

HCL TECHNOLOGIES REPORTS REVENUE GROWTH

OF 17% (YOY) IN Q1-2001-02

For immediate release

October 22, 2001

First Quarter analysis based on the unaudited financial results for Q1 –2001-02

Executive Summary

The highlights of the financial performance of **Q1 ended September 30, 2001** compared with the corresponding quarter of the previous year are:

- Gross revenue has increased 17% to reach Rs. 3.7 bn.
- EBT increased 22% to reach Rs. 1.24 bn.
- Net income (before extraordinary provisioning) up by 20% to reach Rs 1.19 bn.
- During the quarter a total of Rs. 240mn has been provided towards doubtful debts and diminution in the value of investments.
- The net income after provisioning of Rs. 240mn stood at Rs. 979mn.

Operational Review

- Offshore centric revenues constitute 70% of revenues - 86% of all HCL Tech employees are based in India.
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions to revenues at 21%, 29% and 40% respectively.
- Total customers increased by 20 to reach 360 as on September 30, 2001. Total number of employees up 163 over the previous quarter aggregating to 4815.
- 6 new Fortune 500 clients added during the quarter.
- Attrition dropped to 6.04 % from 9.05% in the last quarter.

Some of the new clients acquired during the quarter include **General Motors, Hitachi, World Bank, Motorola, Seagate, Alcoa, Zurich Capital Markets, Starwood amongst others.**

Key Developments in Q1 2001-02:

HCL Technologies continues to pursue its strategy of forging long-term alliances with its customers and announced 5 new offshore development centres for strategic customers in Q1 2001-02. These include Paragon Networks, File Net, Aspen Tech amongst others.

- Formed a joint venture with Deutsche Bank AG by acquiring 51 % stake in the holding company of Deutsche Software Ltd., Deutsche Bank's IT services subsidiary in India.
- Forms, HCL Enterprise Solutions Ltd (HES) a 51:49 JV with Computech Corporation Inc. of the US. HES, will be headquartered in Chicago and focus on the fast-growing Enterprise Application Integration (EAI) market.
- Established global relationship with existing customers such as Priceline, Dairy Farm etc
- Five new practices -CRM, SCM, ERP, SAN and Security initiated last quarter gathered strength during this quarter.
- E- Serve , HCLT 's foray in BPO started yielding results

Commenting on the company's performance and future outlook, Mr. Shiv Nadar, Chairman, President and CEO, HCL Technologies, said:

“Our offshore business continues to be robust and its fundamental competitive positioning remains unchanged despite the downturn witnessed in early 2001 and the post September 11th scenario. Also, I am happy that our entry into Business Process Outsourcing has started yielding good results. The recent acquisitions in the banking and EAI practices, in line with our non-linear growth strategy, will start contributing to revenues from the second quarter and I am confident that we will achieve revenue target of Rs 17.5 bn and Rs 5.75 bn net profit after provisioning for FY 2001-02”

**Attached Analysis and Financial table (P&L, B/S, Key Parameters)
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Corporate Overview

HCL Technologies is one of India's leading IT services companies, providing a broad range of services to clients worldwide. Services include Technology Development, Software Product Engineering, Networking and Application Services. HCL Tech focuses on technology as well as research & development outsourcing, with the objective of working with clients in areas at the core of their business. The focus on such mission critical projects and the ability to provide services throughout the lifecycle of client products, from conceptualization to ongoing development and maintenance, enables HCL Tech to build long-term relationships with customers. These include software and hardware companies as well as large and medium sized organizations, across diverse industries around the world.

HCL Tech delivers these services through an extensive offshore software development infrastructure in India and a vast global marketing and project network that enables scalable, flexible and cost-effective delivery. The company's offshore model involves delivery of outsourcing services to clients abroad, by technical professionals located at the software development centres in India and may also include onsite work at the client site, on a short-term project-by-project basis. As of September 30, 2001, HCL Tech had 4019 billable technical professionals, of whom 3494 were based in India across 14 technology development facilities including 40 client dedicated offshore development centres.

Update on Business Strategies in Q1 2001-02 compared to the Q1 2000-01

HCL Tech's consistent and strategic focus on six key operating strategies has led to a significant consolidation of its position in the IT sector.

I. EMPHASIS ON QUALITY REVENUE MIX

HCL Tech recorded an increase of 17% in gross revenues for Q1 to reach Rs 3.7 billion and continues to move up the value chain. In addition, the company has achieved a higher quality revenue mix using a two-fold approach.

1. Increased contribution from high value add, high margin services -

- **Offshore** centric revenues grew by 37% over Q1 of last year to cross Rs. 2.6 bn accounting for 70% of total revenues.
- **Technology Development Services** revenue increased by 41% over Q1 of last year to cross Rs. 1.8 bn comprising around 49% of revenues.
- Contribution from **High Value added services** (Technology Development Services, Software Product Engineering Services and Networking services) rose to 75% of total revenues.

2. De-risked business model

- Our client relationship remains broad based with the Top 5, Top 10 and Top 20 clients contributing 21%, 29% and 40% of revenues respectively
- HCL Tech continues to provide services to some of the most renowned names in the world. The company has added 20 new customers this quarter including General Motors, Hitachi, World Bank, Motorola, Seagate, Alcoa, Zurich Capital Markets, Starwood amongst others.
- HCLT added 5 new client dedicated ODCs during the quarter, growing from 35 to 40 in this quarter.

II. EMPHASIS ON EARNINGS LED GROWTH

1. Quality revenue mix together with an emphasis on moving up the value chain resulted in earnings growth in JAS'01 as compared to JAS'00

- Gross revenue increases 17 % to reach Rs. 3.7 bn.
- EBT increase 22% to reach Rs. 1.2 bn.
- Net income (before non cash sales incentive charges and provisioning for extraordinary items) increases 20% to reach Rs. 1.19bn

III. FOCUS ON EMPLOYEE DEVELOPMENT AND CONTRIBUTION

HCL Tech places immense focus on Human Resources and recognises it as the cornerstone of its long-term success. The company has consciously evolved unique strategies to increase employee value-add and is today acknowledged in the industry, as an **'Employer of choice.'**

- Total manpower as on September 30, 2001 stood at 4815 with 4019 billable engineers.
- 3494 of the billable employees are based in India.

IV. FRONT RUN EMERGING TECHNOLOGIES

In line with the focus on emerging and high-growth technology areas, HCL Tech continued to provide high value-add solutions to clients, in the areas of internet/ e- commerce, networking and embedded systems.

Significant investments have been made in creating a vast offshore infrastructure to meet the growing demand for offshore services, which reflect a 37% growth over the previous year. Offshore delivery is carried out through 14 Technology Development Centres (TDC) located across the country, each oriented towards specific horizontal technologies. HCL Tech now has 40 Offshore Development Centres (ODC) dedicated to specific clients.

HCL Tech continued to move up the value chain by its R&D spend to provide accelerated quality growth. Some of the new cutting edge projects undertaken during the quarter include:

- **Development of a generic security interface library for a global leader in communication technology**– HCL Tech is developing a generic security interface library which can be called/integrated with any networking service product to provide network security and authentication services.
- **Integrated engineering for a networking major** – HCL Tech is involved in Integrated engineering (h/w and s/w) for an edge router based on Network processor and supporting line speed QoS and security features.
- **Project for a world leader in avionics** – HCL Tech is involved in Audio card development and reverse engineering of existing video player control function in Total Entertainment Systems.
- **Development for Travel Services Portal for a prominent Airline** – HCL Tech is involved in design, development and implementation of the loyalty module for the site. Additional areas and future prospects for HCL Tech include website management modules, booking engine interface and data warehousing modules.
- **Internationalising the modules of a leader in development and delivery of ATM modules throughout the world** – HCL Tech is involved in internationalising the modules of ATM management product for Chinese, Japanese and Korean markets. The project involves conversion on the ATM management products to support languages requiring multi-byte (UTF – 8) encoding. The existing products are localised for single byte.
- **Quality testing for an online store of a technology company** – HCL Tech is involved in quality testing of the features like internationalisation, payment authorization, euro currency conversion etc. The team involved in this project has to do front end as well as back end testing for the client.
- **Assisting a leading provider of automotive electronics in developing a next generation web based product offering capable of interfacing directly with vehicle's electronic and on board computer based systems** – HCL Tech is involved in this project right from the conceptualisation stage. The product will allow fleet operators and fleet managers to view important in-vehicle data like speed, pressure etc., generate real – time reports of all their fleet, to find out what is the position and status of the vehicle. The product consists of a wireless vehicle data collection subsystem (DCS) which is running on a real-time-OS, a communication gateway, web based presentation user interface (UI), a Geographic Information System (GIS, providing map services), an RDBMS data store, and lastly a data warehouse.

V. EMPHASIS ON NON LINEAR GROWTH MODEL

HCL Tech has successfully deployed the concept of multiple growth windows and the company's non-linear growth model, enables HCL Tech to supplement its organic growth through diverse avenues.

Joint Ventures & Strategic Partnerships

HCL Tech has a successful track record of management of Joint Ventures.

The investment in HCL Perot Systems (HPS), a 50:50 Joint Venture between HCL Technologies and Perot Systems Inc., continues to add value to HCL Tech. With manpower strength of 1,749 as on September 30, 2001, HCL Perot has carved a niche for itself as a leading outsourcing and systems integration company with major clients in the banking, energy, healthcare, insurance, manufacturing and telecommunications industries.

HCL Tech has launched the following strategic partnership:

Deutsche Bank AG

HCL Technologies Limited formed a joint venture with Deutsche Bank AG by acquiring 51 % stake in the holding company of Deutsche Software Ltd., Deutsche Bank's IT services subsidiary in India. HCL Technologies will acquire the balance 49 % at the end of 3 years through the issuance of HCL Technologies equity shares to Deutsche Bank.

This partnership lays the foundation for establishing a strong and mutually beneficial relationship between Deutsche Bank and HCL Technologies and uniquely positions Deutsche Software, the partnership vehicle, to leverage off the strengths of both partners. The joint venture provides HCL Technologies with a strong platform to strengthen its global presence in the financial services segment; one of the largest end-user markets for IT services globally.

The partnership is structured to ensure the on-going commitment and interest of both parties to work together for the success of the venture. Moreover, it reinforces Deutsche Bank's belief in HCL Technologies' capabilities and track record in aggressively and successfully growing businesses providing high quality services to clients in a cost effective manner.

As per the terms of the agreement, Deutsche Software will have a right of first refusal for seven years on business that is to be sourced by Deutsche Bank from India. This right ensures that a sizeable, predictable and visible source of business is available to Deutsche Software for a period of seven years and, at the same time, providing it full flexibility to broaden and expand its client base by offering its services to other leading financial institutions.

E-serve – an initiative in the BPO space.

E Serve is a 100% subsidiary of HCL Technologies and is targeted at the high potential Business Process Outsourcing market. It will offer Human Resource services, accounting services and transaction processing services.

The company is headquartered in Noida near Delhi and has sales offices spread across the US, Europe and the Asia Pacific region.

HCL Enterprise Solutions Inc

HCL Enterprise Solutions Inc. (HES) headquartered in Chicago is a Joint Venture company formed between HCL Technologies Limited (51%) and Computech Corporation (49%). The focus area of the company is Enterprise Application Integration Market and the strong presence of the company across the US with offices in Chicago, Boston, Sunnyvale, LA and New Jersey will enable HCL T to strengthen its position, in MidWest US.

Shipara Technologies Ltd

HCL Technologies has formed a joint venture, Shipara Technologies, with a high tech electronics company, in which it holds 51% equity interest. Shipara Technologies provides expertise in technology development and product development in the areas of avionics and air traffic management.

VI. EMPHASIS ON CREATING A STRONG MANAGEMENT TEAM

Some distinctive initiatives in this direction include:

1. Distinguished global Board of Directors
2. Best of Class corporate governance initiatives
3. Hi-calibre Global Advisory Board & Technology Advisory Council comprising world-renowned luminaries from industry and academia.
4. Organisation structure that encourages entrepreneurship
5. Highly experienced and proactive management team

The company also continued its initiatives in the area of Corporate Governance.

- Audit committee headed by T S R Subramanian – guidelines for Insider trading & best practices implemented across the company.
- Related Party Transactions Committee headed by T S R Subramanian – monitoring related party transactions.
- Compensation Committee headed by Robin Abrams.

Attached Financial table (P&L, B/S, Key Parameters).

HCL Technologies Limited
First Quarter analysis based on the unaudited financial results for Q1 –2001-02

Rs. Million

	JAS 01	JAS 00	Growth YoY	FY 01
Gross Revenues	3724	3177	17%	14051
Direct Costs	2011	1617		7125
Gross Profits	1713	1560	10%	6926
SG&A	755	624		2628
Foreign Exchange Gains	57	68		121
EBDITA	1015	1004	1%	4419
Depreciation & Amortization	103	90		421
EBIT	912	914	0%	3998
Other income, net	329	101		820
EBT	1241	1015	22%	4818
Provision for income taxes	119	103		388
EAT	1122	912	23%	4430
Share from equity investment	82	90		453
Share of income(loss) of minority shareholders	5	-		0
Net Income (Non cash charges and Before Extraordinary Provisions)	1199	1002	20%	4883
Stock based sales incentive (Non Cash)	(20)	40		82
Extraordinary Provision	240	-	-	-
Net Income after non cash charge and extraordinary provisions	979	962	2%	4801
Key Ratios				
Gross margin/Gross Revenue	46%	49%		49%
Opex/Gross Revenue	20%	20%		19%
EBDITA/Gross Revenue	27%	32%		31%
EBIT/Gross Revenue	24%	29%		28%
Net Income (w/o non-cash sales incentive)/Gross Revenue	32%	32%		35%
Net Income (with non-cash sales incentive)/Gross Revenue	26%	30%		34%
EPS (w/o provisioning non-cash sales incentive)-Rs.	4.21	3.58		17.29
EPS (with non-cash sales incentive)-Rs.	3.44	3.44		17.00

HCL Technologies Limited**First Quarter Results analysis based on the unaudited financial
Results for Q1, 2001-02.**

	Qtr. ended 30-Sep-01	Qtr. ended 30-Sep-00	Year ended 30-Jun-01	Year ended 30-Jun-00
ASSETS				
Current assets:				
Cash and cash equivalents	3,958	904	4,303	1,781
Accounts receivable, net	2,682	2,700	2,524	1,844
Marketable securities, available for sale	9,105	6,979	8,644	7,560
Other Current Assets	1,448	2,140	1,257	577
Total Current Assets	17,193	12,723	16,728	11,762
Property and equipment, net	1,682	927	1,515	791
Intangible assets, net	623	438	339	432
Investments	3,232	1,413	1,911	1,208
Other Non-current assets	351	120	345	128
TOTAL ASSETS	23,081	15,621	20,838	14,321
LIABILITIES & STOCKHOLDERS' EQUITY				
Total Current Liabilities	3,633	1,851	2,500	1,693
Non current liabilities	5	33	4	20
Total Stockholders' equity	19,304	13,737	18,333	12,608
Minority Interest	139	-	1	-
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	23,081	15,621	20,838	14,321