

Release for Analysts and Investors

New Delhi, Apr 19, 2006

HCL Tech revenues up 28% to USD 252 million

- Quarterly revenues exceed \$250 million for the first time—annualized revenues in excess of \$1 billion
- Venture fund disinvestment concluded at a profit
- Quarter marked by single-largest deal in Indian IT history—DSG international PLC

Highlights for the Quarter

- ❑ Revenues at USD 252mn; up 28.2% YoY
- ❑ EBITDA at USD 56mn; up 25.4% YoY
- ❑ Net income grows to USD 43mn; up 20.3% YoY
- ❑ Sequentially, revenues up 7.4%; EBITDA up 6.1%; and net income up 7.5%
- ❑ 13 consecutive quarterly dividends; interim dividend of 200% declared

Overview

The quarter under review saw **HCL Technologies (“HCL”) break into the billion-dollar** run rate on an annualized basis, with revenues of \$251.51 million in Q3 of FY '06 (January-March 2006), **capitalizing on the transformation strategy kicked off just under a year ago**. The company's focused approach towards growth in its chosen service lines and verticals saw deep inroads being made into the *Fortune 1000* customer umbrella, with several large deals being signed (among them the **co-sourcing deal with European retail giant DSG international PLC**, the single-largest deal of its kind in Indian IT history).

“The billion-dollar-revenue rate is a clear outcome of the many large client wins we have witnessed over the last few quarters—a vindication of our transformation initiatives that have created strong value for our clients. Our balanced services portfolio is being recognized by clients, who are increasingly partnering with us to transform their businesses. We remain **well on track to meet our goal to become a truly global Technology & IT services major**. The overall industry size globally is growing at a good pace—as technology spend amongst enterprises picks up, HCL is uniquely positioned to benefit, given its focus and investments in emerging areas,” **Shiv Nadar, Chairman and CEO, HCL Technologies**, said.

“Our **focus on emerging services as a growth driver continues** as we gain larger market share in these growth businesses and use them as a core strategy to drive mega deal wins. This **focused differentiated strategy will result in high growth in coming years** as these services become significantly larger in our overall portfolio. As a fast evolving company, we are seeing progress on all fronts—in employee satisfaction, new customer acquisition and increasing revenues from existing customers,” **Vineet Nayar, President, HCL Technologies**, said. “Emerging areas continued to be strong growth drivers, with infrastructure services growing by a robust 58% YoY,” he added.

“The Q3 performance in the BPO space has been consistent with our projections, and **we added 359 employees against large contracts** that will be executed in the coming months,” **Ranjit Narasimhan, Head of HCL's BPO Operations**, said. “A highlight of the quarter was the rating of HCL BPO among the Top 10 Global Service Providers by leading researchers and analysts. The **International Association of Outsourcing Professionals (IAOP) rated HCL BPO in the “Top” category** and ranked it at #11 among the Top 100 Global Outsourcing Companies. HCL BPO was also ranked among “Top 8 Contact Centres” in the APAC region by Frost & Sullivan,” he added.

SL Narayanan, Corporate Vice-President (Finance), said, "During the quarter, we divested the entire portfolio of investments held since Year 2000 in some Venture Capital Funds ("VCFs"). These investments, **which had a current carrying value of USD 18.27 million, were sold for a gross consideration of USD 20.38 million**, resulting in a gain of USD 1.50 million (after deducting directly related expenses of USD 0.61 million). The divestment also frees HCL of all future financial commitments towards uncalled capital, amounting to USD 8.40 million." DSP Merrill Lynch acted as Manager to the transaction, assisting in the price discovery process.

Consolidation of Large Deal Strategy

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

- **Multi-year, multi-service, multi-million-dollar co-sourcing deal** to provide system development, application delivery, infrastructure support and maintenance services to the IS function of **DSG international Plc**. This deal is the **single-largest IT co-sourcing deal of its kind signed by an Indian IT company**
- HCL completes 10 years of partnership with Cisco, making it the **largest and longest product engineering agreement in Indian IT industry**

Business Highlights

- HCL hosted its first **Annual Global Customer Meet 2005**, ever, in India with participation from over 200 global company CIOs and CEOs, along with prominent industry analysts and professionals, all of whom congregated to explore the role India can play to enhance corporate business efficiencies with the use of ICT

Software Services

- HCL signed a **first-of-a-kind association with India's leading contract research organisation—Synchron** to jointly provide innovative solutions like clinical trial and data management on drugs and devices. This initiative is in line with HCL's strategy of creating uncontested market spaces in sunshine verticals
- **Qumas**, leading developer of enterprise compliance, governance and risk management solutions and **HCL** signed a **distribution agreement** where HCL is the sole distributor of the Qumas products in Asia Pacific region

BPO

- Top analysts rated HCL BPO as a leading "Global Service Provider"—**Gartner rated HCL BPO among Top 10 Global Service Providers**. The International Association of Outsourcing Professionals (IAOP) rated HCL BPO in the "Top" category and ranked it at #11 among the Top 100 Global Outsourcing Companies. HCL BPO also ranked **among "Top 8 Contact Centres" in the APAC region by Frost & Sullivan**
- All HCL BPO delivery centres in Noida and Chennai **cleared the Surveillance Audit and New Certification Audit of BS7799** during the quarter

Infrastructure Management Services

- HCL Infrastructure Service Division (ISD) became the first Indian Managed Security Service Provider to become **Mastercard SDP-compliant for its Vulnerability Management Services**
- HCL ISD was awarded the **#2 rank worldwide in the "Infrastructure Service Providers" listings**. These rankings were awarded on the basis of a survey—Global Services 100—conducted by *Global Services* magazine in association with NeoIT, an outsourcing advisory firm
- HCL ISD was the **first in the world to receive the BS 15000** accreditation for V-SAT services
- HCL ISD **added 16 significant customers** to its database during the quarter.

HCL TECHNOLOGIES METRICS : CONSOLIDATED					
BUSINESS DETAILS		MANPOWER DETAILS		As on	
				Mar 31' 06	Dec 31 '05
REVENUE BREAK UP (%)					
Geography					
US	59.3				
Europe	25.7				
Asia Pacific	15.0				
Service Offerings					
Technology Led Services	23.6				
Enterprise Consulting Services	17.0				
Applications Consulting Services	33.9				
Infrastructure Services	11.6				
BPO Services	14.0				
Repeat Business (%)	91				
CLIENT CONCENTRATION					
No. of Million \$ Clients	131				
No. of 5 Million \$ Clients	34				
No. of 10 Million \$ Clients	14				
No. of 20 Million \$ Clients	6				
No. of Fortune 500 Clients	66				
% Contribution from:					
Top 5 clients	28.3				
Top 10 clients	37.6				
Top 20 clients	48.1				
DETAILS OF SOFTWARE SERVICES					
REVENUE BREAKUP (%)					
Offshore & Off-On	68.0				
Pure Onsite	32.0				
Efforts billed (manmonths)					
Offshore & Off-On	32,968				
Pure Onsite	6,336				
Capacity Utilisation (%)					
Offshore & Off-On	74.2				
Pure Onsite	95.9				

FINANCIALS

(Third Quarter Results Analysis based on the unaudited US GAAP financial results for Q3FY 2005-06)

Consolidated Income Statement (as per US GAAP) in USD mn

	Quarterly details			Growth		Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	196.17	234.15	251.51	7.4%	28.2%	550.58	706.23	28.3%
Direct Costs	124.19	145.80	156.42			347.37	440.61	
Gross Profits	71.98	88.35	95.09	7.6%	32.1%	203.21	265.62	30.7%
SG & A	27.34	35.56	39.09			76.76	107.79	
EBITDA	44.64	52.79	56.00	6.1%	25.4%	126.46	157.83	24.8%
Depreciation & Amortisation	9.42	10.96	11.89			24.67	33.02	
EBIT	35.22	41.83	44.11	5.4%	25.2%	101.79	124.81	22.6%
Foreign Exchange Gains/ (Loss)	2.04	(2.94)	(0.30)			(0.02)	(3.91)	
Other Income, net	1.67	6.13	6.03			20.91	15.66	
EBT	38.93	45.02	49.84	10.7%	28.0%	122.68	136.56	11.3%
Provision for Tax	4.28	4.51	6.21			11.98	14.57	
EAT	34.65	40.51	43.63	7.7%	25.9%	110.70	121.99	10.2%
Share from equity investments	0.82	(0.15)	(0.14)			(0.33)	(0.29)	
Share of (income) / loss of minority shareholders	0.47	(0.13)	(0.25)			(9.55)	(0.18)	
Net Income	35.94	40.23	43.24	7.5%	20.3%	100.82	121.52	20.5%

Note:

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 30th 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			Nine Months Ended	
	Q3FY'05	Q2FY'06	Q3FY'06	Mar 31'05	Mar 31'06
Gross Margin	36.7%	37.7%	37.8%	36.9%	37.6%
Opex/Gross revenue	13.9%	15.2%	15.5%	13.9%	15.3%
EBIDTA Margin	22.8%	22.5%	22.3%	23.0%	22.3%
Net income/Gross revenue	18.3%	17.2%	17.2%	18.3%	17.2%

Consolidated Balance Sheet (as per US GAAP)
In USD mn

	As On		
	Mar 31'05	Dec 31'05	Mar 31'06
ASSETS			
a. Cash and cash equivalents	33.6	23.5	24.6
b. Accounts receivable, net	152.5	195.5	215.6
c. Treasury Investments	398.8	333.4	349.1
d. Other current assets	79.1	73.7	69.5
A. Total current assets (a+b+c+d)	664.0	626.1	658.8
B. Property and equipment, net	144.6	172.5	185.0
C. Intangible assets, net	193.6	186.6	187.2
D. Investments in Venture Funds / Equity investees	20.3	17.7	0.0
E. Other Assets	14.0	19.4	19.4
Total assets (A+B+C+D+E)	1036.5	1022.3	1050.4
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	136.6	150.5	156.1
f. Long -term debt	35.6	2.6	2.6
g. Other liabilities	4.6	4.3	4.1
E. Total liabilities (e+f+g)	176.8	157.4	162.8
F. Minority Interest	1.2	1.9	1.5
G. Total Stockholders equity	858.5	863.0	886.1
Total liabilities and stockholders equity (E+F+G)	1036.5	1022.3	1050.4

Note: Unrealized gains on Treasury Investments as of Mar 31, 2006 stood at \$9.73 mn.

Revenue breakup between business categories
in USD mn

	Software Services					Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	148.42	177.71	187.13	5.3%	26.1%	431.09	533.77	23.8%
Direct Costs	93.14	110.14	113.66			270.59	329.28	
Gross Profits	55.29	67.57	73.47	8.7%	32.9%	160.50	204.49	27.4%
SG & A	19.74	26.83	29.52			57.24	81.35	
EBITDA	35.55	40.74	43.95	7.9%	23.6%	103.26	123.14	19.2%
Depreciation & Amortisation	5.88	6.50	6.86			15.48	19.74	
EBIT	29.67	34.24	37.09	8.3%	25.0%	87.78	103.40	17.8%

	BPO Services					Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	29.47	29.73	35.07	18.0%	19.0%	75.26	94.43	25.5%
Direct Costs	19.11	17.61	22.90			49.09	58.70	
Gross Profits	10.36	12.12	12.17	0.4%	17.5%	26.17	35.73	36.5%
SG & A	3.44	4.09	4.64			8.54	12.33	
EBITDA	6.92	8.03	7.53	-6.3%	8.9%	17.63	23.40	32.7%
Depreciation & Amortisation	2.45	2.51	2.78			6.43	7.77	
EBIT	4.47	5.52	4.75	-13.9%	6.4%	11.20	15.63	39.6%

	Infrastructure Mgt					Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	18.91	26.71	29.31	9.7%	55.0%	47.42	78.03	64.6%
Direct Costs	12.58	18.05	19.86			30.87	52.64	
Gross Profits	6.33	8.66	9.45	9.1%	49.2%	16.55	25.39	53.4%
SG & A	4.15	4.64	4.93			10.99	14.10	
EBITDA	2.18	4.02	4.52	12.5%	107.7%	5.56	11.29	103.1%
Depreciation & Amortisation	1.10	1.94	2.25			2.76	5.51	
EBIT	1.08	2.08	2.27	9.3%	110.4%	2.80	5.78	106.1%

	Inter Co Adjustment			Nine Months Ended	
	Q3FY'05	Q2FY'06	Q3FY'06	Mar 31'05	Mar 31'06
Gross Revenues	(0.65)	0.00	0.00	(3.19)	(0.07)
Direct Costs	(0.65)	0.00	0.00	(3.19)	(0.07)

Financials in INR as per convenience translation

(The financials are based on a convenience translation using the closing US\$ rates for the last day of the quarter: US\$1 = Rs.44.61 for Q3FY'06; US\$1 = Rs.45.02 for Q2FY'06; US\$1 = Rs.43.75 for Q3FY'05)

Third Quarter Results Analysis based on the unaudited US GAAP financial results for Q3FY 2005-06

Consolidated Income Statement (as per US GAAP) in Rs.Crores

	Quarterly details			Growth		Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	858.2	1054.2	1122.0	6.4%	30.7%	2408.8	3150.5	30.8%
Direct Costs	543.3	656.4	697.8			1519.7	1965.6	
Gross Profits	314.9	397.8	424.2	6.6%	34.7%	889.1	1184.9	33.3%
SG & A	119.6	160.1	174.4			335.9	480.8	
EBITDA	195.3	237.7	249.8	5.1%	27.9%	553.2	704.1	27.3%
Depreciation & Amortisation	41.2	49.4	53.0			107.9	147.3	
EBIT	154.1	188.3	196.8	4.5%	27.7%	445.3	556.8	25.0%
Foreign Exchange Gains/ (Loss)	8.9	(13.2)	(1.3)			(0.1)	(17.5)	
Other Income, net	7.3	27.6	26.8			91.5	69.9	
EBT	170.3	202.7	222.3	9.7%	30.5%	536.7	609.2	13.5%
Provision for Tax	18.7	20.3	27.7			52.4	65.0	
EAT	151.6	182.4	194.6	6.7%	28.4%	484.3	544.2	12.4%
Share from equity investments	3.6	(0.7)	(0.6)			(1.4)	(1.3)	
Share of (income) / loss of minority shareholders	2.1	(0.6)	(1.1)			(41.8)	(0.8)	
Net Income	157.3	181.1	192.9	6.5%	22.7%	441.1	542.1	22.9%

Note:

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 30th 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			Nine Months Ended	
	Q3FY'05	Q2FY'06	Q3FY'06	Mar 31'05	Mar 31'06
Gross Margin	36.7%	37.7%	37.8%	36.9%	37.6%
Opex/Gross revenue	13.9%	15.2%	15.5%	13.9%	15.3%
EBIDTA Margin	22.8%	22.5%	22.3%	23.0%	22.3%
Net income/Gross revenue	18.3%	17.2%	17.2%	18.3%	17.2%

Consolidated Balance Sheet (as per US GAAP)
In Rs.Crores

	As On		
	Mar 31'05	Dec 31'05	Mar 31'06
ASSETS			
a. Cash and cash equivalents	147.1	105.7	109.6
b. Accounts receivable, net	667.1	880.1	961.9
c. Treasury Investments	1,744.6	1,501.0	1,557.3
d. Other current assets	346.2	331.7	310.2
A. Total current assets (a+b+c+d)	2,904.0	2,818.5	2,939.0
B. Property and equipment, net	632.4	776.7	825.1
C. Intangible assets, net	847.5	840.0	835.2
D. Investments in Venture Funds / Equity investees	88.7	79.7	0.0
E. Other Assets	61.1	87.1	86.4
Total assets (A+B+C+D+E)	4,534.7	4,602.0	4,685.7
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	597.3	677.1	696.4
f. Long -term debt	156.0	11.9	11.6
g. Other liabilities	20.0	19.4	18.1
E. Total liabilities (e+f+g)	773.3	708.4	726.1
F. Minority Interest	5.2	8.6	6.8
G. Total Stockholders equity	3,756.2	3,885.0	3,952.8
Total liabilities and stockholders equity (E+F+G)	4,534.7	4,602.0	4,685.7

Note: Unrealized gains on Treasury Investments as of Mar 31, 2006 stood at Rs. 43.4 crores.

Revenue breakup between various business categories in Rs.Crores

	Software Services					Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	649.4	800.1	834.8	4.3%	28.6%	1,886.0	2,381.1	26.3%
Direct Costs	407.5	495.9	507.1			1,183.8	1,468.9	
Gross Profits	241.9	304.2	327.7	7.7%	35.5%	702.2	912.2	29.9%
SG & A	86.4	120.8	131.7			250.4	362.9	
EBITDA	155.5	183.4	196.0	6.9%	26.1%	451.8	549.3	21.6%
Depreciation & Amortisation	25.7	29.3	30.6			67.7	88.0	
EBIT	129.8	154.1	165.4	7.3%	27.4%	384.1	461.3	20.1%

	BPO Services					Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	129.0	133.9	156.5	16.9%	21.3%	329.2	421.2	27.9%
Direct Costs	83.6	79.3	102.2			214.8	261.9	
Gross Profits	45.4	54.6	54.3	-0.5%	19.8%	114.4	159.3	39.2%
SG & A	15.1	18.4	20.6			37.3	55.0	
EBITDA	30.3	36.2	33.7	-6.9%	11.3%	77.1	104.3	35.3%
Depreciation & Amortisation	10.7	11.3	12.4			28.1	34.6	
EBIT	19.6	24.9	21.3	-14.3%	8.9%	49.0	69.7	42.3%

	Infrastructure Mgt					Nine Months Ended		Growth
	Q3FY'05	Q2FY'06	Q3FY'06	QoQ	YoY	Mar 31'05	Mar 31'06	YoY
Gross Revenues	82.7	120.2	130.7	8.7%	58.0%	207.5	348.1	67.8%
Direct Costs	55.0	81.3	88.6			135.1	234.8	
Gross Profits	27.7	39.9	42.1	8.1%	52.2%	72.4	113.3	56.5%
SG & A	18.2	20.9	22.0			48.1	62.9	
EBITDA	9.5	18.0	20.1	11.5%	111.8%	24.3	50.4	107.1%
Depreciation & Amortisation	4.8	8.7	10.0			12.1	24.6	
EBIT	4.7	9.3	10.1	8.3%	114.5%	12.2	25.8	110.1%

	Inter Co Adjustment			Nine Months Ended	
	Q3FY'05	Q2FY'06	Q3FY'06	Mar 31'05	Mar 31'06
Gross Revenues	(2.8)	0.0	0.0	(13.9)	(0.3)
Direct Costs	(2.8)	0.0	0.0	(13.9)	(0.3)

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 March 2006, HCL Technologies, along with its subsidiaries, had revenues of US \$919 million (Rs 4,102 crore) and employed 29,948 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.

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