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Moderator: Good evening ladies and gentlemen. I am Monali the moderator for this conference. Welcome to the HCL Technologies conference call hosted by JP Morgan. Mr. Sandeep Dhingra of JP Morgan is your call leader today. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for international participants connected to SingTel. After that, the question answer session will be conducted for participants in India. I would like to hand over to Mr. Sandeep Dhingra of JP Morgan. Thank you and over to Mr. Dhingra.

Sandeep Dhingra: Thank you Monali. Good morning and good evening everybody. I am Sandeep Dhingra from JP Morgan in Singapore. Welcome you all to the HCL Technologies' first quarter earnings call. We have with us Mr. Shiv Nadar and the team from HCL to talk to us about what has been a pretty solid quarter for the company. Without further ado, I hand over to Shiv. Over to you Shiv.

Shiv Nadar: Thank you Sandeep. Thank you all, this is good morning, good afternoon, or good evening to whichever part of the world from which you are participating. I have with me two people in the call. Mr. S. Raman who has been elevated to the position of President today, and this is the first time he is attending the conference call, and with me is S. L. Narayanan our Corporate Vice President Finance.

Friends, it gives me great pleasure to welcome you to the conference call to discuss the results for the first quarter of the fiscal year 2004. My colleague Mr. S. Raman who is one of the founders of HCL is participating in this call for the first time. I am particularly happy to announce the elevation of Mr. Raman to the position of President from Chief Operating Officer of the company. As I had indicated in my discussions with you in the previous quarter, our portfolio re-balancing exercise is significantly complete. The results of the current quarter will give you the comfort that our efforts have now started yeilding results and our company is poised for better times ahead. Our organic software business has staged a come back driven by both increased engagements with our old customers as well as growth from some prominent new customers who have signed up in the previous quarters. The growth has improved our utilization and has had a favorable impact on our margins. We continue with our hiring program and have added close to 1300 people in our organic software business, including the 808 people who moved in to our fold with the acquisition of the package implementation business from HCL Infosystems. Our inorganic software entities continue to do well. We are proceeding as per plan on our agenda to integrate ourselves under one common HCL brand umbrella and thus offer our client a fuller suite of service lines and verticals. We are now well positioned in the end user application segment as we were in our product engineering markets. Our BPO business is progressing well and given inevitable gestation phase typical of any new business we are incurring certain essential preoperative investment. Our engagement with BT continues well and we are in the shortlist of quite a few large clients who are looking to move BPO functions to India.

Finally, I want to share with you the underlying logic and rationale behind the concept of quarterly dividends. It reflects the following combination of factors:

1. Our confidence in our visibility of revenue, profitability, and cash flows; further it also reflects our confidence of the consistency on all these parameters.
2. The strength of the balance sheet, which has been carefully built over the last five years.

We took note of the inputs from investors over the last nine months and initiated this practice from April '03. We had declared an interim dividend in April '03, final dividend in September '03, and are again following up with an interim dividend in October '03. Now we have formally adopted this as a policy and the board will consider the quarterly distribution henceforth.

To sum up I would say we have had a very satisfying quarter and we are in the process of building up a strong institution based on the foundation stones, which we have laid in the previous two years. My colleague Raman who had persisted with the initiatives over the past two years will share some of his thoughts on the evolving market place. I hand this over to him now.

S. Raman: Good evening and good morning to all of you who have joined us on this call from various parts of the world. This has been a very satisfying quarter for all of us in the company. We have shown very good traction in our software service business with improved performances from both organic as well as inorganic entities. Obviously, our effort to realign our product engineering skill sets under key verticals is yielding results, even though it took some time. We are a dominant player in the product engineering segment and we are doing all that is necessary to improve our competitive advantage here. Our acquired entities have helped us to fill up the gaps in our offering on the end user application segment and we now offer full solutions to the client spanning product engineering services, application development and maintenance, enterprise solutions, BPO, and infrastructure services. We are building further scale in our retail, BFSI, aerospace and medical electronics verticals. During the quarter we have added 36 new clients including some very prominent names. We now work with 47 Fortune 500 companies. We also bagged the sizable new projects from our existing clients like Citi Financial, KANA and NCR. Our client list is quiet diversified with the top 20 clients contributing to 54% of our business. We have a strong client portfolio with more than 80 million dollar customers, of whom 14 are more than 5 million dollar in revenues and 9 are more than 10 million. I will now hand you over to S L Narayanan.

S L Narayanan: Thank you Mr. Raman. Good evening everybody and good morning to some of you who are in the western hemisphere. I will now run you through some of the key highlights of the quarter's performance. The investor release is already there with you and I am sure you would have gone through most of the numbers, but I would emphasize some of the more important happenings. Our revenues for the quarter were up by 19%. Even after removing the contribution of the newly acquired division constituting the PSO business from HCL Infosystems, our growth is to the tune of 12%. This is perhaps the highest sequential quarterly growth we have seen in the last two years. It is heartening to note that the growth has been largely driven by a 12% sequential revenue growth in our organic software business, which constitutes the bedrock of this company. Clearly, some of the initiatives towards verticalization and improved account mining have started working.

On the margin front, our revenue growth was powered by improved utilizations, which in turn has also helped improve our gross margins in the aggregate in the organic software business. Overall, gross margins have remained stable. Focused effort to control our selling, general and admin overhead has resulted in SG&A cost going up only by just 10 crores, as a result of which the operating margins at the EBITDA level have moved up by 130 basis points and in rupees crores our EBITDA has increased by 28% sequentially. I may just add that there is a bit of a reclassification, which has been done in the cost heads. Some of the elements of costs such as establishment costs and communication costs, which were earlier classified under operating expenditure, have now been included under direct cost. This is in line with some of the newer pronouncements, which have come under the accounting standards. Accordingly our gross margins have reduced, but so have the opex ratios with respect to revenues. At the EBITDA level the numbers remain unchanged. It is just a matter of presentation.

In the organic software business our offshore utilization, which had fallen to about 70% in the previous quarter, have moved up to 74.8% in this quarter. Our effective offshore bill rates are sequentially down marginally by about half a percentage point and the onsite rates are more or less flat, with the result that the blended bill rate is down by a very negligible 0.2%. However, the more heartening fact to note here is the organic software business, the volumes in terms of man months billed has increased by almost 13.2%.

We have been redeeming our holdings in the debt funds after the completion of the one-year holding period, beginning last quarter. In this quarter, the long-term gains booked are lower as compared to the previous quarter. So as a result of this the net income is almost flat sequentially, but as most analysts would agree the key number to note here is the operating profit growth, which has been quite good in this quarter.

Finally, I may add that your company has been quite responsive to the various suggestions on the increased pay outs of dividend and with that objective we have now formally circulated the board's intent to consider quarterly dividends, subject of course to all statutory compliance, and with that I will conclude this short speech and we will now open the floor to questions.

Moderator: Thank you very much sir. At this moment, I would like to hand over the proceedings to the moderate at SingTel to conduct the Q&A for international participants. After this, we will have a question-answer session for India participants. Thank you and over to Sauda.

Sauda: Thank you Monali. We will now begin the Q&A session for participants connected to SingTel bridge. Please press *0 or $0 to ask a question. Okay, thank you Monali, we have from Mr. Bhuvnesh Singh from CSFB.

Bhuvnesh Singh: Congratulations on very good results. Sir one thing specially heartening is that our organic business this quarter has shown very strong growth, could you just highlight the reasons why suddenly after a slow growth for number of quarters, this quarter we have about 13% strong volume growth, and has this volume growth sort of surprised management on the upside too?

S L Narayanan: Bhuvnesh first of all thank you for the compliments, but let me just take you two to three quarters back, when we were saying that there are some very important client additions, while we were actually rationalizing some of the smaller engagements. I did mention to almost all of you that our client mix is becoming richer and we are partnering more and more with bigger names in corporate America, and even at that time the prognosis was what seems small is likely to gather traction, and it is with that intent, you know, we have been adding to our head count. I had always maintained that it is important to stay invested in human resource, so that when the upside happens we are not caught napping. So what you see here is basically an improvement in the utilization rate, which has gone up from 70% to 75% and some of the initial seeding that was done in the right kind of clientele has started yielding results. I would not say that the management has been surprised by the growth. In fact I have always maintained that we are investing for the turn around and I am happy to say that it started yielding results.

Bhuvnesh Singh: Thanks SL. Sir could you give us a number that how much was the repeat business in the quarter and how does it compare with pervious quarters as such.

S L Narayanan: Just a moment, our repeat business percentage is about 78%.

Bhuvnesh Singh: Okay thanks, and sir just one last question, see this quarter also a big portion of other income came from the debt funds. How do we think that will go in the next one or two quarters, how do we think that other income would continue, would it continue to remain at higher levels or should it go down in the next one or two quarters.

S L Narayanan: I think it should gone down.

Bhuvnesh Singh: Okay.

S L Narayanan: Let me just give you one more data point, which you can just keep at the back of your mind, the unrecognized income at the end of 30th September was roughly about 35 crores, but it may not all get booked in the December quarter, I must caution you on that.

Bhuvnesh Singh: Okay, you know SL, the cash which we are realizing out of the sale of these debt funds, where are we investing that cash?

S L Narayanan: Basically, you know, we have a very strict policy, which has been circulated to us by the treasury committee of the board. We do not take undue price risk or interest rate risk and we have a fairly comprehensive norm for investing, we do not put all our eggs in one basket. So the essential character is basically debt mutual funds with the underlying investments in at least 80% AAA or P1+ and residual maturity not more than 1.5 to 2 years, so that there is no interest rate risk, and within that if you are now investing I would imagine that it will probably be settling around 5.5 to 6% max return, as opposed to some 10% which we were able to get last year thanks to the falling interest rates.

Bhuvanesh Singh: Right, okay thanks a lot SL.

Monali: Any more questions Sauda?

Sauda: Yes madam, I have Mr. Vaze from SSKI Securities. Over to you sir.

Vaze: Yeah hi. Congratulations on good result. Sir it seems that your growth trajectory has changed, so I know that you do not give a guidance, but going forward are we looking at some double-digit kind of a **growth** for at least a couple of more quarters.

S L Narayanan: I agree with your comment that we have stopped giving guidance; we would like to stay with that policy.

Vaze: But could you give a sense of what kind of growth possibility exists in the market? I am not talking about giving a number, but general sense of the growth.

S L Narayanan: I think, you know, I would just say that, I mean, I will just go back to one of the first slides, which I normally use in my presentation. We are long-term players here and we are investing for the long term, in fact the common refrain within the company is we are not managing the business for the next quarter or the next two quarters, but we want to manage the business for the next couple of years, if not the next decade. We would like to stay with that and in fact many of the things that we are seeing today which often create a little bit of consternation amongst market players, I really think that are good for company in the long-term and that is the way this company has evolved over the last 27 years. So much as I would want to satisfy you with an answer, I don't think I can, or anybody can now say anything because the board has resolved that we will not give any guidance. So it really takes the management's eye off the ball, we are more worried about the number for the next quarter, which is not a good thing for the company and which is the reason why some of the better known companies in the US have completely done away with this.

Vaze: Okay, secondly I wanted to know what is the kind of profitability that was there during the quarter for the HCL Info System's revenues?

Narayanan: We have disclosed that number if you see the software services breakout, we have put a number of 31 crores in the JAS quarter on account of HCL Info Systems business and with a corresponding net income of about 65 lakhs, and I had actually mentioned to some of the investors who met us some time back that we will have a little bit of a margin dilutive effect, but the more important thing to note here is you know we are adding capabilities here, we have got about 800+ consultants who have now given us a better footprint in the package implementation business. So this will get corrected itself in the next couple of quarters, so there is a little bit of a margin dilution happening because of this integration. Once the cost synergies are fully realized then this will also fall in line with the rest of the software business.

Vaze: Okay, one last question sir, do you have any plans of overseas listing?

Shiv Nadar: No.

Vaze: Okay.

Shiv Nadar: Because you will come right around after that and say what are you going to do with the cash?

Vaze: No, it could be a sponsored ADR also a-la Infosys so it may not really be.

Shiv Nadar: At the moment, we do not have any plans.

Vaze: Okay.

Sauda: Okay, Mr. Sandeep you may proceed with your question sir.

Sandeep: Thank you. Sir congratulations on the good results. I would just like to know something for the future, as we go forward can we expect some more cost savings, let us say from the M&A restructuring that took place in the last quarter and is still going on; and HCLI also has been integrated with the rest of the operations?

Shiv Nadar: I would not be able to give any precise pointers here. In terms of some of the major cost differentiators we did have, I mean, there was a time when we had to resource that effort and therefore we had to put these teams in overseas locations and then we had to essentially, you know, under write some of the costs of due diligence and other things. So that is the major saving which is now getting realized in this quarter and it is an ongoing effort in fact as the industry sort of discovers a new supply-demand equilibrium. We will have to keep constantly looking at our cost structures and realign the cost structures to meet new price points. So that is something which is an ongoing responsibility of the management. Beyond that you know it will be very difficult for us to give any precise pointers as to what is the quantum of savings that we are able to see now. I am sorry, I am not able to help you much there.

Sandeep: Its okay, second thing I wanted to check is, if you can comment on the contracts in the bag that you have, what is the forecast for the future organic growth?

S L Narayanan: The pipeline is significantly better than what it was, I mean, there is no doubt about that. We have been adding some very prestigious names ever since middle of last year, we announced the addition of names like Parker Hannifin and United Technologies, all of which are fairly prestigious names, and we have continued with certain other names like Airbus and AMD during the current calendar year. We are significantly better off in terms of an order book as compared to what we were about a year back.

Sandeep: Thanks.

S L Narayanan: And then we also have a better visibility with existing customers as well, some of whom are very strongly dependent on the technology spending levels. And as and when the sentiment improves, we would see that part of the business coming back with very heartening rates of growth. That is where, you know, we see the business now.

Sandeep: Okay.

Sauda: Participants who are connected to the SingTel bridge, if you have any questions please press *0 or $0. Thank you. At this moment, there are no further questions from participants at SingTel bridge. I would like to hand over the proceedings back to Monali. Monali over to you.

Monali: Thank you Sauda. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your touchtone enabled telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. To ask a question please press *1 now.

Sandeep: Monali this is Sandeep. While you queue up the questions, I just have a couple of questions.

Monali: Sure sir.

Sandeep: Shiv any sense of visibility that you are seeing for the business going forward, any sense you can give us on that, you know, qualitatively how much better are we than we were a year back or six months back.

Shiv Nadar: If we were to give you qualitatively Sandeep, let me just take you back two years. Two years ago in the enterprise segment where we were very small player, it was a battle for us to get in to the RFP itself. Now, a year ago we were there in at least somewhere around 10% of the RFPs. Now, I believe that we would be there at least in half of RFPs. If I were to give you an indication, that gives a very high chance of win because in terms of the execution we believe that we would be as good as any, and in some areas we may be better than any. How we judge this businesses is, are there stray events which looked like forming trends? Now, like this RFPs what I indicated was stray events which slowly started forming a trend and then converting into business; that looks very, very positive, and one point that I may want to add is in this quarter we would have competed in at least 20 contracts with only global players, you know, we are in the shortlist, and in the shortlist we are only with the global players, and not India specific player. That means that qualitatively we are up in terms of offerings, which is enough of domain specificity or enough of domain meaning if it is vertical like retail or vertical like insurance, vertical like banking, or geographic specificity like US or UK or Germany, which are three major countries for us now, and this is what I would like to point out, it is very positive.

Sandeep: Right, thanks Shiv. Just one related question, I mean, we have obviously seen….

Shiv Nadar: Can I add, on the 20 contracts if we have competed with, we won 6.

Sandeep: Okay, I did not ask you because you do not give quantitative details.

Shiv Nadar: This is something which we are very pleased about, you know, winning against IBM and Accenture, it is not easy. Earlier around we were not even in consideration, then we were not in even consideration with Indian competition, now we are definitely in contention with global competition, and it is not being in contention is like you know you came second, but we have won definitely three out of 10 or 6 out of 20 this is the real number.

Sandeep: Right. SL, in terms of utilization improvement, SG&A leverage we have seen, do we see a significant more SG&A leverage possible and you know is there more head room for utilization improvement?

S L Narayanan: There is, but what is really the challenge now is we should be able to drive up the total level of operations with the same stock of overhead, that is really the challenge, you know, then you know our ratios will take care of themselves. I mean if they are truly semi-variable or fixed overhead, we are able to maintain these costs at those levels and drive up the level of activity, then we have a fairly good story emerging.

Sandeep: Right, just one last question from me is, just on the infrastructure services, is that a one-off even there, which has depressed profitability this quarter?

S L Narayanan: Sandeep I wonder whether you have gone through this McKinsey-NASSCOM survey where the remote infrastructure management was expected to become a major play, and I wonder whether you have been reading Gartner recently, at least in the last three months, Gartner states that these were random events which have formed a trend, now they are calling it as an irreversible mega trend. The second statement what Gartner makes is, three years from today, at least 30% of the customers will look for a single organization to provide software, remote infrastructure services, and BPO services from a single vendor. Is it becoming a trend, the answer is the number of businesses that are coming in contention in that area is substantially large but the contract which is currently getting executed globally must be from about four clients, all very big names, global names, all contracts won against global organizations, because currently we believe that we have a significant lead over any competitor, domestic or global. So, that area looks good. Sandeep you can also look at page number 4 of the release where we have actually explained this, you know, some of these transitioning cost have been charged off at the point of expense, because as and when you know these are moved from onsite to offshore, some of the cost related to migrating the infrastructure management processes, they have been charged off at the point of expense. The cost bulge is something which we have observed, if I put it in one word, plus also we have you know created some IPRs during the quarter which again gives us an enduring income stream but cost of development have been charged off. This write up is there on page 4.

Sandeep: Yeah, yeah I was just looking at it. Thank you and congratulations on a great quarter.

SL Narayanan: Thanks Sandeep.

Sandeep: Monali over to you.

Moderator: Thank you very much sir. Next we have Mr. Rahul Dhruv from Citi Group.

Rahul Dhruv: Yeah hi. Good evening. First of all congratulations on the great set of numbers, I think it is a great recovery, and really hope that it continues that way. My first question was on the sudden spurt of revenue growth that you have seen, any specific factors besides what you have really told us earlier that really has driven this recovery, I mean, from 1 or 2% to suddenly to around 12%, there must have been something, something must have changed right?

SL Narayanan: No, I do not want to belabor the explanation, basically, you know we have had this impact of carrying a high bench and this moving into a situation where some of these newer customers started billing, which is why you will see also in terms of the proportion of revenues from our top 5, top 10 customers. Though their numbers in absolutes have increased their share of the total revenue has marginally dropped, because of the newer clients coming in. Beyond that you know I would not be able to give any precise numbers. It is a combination of the increase in the efforts as well as increase in the utilization.

And basically you know in the last two or three quarters we had to necessarily underwrite that cost, because you know where you, I mean, without having the sufficient capacity on bench you wouldn't have started billing and without having that first six months to seven months of the training where people are not billing, your costs are going up, and that is now, that one time correction has happened.

Shiv Nadar: There was an equilibrium.

SL Narayanan: It is somewhat …..

Rahul Dhruv: Sure, my question was more on the demand side as an, you know, I mean you can have people but why did you see suddenly such a big jump in business per se? I mean if it had to actually come in, probably it would had come in gradually over the last three four quarters, right?

Shiv Nadar: Actually when this question about adding the number of people was raised last time, you said how are you adding so many people. But in the previous two quarters also when the point came up, we explained, this is on the back of business which is very visible, so we hired them, we trained them, now we are putting them into use, which is showing in the revenue.

Rahul Dhruv: Sure. Okay, my next question was on debt. There has been an increase in debt or rather there has been a big figure out there on the balance sheet. Where did that come from and what you really see happening to the tax rate which has actually jumped quite substantially this quarter to around 13.3%?

S L Narayanan: The debt is basically you know we have a choice of paying for capex out of internal accrual. In which case you know you just put it into an asset which creates dollar income stream, which is subject to pressures of depreciation. On the other hand if you were to take that asset financing on the back of a dollar liability, the pressures of loosing out on the rupee realization is somewhat naturally hedged because your liability also goes down in **large** step. So we thought we could use the internal accruals to a better use, by putting it, I mean it is still a depressed return today as compared to what it was a year ago, but still it will continue to yield about 5.5%-6%. On the other hand, you know, financing on a dollar back liability it's been tied up at extremely competitive rates, and then it also had that natural hedge of the dollar becoming cheaper. So that explains the reason behind financing capex with the dollar liability. So, conversely if the dollar were to suddenly appreciate, we will get that natural upside because your realizations will also then start yielding more.

Rahul Dhruv: Sure, and on the tax rate?

S L Narayanan: The tax rate you know we have had improvements in revenues and some of it has come in the form of the newer entities where we don't have that kind of tax holiday. Some of the centers are not on the 10A certified areas, plus also we have a slightly higher proportion of onsite income, which has resulted in the tax rate going up.

Rahul Dhruv: So they should continue going forward?

S L Narayanan: Difficult to say at this stage. If there is a shift, which is happening from some of the older units into the newer units where we have got the 10A certification, effective tax rate could come down.

Rahul Dhruv: Sure. I had just one last question and this is on the BPO. We have seen you know pretty decent ramp up over there. The gross margin has actually collapsed to around 15% on a consolidated basis as an organic and inorganic, which is the lowest that you have seen in the last 7 quarters. Any specific reason for that and what do you really see as a time frame for turning around in that business?

Shiv Nadar: Can we send in this answer?

Rahul Dhruv: Sure.

S L Narayanan: Rahul, you know in fact this is also another thing, which I had shared with some of the people. We are still in the gestation phase here. I agree, sometime back we had given out reasonable estimate that four quarters from the time that we announced it, which was about three quarters back, we were hopeful of cash break even, and that way we are somewhat behind schedule. But the essential trend lines are pretty much there. I agree that you know the numbers have to stack up as we go in to succeeding quarters. We are somewhat trailing there, but this should get corrected.

Rahul Dhruv: Over a short period of time?

S L Narayanan: I would not be able to give you short would be what? I think two or three quarters should see us through in this.

Rahul Dhruv: Sure. Actually I just want to take that liberty, but I had one last question and this is on, if you look at the seasonality that HCL Tech has shown, I mean, last year also September quarter was a quarter where there was a sharp turnaround and profitability, and through the rest of the year there was erosion. Is there something seasonal about this?

S L Narayanan: In fact if you recall the June quarter was the turnaround and in September you know there was a letup actually.

Rahul Dhruv: I am talking about the organic business.

S L Narayanan: Yes.

Rahul Dhruv: Okay. So there's nothing, nothing seasonal, I mean, this is likely to be continued. Okay, thank you very much.

S L Narayanan: Right.

Moderator: Thank you very much sir. Participants are requested to limit to two questions in the initial round. We have the next question from Mr. Pramod of ABN Amro.

Pramod: Yeah hi. Congratulations on good set of numbers. One or two things I wanted to understand, in the balance sheet this time we are not able to figure out what was the basically goodwill that has come because of the HCL Info System. If you could just run through that and on the transaction?

S L Narayanan: It's an accounting thing Pramod. See basically what has happened is we have done this on a partial pooling of interest and a partial purchase consideration method. So what has happened is 2/9 of the total number of shares resulted in a certain level of dilution. But what has happened is the value at which it is stated is at that day's market price, so within that you know we have to allocate this and it's an accounting thing.

Pramod: But it has not yet been finalized or?

S L Narayanan: It has not yet been finalized.

Pramod: Okay.

S L Narayanan: Because one has to actually get to see, normally what they do is the auditors would take some professional help on this, typically it is done by appraisal firms and there are several specialist appraisal firms who actually look at the business that's taken over and then they allocate the purchase consideration on how much for work forces and how much for you know things like customer contract, because there is certain part of that intangible is actually amortizable. Only goodwill is not amortizable, so that split is very important under FAS 141 and 142, and that takes typically sometime before we get that split up.

Pramod: Okay. And second thing I was wanting to know is that this time we have significantly reduced disclosures in the sense that last time we were giving lot of data on organic, inorganic, in each of the business segments, so are we doing away with that and?

S L Narayanan: Pramod actually there was a time when we had to do this because we had something which in fact it is something which the management did on its own because there was a business which stood as of 30th June 2001, and as we started embarking on our M&A program, we thought that it would be in the best interest of investors to split the effects of the acquired entities. So it is almost two years since we did the first deal, and most of these are now you know integrated, and very often you know the business is flowing through some of the older units of HCL because certain capabilities which are resident in HCL Technologies organic is being used by these front ending entities to access the customer need. So at the end of two years there is no really organic, it is all part of HCL Tech, and I think we cannot be splitting these things for all times to come. There was a time when we had to do this and now I think it's completed. We will stay with this format and make sure that within this we get absolutely solid descriptors and evaluators.

Pramod: And finally when do we expect your annual report for last financial year?

S L Narayanan: We should be mailing it in a couple of weeks from now. The AGM is on 20th of December. It should be with the investors around middle of November.

Pramod: Okay, thanks a lot sir.

Moderator: Thank you very much sir. Next we have Mr. Shekar from DSP Merrill Lynch.

Shekar: Congratulations on very good set of number sir.

S L Narayanan: Thanks Shekar.

Shekar: I just wanted to know like what is the total number of shares now?

S L Narayanan: 295 million shares.

Shekar: And this includes 7 million shares to HCL Infosystems also.

S L Narayanan: That is right.

Shekar: Okay. Secondly, on the BPO business like you just mentioned that you are approaching break even and all, can you just throw some more light in terms of say stability stage, margins and when do you expect that sort of number to be achieved?.

S L Narayanan: Shekar, actually you know we don't want to get this wrong again. So I don't want to put out a very precise time line here. Suffice it to say that may be two to three quarters.

Shekar: And how is the ramp up that the BT on the BPO side, because there seems to be too much of problems in terms of the communication worker's union and all?

Shiv Nadar: Not for us. In our case as a matter of fact the chairman of BT visited our premises to give a feed back to the board. As a matter of fact, it is moving quiet satisfactorily actually. The ramp ups are reasonably on plan, I would say couple of months usually in a contract of this size, should be satisfactory.

Shekar: Okay, and will you like to throw some light on say how's the ramp up been with your CISCO and say some of the larger clients?

S L Narayanan: You want to know exact head count?

Shekar: No. Basically I just wanted to know like how's the outlook looking like. Is it looking very strong going forward also?

S L Narayanan: See, I will not be able to share very precise numbers, but certainly all of them are looking positive. In fact, our top 5 customers sequentially have grown by almost 7% in revenues. And if you take the top 10 the growth is almost 13%. So beyond that you know it will be very difficult for me to put any specific numbers. Suffice it to say that almost all of them are looking positive in terms of confirmed statements of work and therefore you know the recruitment will continue to be strong.

Shekar: And I just wanted to understand this other income like say for our modeling purposes and on a quarterly basis, will it be right if we assume say around 1.5% sort of return on your investments that you have? Will that be a steady sort of a thing or will it keep fluctuating over the quarters?

S L Narayanan: It will fluctuate for the simple reason Shekar, you know, we may not have almost all the portfolio retiring at 366 days at the rate of 25% of portfolio every quarter. That kind of a precise rollover may not be there. Because if you just take the effects of not recognizing the dividend income post March 2002, bulk of it completed 366 days in the quarter ended 30th June. In fact some of them actually completed in the quarter ended 31st March 2003 itself, because post union budget was sometime 1st of March 2002. So some happened in that month itself. Thereafter you know it takes sometime for it to fall into that staggered cycle. So you may not be right if you were to take a very simplistic 1.5% each quarter. But you should be able to get this right reasonably for the whole year.

Shekar: Okay. I think that's it. Thanks a lot.

S L Narayanan: Thanks Shekar.

Moderator: Thank you very much sir.

S L Narayanan: May I just make one small request, Mr. Nadar and Mr. Raman have a business dinner with a customer team which has come. They would request it to restrict to another five minutes. Yeah.

Moderator: Should we take a last question sir?

Shiv Nadar: We will take last two questions.

Moderator: Last two questions, sure. We take the next question from Mr. Chetan Shah of Quantum Securities.

Chetan: Yeah good evening sir. This was in connection with the borrowings, which has increased last quarter. If you can explain what is the management's philosophy on this front considering that the treasury investment as well as cash and equivalents are very high?

S L Narayanan: You know Chetan basically a little bit of debt is always good because it reduces the synthesized cost of capital. And if we can free up a little bit of cash and then you know look at a slightly more liberal pay out it helps in right sizing the net worth and it improves your return on net worth and return on capital employed, both of which are good for valuation of the stock. So we are looking at a slightly more efficient capital structure, which is manifest in this new dividend policy as well.

Chetan: Okay. And secondly after the restructuring at the HCL Infosystem, I mean, you bought the BPO business of that. Are there any plans from HCL Tech to take over the software business of NIIT?

Shiv Nadar: No.

Chetan: Sorry.

Shiv Nadar: Definitely no.

Chetan: Okay sir. Okay thank you very much.

Moderator: Thank you very much sir. We take the last question from Mr. Trideep Bhattacharya of UBS.

Trideep: Yeah hi, congratulations on the good results. I wanted to ask to Shiv basically, now that you have acquired quiet a lot of enterprise related companies and you have that under your fold. I know you are strong on the technology side of the business. How does it feel especially on the enterprise part of the business now when you compare with that of enterprise focus companies like Infosys, Satyam on the market place, I know you gave the data point of 10-20% RFP's but if you could structure it between the two part that would be great.

Shiv Nadar: I would like the President of the company to answer that question Raman.

Trideep: Sure.

Raman: Okay. You know, basically we are one of the **laggards** to enter the phase, as you know. Laggards have got their own set of problems and advantage. The advantage is that we know how the current market is to compete with rather than the previous market place. That is because they know how in a mature market customer can demand in terms of SLAs and cost structure there off. Therefore, since as laggard we are forced to face those matured markets in a way customer understands. So we faced that, negotiated the contracts, that is an advantage. Going forward, yes, some of the current players when they re-negotiate new contracts or the existing contracts with the current customer, they may have to go through the rigmarole, but we have already learnt it earlier than others. That's the only advantage, and the market place is opening for HCL Technologies equally to top other four-five vendors.

Trideep: I see. And my final question is, is it possible to quantify the number of new project starts or some data to that effect in this quarter may be?

Raman: In this quarter, yes, it is definitely in double digits.

Trideep: Projects starts are in double digits.

Raman: Okay.

Shiv Nadar: In the range of 10-99.

Raman: No it is not as high as this, it is greater than 9, let us put it that way. So we are close to 10 projects.

Trideep: Thanks for telling me. Congratulations and best of luck.

Shiv Nadar: Thanks Trideep. Thank you.

Moderator: Thank you very much sir.

Shiv Nadar: You can figure out from Mr. Raman's voice that most of the time he is only talking to overseas calls. You know towards the end of the day the voice cracks a bit. If there is nothing else can we close it?

Moderator: Sure sir.

Shiv Nadar: I just want to thank all of you. There is something, which I expected on which there is not even one question, either on our dividend policy or on the interim dividend. I take it that that is something which has been received satisfactorily. With those comments I will close this formally. Thank you very much for joining us.

Sandeep: Thank you sir.

Moderator: Ladies and gentlemen, thank you for using CyberBazaar's conferencing service.

Shiv Nadar: Sandeep thank you very much.

Sandeep: Yeah thank you Shiv. Thanks. Thank you everybody.