

**HCL TECHNOLOGIES REPORTS REVENUE GROWTH
OF 17% (YOY) IN Q2-2001-02**

**For immediate release
21st January, 2002**

Second Quarter analysis based on the unaudited financial results for Q2 FY'2001-02

Executive Summary

The highlights of the financial performance for **Q2 ended December 31, 2001** compared with the corresponding quarter of the previous year are:

- Gross revenue increased by 17% to reach Rs. 4.01 bn.
- EBIDTA increased 4% to reach Rs. 1.07 bn.
- Net income (after non cash charge) grew by 4% to reach Rs 1.23 bn.
- Acquisitions and Alliances contributed around 11% to total revenues during the quarter.

Operational Review

- Offshore centric revenues constitute 71% of revenues.
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions to revenues at 24%, 36% and 46% respectively.
- Revenue from Europe increased to 9.2 %.
- 22 new customers added, including 7 new Fortune 500 companies.
- New Technology center operational taking the total number of Technology Development Centres to 15.

Some of the prestigious new clients acquired during the quarter include, **Exult Inc, Lear Corporation, Mitsubishi, Mapics Inc, Serena Software and Vetronix Corporation amongst others**

Key Developments in Q2 2001-02:

- HCL Tech continues to pursue its strategy of forging long-term alliances with its customers and announced 5 new offshore development centers (ODCs) for strategic customers. These include Standard Chartered Bank, Exult Inc, Serena Software, Inspire Corporation and Vetronix Corporation.
- HCL Tech's strategy of pursuing strategic alliances including Joint Ventures for long term, privileged client access and to penetrate newer markets has started yielding results.
- Strategic alliance forged with British Telecom by acquiring 90% equity stake in Apollo Contact Centre in Belfast, Northern Ireland.
- Entered into a long-term alliance with Exult Inc, the market leader in HR business process outsourcing for Global 500 corporations.
- Entered into a five-year partnership with Mapics Inc to provide product development in the area of extended enterprise applications

- Entered into an alliance with Motorola Inc. to provide design services in support of the recently announced C-5e Network Processor (NP) and the Q-5 Traffic Management Coprocessor (TMC).
- Five new practices -CRM, SCM, ERP, SAN and Security have started yielding results.
- JV with Deutsche Software started contributing to the financials strengthening our financial services domain.

Commenting on the company's performance and future outlook, Mr. Shiv Nadar, Chairman, President and CEO, HCL Technologies, said: " Despite challenging market conditions HCL Tech has posted promising results this quarter, a clear vindication of our business strategies and vision for growth. Our strategic alliances have enabled us to venture into several high potential growth areas with lucrative long-term prospects, while our technological bandwidth and growing expertise in several niche verticals, continue to give us a strategic advantage in the market place ".

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

For further investor information please contact:

**Satyendra Shukla
DGM - Investor Relations
HCL Technologies**

Tel: +91-12-0-4518185
Fax: +91-12-0-4526907
Email: sshukla@corp.hcltech.com

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, Application Services and Business Process Outsourcing. 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 December 31, 2001, HCL Tech (including JVs & Subsidiaries) had 5634 employees.

Update on Business Strategies in Q2 FY 2001-02 compared to the Q2 FY 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 Q2 to reach Rs 4.01 bn 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 32% over Q2 of last year to cross Rs 2.85 bn accounting for 71% of total revenues.
- **Technology Development Services** revenue increased by 17% over Q2 of last year to cross Rs1.76 bn comprising around 44% of revenues.
- Contribution from **High Value added services** (Technology Development Services, Software Product Engineering Services and Networking services) at 72 % 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 24%, 36% and 46% of revenues respectively
- HCL Tech continues to provide services to some of the most renowned names in the world. The company has added 22 new customers this quarter including Exult Inc, Lear Corporation, Mitsubishi, Mapics Inc, Serena Software and Vetronix Corporation amongst others
- HCL Tech added 5 new client dedicated ODCs during the 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 OND'01 as compared to OND'00

- Gross revenue has increased 17% to reach Rs. 4.01 bn.
- EBIDTA increased 4% to reach Rs. 1.07 bn.
- Net income (after non cash charge) up by 4% to reach Rs 1.23 bn.

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 (including JVs and Subsidiaries) as on December 31, 2001 stood at 5634 with 4613 billable engineers.

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 32% growth over the previous year. Offshore delivery is carried out through 15 Technology Development Centres (TDC) located across the country, each oriented towards specific horizontal technologies.

Some of the new cutting edge projects undertaken during the quarter include:

Enhancement and feature addition to an existing project for a manufacturer of broadband digital integrated access and optical metro internetworking platforms.

HCL Tech is involved in enhancements and feature additions to the existing product. The enhancements would include IP extensions, PPP extensions, Bridging module extensions, CLI support and Web support extensions. The project would also include complete system testing of Packet Engine developed by HCL and also release of the same to the customer.

Reengineering and product development for a leading provider of high-value diagnostics products and services for the global health care community - HCL Tech has taken the knowledge transfer of OAS (Ortho Assay Software) and will re-engineer it to a new target platform and also participate in the next version of product development as well as offer life cycle maintenance services.

Web based project for a development institution that provides loans, policy advice, technical assistance, and knowledge-sharing services- HCL Tech is involved in converting the existing system into a Web Based Financial Data Management, Report Processing and Delivery System, which provides a floating report writer with drill down capabilities, workflow management during the production of reports, and personalization.

Modification of conformance test suites for GSM 850, GSM 1900 for a telecom major

HCL Tech is involved in modifying the test cases of GSM 900 along with their documentation to GSM 850 test cases.

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. The JVs and strategic alliances formed during the last quarter have started picking up pace and contributed to 11 % of the revenues in this quarter.

New Joint Ventures

HCL Tech has a successful track record of management of Joint Ventures and Alliances

During the quarter HCL Tech entered into an alliance with **British Telecom** to provide contact centre services through the Apollo Contact Center operated by British Telecom in Belfast, Northern Ireland. HCL Tech has paid \$11.6 million initially to acquire 90% equity stake in Apollo Contact Centre with British Telecom holding the remaining 10%. HCL Tech would acquire the 10% holding from BT at the end of the third year for a sum of \$ 1.2 million. As part of the agreement, the strategic alliance has been guaranteed revenues of \$30.24 million over the next three years. The transaction marks HCL Tech's strategic intent to establish a dominant position in the fast growing IT enabled services segment and to become a global BPO company. The 400 seat Apollo Contact Centre would be managed by HCL E Serve Technologies Limited, a wholly owned subsidiary of HCL Technologies Limited, providing IT enabled services

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. Organisation structure that encourages entrepreneurship
4. 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.

HCL Technologies Ltd Employees Trust has informed the company that it has purchased 4,043,301 shares of the company for an aggregate consideration of Rs 594.24 million on the Stock Exchanges till January 18th 2002.

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

Second Quarter analysis based on the unaudited Financial Results for Q2-2001- 02

Particulars Rs mn	OND-01	OND-00	Growth Y.o.Y	HY-01	HY-00	Growth Y.o.Y
			Three Months			Six months
Gross Revenues	4,013	3,423	17%	7,769	6,637	17%
Direct Costs	2,184	1,732	26%	4,213	3,367	25%
Gross Profits	1,829	1,691	8%	3,556	3,270	9%
SG&A	764	688	11%	1525	1308	17%
Foreign Exchange Gains (loss)	10	32		68	101	
EBDITA	1,075	1,035	4%	2,099	2,063	2%
Depreciation & Amortisation	144	98		248	189	
EBIT	931	937	-1%	1,851	1,874	-1%
Other income, net	303	243		635	333	
EBT	1,234	1,180	5%	2,486	2,207	13%
Provision for income taxes	38	86		158	190	
EAT	1,196	1,094	9%	2,328	2,017	15%
Share from equity investment	89	146		171	237	
Share of income(loss) of minority shareholders	29	-		34	-	
Net Income	1,256	1,240	1%	2,465	2,254	9%
Stock based sales incentive (Non Cash)	25	56		5	97	
Extraordinary provision for Doubtful debts	-	-		169	-	
Provision for dimunition in VC invest.	-	-		73	-	
Net Income after non cash charge	1,231	1,184	4%	2,218	2,157	3%
Exchange rate used for conversion Rs/US\$	48.34	46.69		48.34	46.69	
Key Ratios	OND-01	OND-00		HY-01	HY-00	
Gross margin/Gross Revenue	46%	49%		46%	49%	
Opex/Gross Revenue	19%	20%		20%	20%	
EBDITA/Gross Revenue	27%	30%		27%	31%	
EBIT/Gross Revenue	23%	27%		24%	28%	
Net Income(w/o sales incentive)/Gross Revenue	31%	36%		32%	34%	
Net Income (with sales incentive)/Gross Revenue	31%	35%		29%	32%	

Consolidated Balance Sheet (Unaudited) under US GAAP

Rs mn	As of Dec 31, 2001	As of Sept 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	3964	3958
Accounts receivable, net	3006	2694
Marketable securities, available for sale	9674	9105
Other current assets	1838	1437
Total current assets	18482	17194
Property and equipment, net	2237	1682
Intangible assets, net	2913	623
Investments in VCFs & Equity Investees	2262	3232
Other assets	365	350
TOTAL ASSETS	26259	23081
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total current liabilities	4935	3633
Other liabilities	6	5
Total liabilities	4941	3638
Minority Interest	1394	139
Total stockholders' equity	19924	19304
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	26259	23081
Exchange rate used for conversion –Rs/US \$	48.34	47.92

Forward Looking Statements

Statements in this press release that do not involve strictly historical or factual matters are forward-looking statements. Forward-looking statements involve risks and uncertainties and speak only as of the date of this release. Actual results may differ materially due to such factors as the ability of the Company to successfully integrate acquisitions, possible termination of projects by major clients, variation in the timing, initiation or completion of client assignments, recruitment and retention of personnel, growth management, project risks and technological advances.