - Application Architecture Services
 - Business Analytics Services
- HCL will leverage its existing growth verticals, such as Financial Services, Retail, Life Sciences and Healthcare, Telecom, Hi-Tech and Manufacturing and Media and Entertainment, where the company has deep expertise and a lengthy track record.

Industry pioneer - Business-led initiative aimed at tapping the market potential of key verticals, providing premium domain services

Resourcing for Growth

- Ramp up in head count by 11.7% in a single quarter - Quarterly addition of 3826 employees; 1611 added in the Core Software business, 446 in Infrastructure Services and 1769 in BPO
- Acquired further depth in Senior Management in the Financial Services Vertical - Harsha Mutt appointed Vice President in the Capital Market Services and V. Viswanathan as Vice President in the Retail & Corporate Banking line of business (LOB), two of the key micro-verticals of HCL's Financial Services vertical. With these appointments, HCL would bring about increased focus to its Capital Market and Retail & Corporate Banking businesses.

Significant ramp-up to build capability for the future

Preparing for a More Profitable Future

- Rebalancing geographic portfolio – recorded over 75% YoY growth in Europe
- Infrastructure business makes greater forays into higher margin markets (USA and Europe)
- BPO- concentrating on more profitable off-shore operations

Core Software Services Highlights

- Larger market share of new business, 8.5% from new customers
- Forrester, in its recent report, has positioned HCL as a 'Technically Focused Player' in the Retail Banking space having capabilities in Architecture, Technology and Outsourcing.
- HCL launched **its Equipment Log Manager, a Web-based application built on the .NET technology**. The application is designed for pharmaceutical manufacturers that are required to comply with the Current Good Manufacturing Practice (cGMP) guidelines mandated by FDA.
- To help pharmaceutical companies easily manage the complex regulatory submissions process, HCL launched its eCompliance product suite, a first of its kind complete submissions and labeling solution that facilitates global regulatory compliance.
- HCL achieved a significant milestone this quarter in Information Security with Unified BS7799 - 2:2002, across 23 facilities in India.

Infrastructure Services Highlights

- HCL, being the pioneer and the first in the market in Remote Infrastructure Management, continued its dominance in this space. In its latest issue of Industry Newsletter "NASSCOM Newsline", **NASSCOM has re-iterated HCL's position as the "pioneer in Remote Infrastructure Management" and the "Leading light in this segment", having established its "pre-eminence within the arena"**
- HCL's Infrastructure Services was rated as **Leader in Domestic Remote Infrastructure Management for 2006 by Frost & Sullivan**
- The total employee strength increases to 3400

BPO Services Highlights

- HCL BPO had a net addition of 1769 employees for the quarter - highest increase in net headcount for HCL BPO in any quarter
- HCL BPO won first major Legal Process Outsourcing (LPO) order from a large UK based property services conglomerate
- HCL BPO was placed in the "Top" category by the International Association of Outsourcing Professionals (IAOP)
- The Offshore operations in India continue to sustain the strong momentum of growth. Revenue from offshore operations in India grew by over 50% YoY.

Financials in INR as per convenience translation

(The financials are based on a convenience translation using the closing rate as of the last day of the quarter: US\$ = Rs. 45.92 for quarter ended on 30 Sep'2006; US\$1=Rs. 46.03 for quarter ended on 30 June 2006; US\$1=Rs. 44.01 for quarter ended on 30 Sep' 2005)

**Un-audited financial results for the quarter ended 30th Sept 2006
drawn under US GAAP**

Consolidated Income Statement

Figures in Rs Crore

Particulars	Quarter ended			Growth	
	30-Sep-05	30-Jun-06	30-Sep-06	QoQ	YoY
Revenues	970.7	1253.8	1379.5	10.0%	42.1%
Direct Costs	609.1	794.6	870.8		
Gross Profits	361.7	459.2	508.7	10.8%	40.6%
SG & A	145.8	177.7	209.8		
EBITDA	215.8	281.4	298.8	6.2%	38.5%
Depreciation & Amortisation	44.7	56.2	55.7		
EBIT	171.1	225.3	243.2	7.9%	42.1%
Foreign Exchange Gains/ (Loss)	(3.0)	(16.6)	1.2		
Other Income, net	15.4	22.0	27.8		
Provision for Tax	16.9	(2.3)	21.9		
Share from equity investments	0.0	0.7	0.4		
Share of (income) / loss of minority shareholders	0.9	(0.8)	(0.5)		
Net Income*	167.5	233.0	250.2	7.4%	49.4%
Earnings Per Share (EPS) - (Annualized)					
Basic - in Rupees (FV Rs. 2/-)	21.0	29.0	30.9		
Diluted – in Rupees (FV Rs. 2/-)	19.3	26.9	27.2		

Note:*

The above result does not take into account:

- Unrealized gains on treasury investments of Rs. 53.7 Crs as on Sep 30, 2006 (Rs. 52.9 Crs as on Jun 30, 2006 and Rs. 50.6 Crs as of Sep 30, 2005)
- Non-cash Employee Stock Option charge of Rs. 21.1 Crs (net of tax, Rs. 20.2 Crs) for the quarter ended on Sep 30, 2006. The figure for the previous quarter are Rs 21.6 Crs (net of tax, Rs 20.7 Crs) for the quarter ended on Jun 30, 2006, Rs. 11.0 Crs (net of tax, Rs.10.6 Crs) for the quarter ended on Sep 30, 2005.

Key ratios

Particulars	Quarter ended		
	30-Sep-05	30-Jun-06	30-Sep-06
Gross Margin	37.3%	36.6%	36.9%
Opex/Revenue	15.0%	14.2%	15.2%
EBITDA Margin	22.2%	22.4%	21.7%
Net income/Revenue	17.3%	18.6%	18.1%

Consolidated Balance Sheet

Figures in Rs Crore

Particulars	As on	
	Jun 30'06	Sep 30'06
ASSETS		
a. Cash and cash equivalents	243.8	171.4
b. Accounts receivable, net	969.0	1172.5
c. Treasury Investments	1636.1	1648.3
d. Other current assets	370.3	464.6
A. Total current assets (a+b+c+d)	3219.2	3456.8
B. Property and equipment, net	874.2	962.9
C. Intangible assets, net	839.4	839.2
D. Investments in Venture Funds / Equity investees	11.2	11.6
E. Other Assets	100.5	104.3
Total assets (A+B+C+D+E)	5044.6	5374.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
e. Total current liabilities	895.2	952.5
g. Long -term debt	8.3	8.4
h. Other liabilities	74.5	74.7
E. Total liabilities (e+f+g+h)	978.1	1035.3
F. Minority Interest	10.7	11.2
G. Total Stockholders equity	4055.7	4328.3
Total liabilities and stockholders equity (E+F+G)	5044.6	5374.8

Segment wise Profitability

A. Consolidated IT Services (Core software & Infrastructure services)

Figures in Rs Crores

Particulars	Quarter ended			Growth	
	30-Sep-05	30-Jun-06	30-Sep-06	QoQ	YoY
Revenues	840.4	1086.7	1203.1	10.7%	43.2%
Direct Costs	529.0	685.3	756.4		
Gross Profits	311.4	401.3	446.8	11.3%	43.5%
SG & A	130.0	158.0	187.5		
EBITDA	181.4	243.4	259.3	6.5%	42.9%
Depreciation & Amortisation	33.9	43.0	41.9		
EBIT	147.5	200.3	217.4	8.5%	47.4%
Gross Margin	37.1%	36.9%	37.1%		
EBITDA Margin	21.6%	22.4%	21.5%		
EBIT Margin	17.6%	18.4%	18.1%		

A1) Core Software

Particulars	Quarter ended			Growth	
	30-Sep-05	30-Jun-06	30-Sep-06	QoQ	YoY
Revenues	743.4	930.1	1020.6	9.7%	37.3%
Direct Costs	464.2	582.5	636.4		
Gross Profits	279.3	347.6	384.2	10.5%	37.6%
SG & A	110.0	131.5	157.1		
EBITDA	169.2	216.0	227.1	5.1%	34.2%
Depreciation & Amortisation	28.0	32.3	31.0		
EBIT	141.2	183.8	196.1	6.7%	38.9%
Gross Margin	37.6%	37.4%	37.6%		
EBITDA Margin	22.8%	23.2%	22.3%		
EBIT Margin	19.0%	19.8%	19.2%		

A2) Infrastructure Services

Particulars	Quarter ended			Growth	
	30-Sep-05	30-Jun-06	30-Sep-06	QoQ	YoY
Revenues	96.9	156.5	182.5	16.6%	88.4%
Direct Costs	64.8	102.8	120.0		
Gross Profits	32.1	53.8	62.6	16.3%	94.9%
SG & A	19.9	26.4	30.4		
EBITDA	12.1	27.3	32.2	17.6%	164.9%
Depreciation & Amortisation	5.8	10.8	10.8		
EBIT	6.3	16.6	21.3	28.8%	237.5%
Gross Margin	33.1%	34.4%	34.3%		
EBITDA Margin	12.5%	17.4%	17.6%		
EBIT Margin	6.5%	10.6%	11.7%		

B. BPO Services

Particulars	Quarter ended			Growth	
	30-Sep-05	30-Jun-06	30-Sep-06	QoQ	YoY
Revenues	130.7	167.2	176.3	5.5%	34.9%
Direct Costs	80.4	109.3	114.5		
Gross Profits	50.3	57.9	61.9	7.0%	23.0%
SG & A	15.9	19.8	22.3		
EBITDA	34.4	38.1	39.6	4.0%	14.8%
Depreciation & Amortisation	10.9	13.1	13.8		
EBIT	23.6	24.9	25.7	3.2%	9.2%
Gross Margin	38.5%	34.6%	35.1%		
EBITDA Margin	26.3%	22.8%	22.5%		
EBIT Margin	18.1%	14.9%	14.6%		

About HCL Technologies

HCL Technologies is one of India's leading global IT Services companies, providing software-led IT solutions, remote infrastructure management services and BPO. Having made a foray into the global IT landscape in 1999 after its IPO, HCL Technologies focuses on Transformational Outsourcing, working with clients in areas that impact and re-define the core of their business. The company leverages an extensive global offshore infrastructure and its global network of offices in 16 countries to deliver solutions across select verticals including Financial Services, Retail & Consumer, Life Sciences Aerospace, Automotive, Semiconductors, Telecom and MPE (Media Publishing & Entertainment). For the quarter ended 30th September 2006, HCL Technologies, along with its subsidiaries had revenue (TTM) of US \$ 1.058 billion (Rs. 4797 crore) and employed 36,452 professionals. For more information, please visit www.hcltech.com

About HCL Enterprise

HCL Enterprise is a leading Global Technology and IT enterprise that comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is one of India's original IT garage start-ups. Its range of offerings span Product Engineering, Technology and Application Services, BPO, Infrastructure Services, IT Hardware, Systems Integration, and distribution of ICT products. The HCL team comprises approximately 40,000 professionals of diverse nationalities, who operate from 16 countries including 300 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms. For more information, please visit www.hcl.in

Forward-looking Statements

Certain statements in this release are forward-looking statements, which involve a number of risks, 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.

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