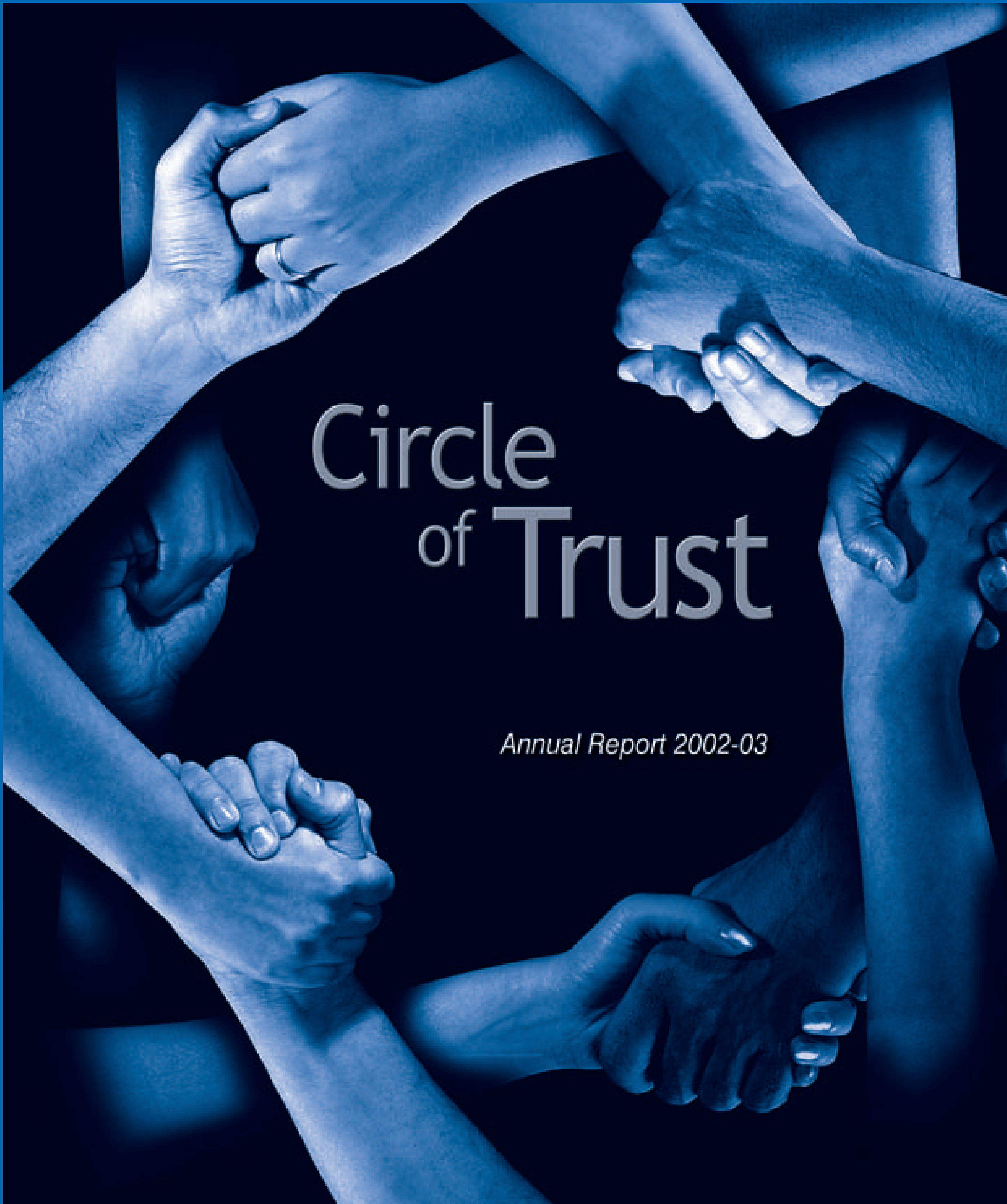
HCL TECHNOLOGIES



# Circle of Trust

Annual Report 2002-03

We recognize that the long-term success of our business

is interminably linked with the success of our customers.

We believe this approach is consistent with our objective

of building shareholder value uniting our

our customers and our people in

company,

a cohesive bond

that, we term as,

# our Circle of Trust

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WE COMPETE aggressively in the market with a focused vision to be the most preferred and significant software and engineering led global IT services provider in our chosen markets. Our approach is relationship oriented, customer centric and based on trust. It seeks to deliver tangible technological improvements that in turn give our customers a strategic business advantage in the markets they serve. In their success we see our future.

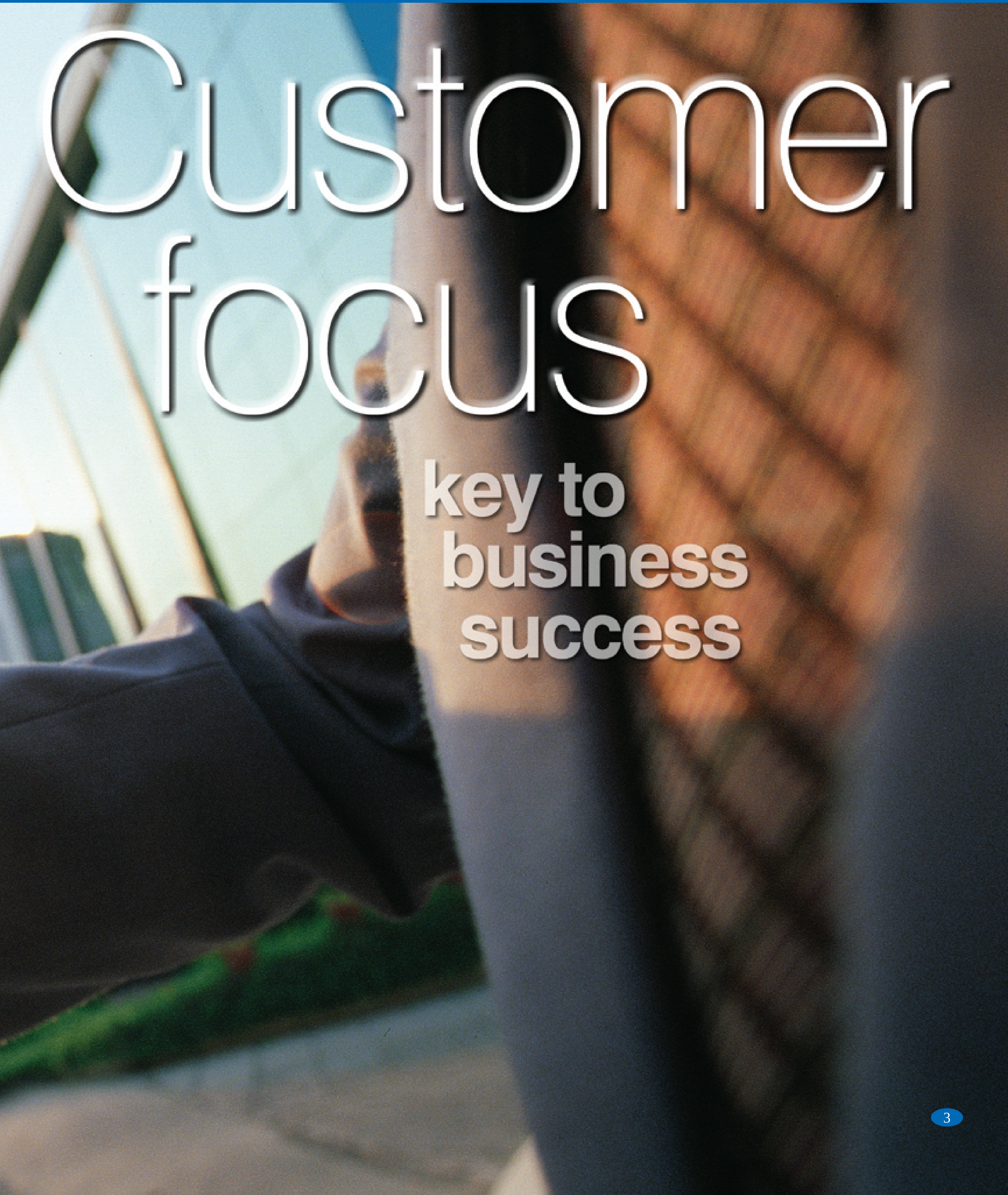
This underlying philosophy has enabled us to forge strong customer relationships that are based on the fundamental principles of mutual trust, performance and a track record of delivering value. We closely follow customer needs and proactively build our own capabilities anticipating that these could well be the life-blood of the relationship in the future.

Customer requirements for software are intrinsically complex and the landscape for technologies fast changing. Many industries have a history of inducting disruptive technologies that have far reaching consequences in altering traditional paradigms of doing business. In order that we excel in our pursuits and remain on top of important technology trends we engage extensively with industry analysts using their input to validate our own strategies.

Today our focus on chosen industries is a consequence of constant interaction with the IT community and our own ability to read changing markets and sizing opportunity. We are mindful of the need to deliver a comprehensive suite of solutions in each of our chosen areas. Given the pace of change and the depth of technologies required to deliver cutting edge solutions, we have established technology partnerships and key alliances with end users and OEM organizations on a global basis. We will continue to expand these as appropriate to deliver quality and cost-effective software engineering solutions for the emerging network-centric world.

# Customer focus

## key to business success



# Nurturing rel

# ationships

## delivering value, building annuity, fostering trust

IN TODAY'S complex and increasingly competitive marketplace, relationships offer a significant hedge against volatile business conditions. Strong relationships are a function of positive and continuous value throughput. Analysts see the Relationship Manager's role as evolutionary from simple communication, to advisory, to coordination and integration and finally to that of an empowered advocate. In a sense, this illustrates natural progression in the cyclical journey of trust.

At HCLT, we enjoy multi faceted, multi point engagements with many of our top customers. Consider HCLT's offshore development centre (ODC) for a global networking major. Set up in 1996 with 25 engineers, the ODC today has graduated to working on multiple development technologies and employs over 800 trained professionals. It is the largest product engineering and R&D centre for the customer outside the US and is highly valued by them as an extension of their own R&D.

Similarly, another relationship with a world-leading semiconductor equipment manufacturer, established in 1999, has grown to over 200 engineers.

Take the case of our engagement with a large US Financial Services company. HCLT now works for the firm in diverse areas that include Banking and Brokerage. We play a major role in the development of their information service products and in supporting their internal IT systems. In an IT consulting engagement for this customer, we undertook a complete assessment of their IT applications portfolio to help reduce redundancies, simplify IT management and reduce costs. Many analysts have hailed this portfolio assessment as a market leading service that few others can match, going as it does, beyond simple cost arbitrage to demonstrated value. Movement along this benefit chain has been a result of knowledge sharing between the teams and the cross leveraging of services. Today many such examples of close cooperation and strategic client engagement exist. These showcase the marked elevation of a simple engagement to that of a strategic and enduring relationship that stands the test of time, validating our belief in the principle that, trust is central to success.

# Adding competence through strategic al

HCLT understands the value of teaming with the best and has built a formidable set of alliances, partnerships and joint ventures with leading technology and IT service organizations

Information technology is intrinsically collaborative but hi-tech competencies are niche and real. Technological alliances and partnerships are therefore strategic and key to business success. HCLT understands the value of teaming with the best and has built a formidable set of alliances, partnerships and joint ventures with leading technology and IT service organizations. These partnerships based on complementary IT strengths, proven methodologies, domain expertise and enhanced channels add to HCLT's appeal as a preferred partner for delivery of software services on a multifunction, enterprise-wide and global basis.

Various analysts have endorsed the strategy, and have acknowledged HCLT for its specific focus on developing its business solution capability through strategic alliances, partnerships and joint ventures with US companies that have a niche specialization. The development of such cross-border collaboration complements or enhances its own capabilities and can be effective in placing the company at the top of specific customer shortlists.

HCLT has forged just this kind of a relationship with the Jones Apparel Group, a Fortune 500 company and a major name in the retail space. The Joint Venture provides software development, maintenance and implementation services to various divisions of JAG and will over time extend these to other apparel and retail companies. The JV has enabled HCLT to gain valuable experience and critical domain knowledge in the retail industry in customized software products for warehouse and supply chain management, Design, Merchandise planning, among others.

Several other significant partnerships add to HCLT's capability set.  What is noteworthy is the fact that many

# liances, partnerships and joint ventures

of them have progressed from being just customer relationships, to, go to market alliances and even joint ventures with equity participation. This is a result of shared vision, chemistry and mutual trust.

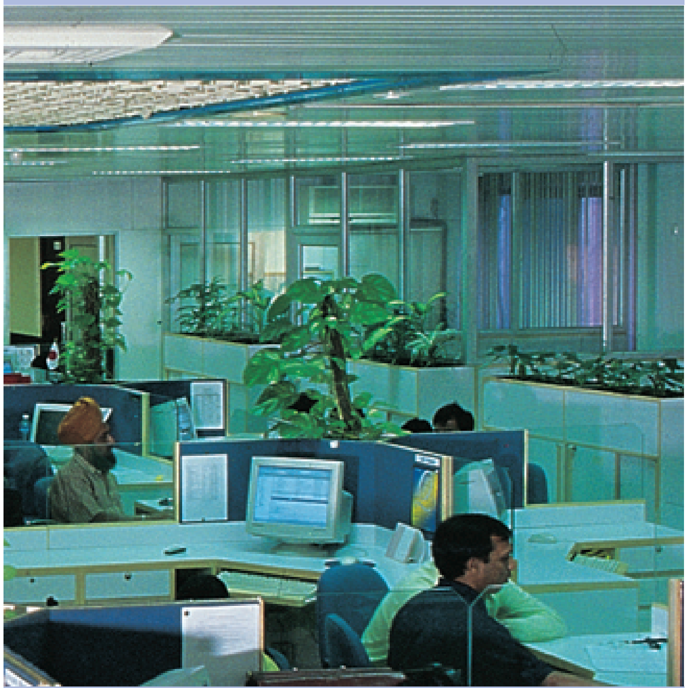
HCLT's addition to its technology alliance portfolio through special relationships with companies like ARMS, Magma, SuperH, Xilinx, to design and engineer solutions around proprietary processor cores, thrives on product understanding, knowledge and competence transfer. This enhances our skill set enabling us to better service customer requirements in regard to refinements built around these products.

Similarly, preferred partner arrangements with leaders like Oracle, Peoplesoft, SAP, Siebel enable HCLT to deliver robust enterprise solutions and implementations that are based upon these packaged offerings.

To address software services opportunities in Global Financial Markets, especially in the areas of Investment Banking, Asset Management and Private Banking, HCL Technologies has a joint venture with m.a.Partners, a management-consulting firm. m.a.Partners brings a wealth of domain expertise and clients including many of the top Global Investment Banking firms to the JV while leveraging HCLT's resources in project execution and delivery.

HCLT's capability to service the banking and financial sector is further enriched through DSL Software (formerly Deutsche Software), a joint venture between HCL Technologies and Deutsche Bank, AG. These arrangements give the company the necessary domain expertise to service the end-to-end requirements of a demanding industry.

Many more examples of collaboration exist within HCLT's strategic framework to address market opportunities. We hope to sustain this momentum and continue to engage in collaborative efforts that help us to meaningfully address newer challenges and the rigours of a demanding marketplace.



Several significant partnerships add to HCLT's capability set. What is noteworthy is the fact that many of them have progressed from being just customer relationships, to, go to market alliances and even joint ventures with equity participation. This is a result of shared vision, chemistry and mutual trust


## QUALITY

As speed to market becomes critical for customers the demand for quality and the delivery of error free solutions becomes an important determinant for business. To ensure that our solutions have a high degree of predictability, robustness and repeatability HCLT diligently follows a stringent quality programme that seamlessly integrates multiple quality approaches to deliver tangible benefits to customers.

HCLT lays strong focus on process quality to meet customer requirements consistently. This is done through a strong, flexible Quality Management System (QMS). The QMS has evolved over a period of many years, and is compliant with ISO 9001 standard and SEI CMM and CMMI models. All the software development centres of HCL Technologies are high-maturity organizations (SEI CMM Level 4 and 5). We have unified our software engineering and management practices across the organization and are planning to get this system assessed at SEI CMMI level 5 by the middle of 2004.

In order to bring about consistency in Project Management practices and achieve excellence in it, HCLT has embarked upon the rationalization of practices and achieving automation by adopting common tools across its development centres.

To foster individual expertise, we are aggressively pursuing people certifications. Many of our engineers are certified professionals in the technical and managerial areas (like PMP, MSCD, CCNA, CCNP, etc.)

## OFFSOURCING

Offsourcing (offshore + outsourcing) is another methodology that we consistently use to deliver significant customer advantage. Our international clients benefit particularly from the lower software development costs at our state-of-the-

# stomer value

## cross border delivery, pragmatic customer engagements

art development centres in India. Recognizing the benefits and cost savings that an offshore-onsite model can bring, we work with a clear focus on optimizing both onsite and offshore teams. This delivers continuous value to our clients. About 81 percent of our revenue today comes from such arrangements, a reflection of our well-defined methodology and tool set in successfully executing offsourced arrangements.

The challenge in offsourcing lies in running a thorough diagnostic of the organization and isolating clear pieces of the applications and business process that can be outsourced. It is through this methodology that we can articulate the value in outsourcing and commit to a clear delivery promise.

For customers, outsourcing is intrinsically fraught with heightened risk perceptions. We mitigate and lower these risks by using collaborative models, dashboards and monitoring tools that provide complete transparency and the latest view of the project. We place the ultimate control in the hands of our customers and handhold them so they feel encouraged to extract the greatest value from our relationship.

### FLEXIBLE AND PRAGMATIC MODELS FOR CUSTOMER ENGAGEMENT

Our customer engagement model is widely seen as both flexible and pragmatic. In many cases we have collaboratively developed out of the box arrangements that work best for our customers and take into consideration their internal priorities and strategies. These mature engagement models range from working to set specifications, flexible relationship frameworks, strategic alliances and even joint ventures. A risk-reward principle is factored in. Whatever the arrangement, we are mindful of our obligation to place the customer always ahead, reciprocating, reinforcing and consolidating the bond of trust that exists between us.

# Multiple

## comprehensive engageme

# services

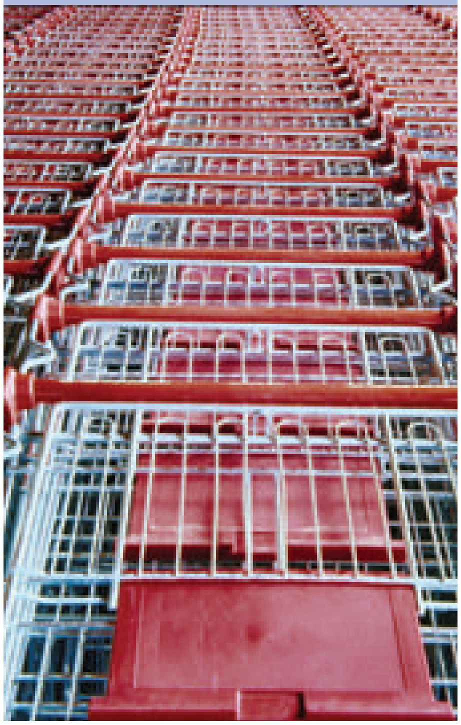

## e nts and customer touch-points

AT HCLT, our aim is to offer complete solutions, making it easy for customers to do business with us.

Take the case of the Insurance or Banking industries grappling with lower spreads, rising transaction costs, customer demand for better service, multiplicity of products and services, speed, geographical ubiquitousness. Their back-offices house multi generation legacy systems, significant IT investments that any financial custodian would be loathe to discard. Enter HCLT, with its ability to evaluate, integrate, migrate, connect and enable older applications to talk to the latest. This was exactly the case at one of our customers, a leading US financial services company. The result of the engagement – fewer IT systems, connectivity and compatibility, significant efficiency gains, technological obsolescence well managed, customer appreciation and the satisfaction of a job, well done.

Information technologies impact business in ways that are both subtle and direct. Competition pushes companies to re-examine traditional paradigms. Imagine for instance, a large-scale auto manufacturer requiring the re-engineering of a subcomponent. Engineering goes beyond design. It is multidisciplinary, often integrating mechanical design, electronics and embedded software with prototyping,

Comprehensive IT solutions from HCLT for that edge in the retail business



validation, testing and certification. The customer engages HCLT for its well-rounded expertise in Hardware design, Embedded software, CAD CAM and systems. Skills honed over multiple and diverse projects. Outcome – The complex task is accomplished well within time, at reasonable cost, with customer savings that are tangible.

The importance of infrastructure in determining market leadership has ample precedent in the retail sector, with companies such as WalMart, Benetton and others who understood the potential business impact of using value-added networks to facilitate retail stock replenishment. In fact, this strategy enabled retailers to achieve three or even four re-ordering cycles within a single apparel season contributing significantly to their earnings. Increasingly, customers wish to disengage and outsource their IT infrastructure to a professional firm so that they can focus on their core business. At HCLT, we are geared to accept such engagements and can provide a shared value added network that's reliable and secure. We also accept end-to-end responsibility for the entire IT operation for a client.

Think of embedded software development on a chip, the size of a nail. At HCLT, we do it well. We enable, we design, we test, we speed and we help to secure

# aking it easy for customers to do business with us

In step with the modernization of the banking sector, HCLT's solutions for the retail, corporate and investment bank and other financial services are multidimensional and well synchronized

the leadership position of our clients in the race for technological supremacy.

Our customers in the process-based petroleum and pharmaceutical industries are in the midst of large-scale re-engineering, often redefining the scope and extent of traditional upstream and downstream activities. In their case, enterprise applications need to be implemented or code written to connect parts of the organization, so a singular view is available to management. At HCLT, having handled large projects we understand these special needs and can engineer solutions that are tailor made.

Whereas systems delivery once meant the delivery of custom-written code, significant industry experience now makes it possible for us to adopt a new model which allows us to plug in pre-tested, robust and reusable software components developed earlier. This brings down development time and reduces the load on more expensive custom development for value added applications. Whether it is custom development a customer needs or our expertise distilled into reusable components, HCLT offers a complete solution set.

Having studied the market, we at HCLT believe we have made informed choices. Choices, that will generate significant incremental value for our stake-holders in the future. The circle of trust is near complete and the best is yet to come.

## HCL Tec

# A great
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"If I were to describe the feeling of being part of HCLT in one word, then it would be 'fantabulous'. 'Fantastic' as far as the exposure to various strategic initiatives is concerned and 'fabulous' as far as what the future looks from here."

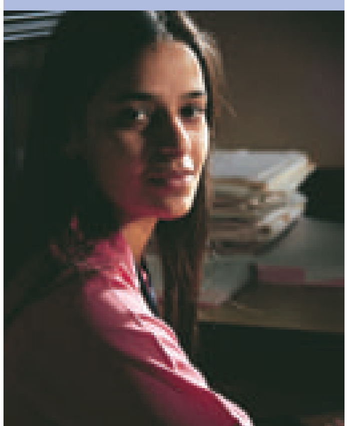
Harpreet Singh Puri
Assistant Manager

**PEOPLE ARE** perhaps the most important link in the journey of trust. HCLT is often described as the archetypal entrepreneurial organization, where human capital is valued as a strategic investment. Employees thrive in an environment that is open and personally challenging, allowing and encouraging initiative, innovation and creative approaches to problem solving. Workgroups are often closely knit with a high sense of ownership and belonging.

HCL Technologies recognizes human resource as the backbone of its long-term success and has consciously focused on increasing the value-add per employee. Its unique approach has made it the employer of choice both in India and abroad. Utmost importance is attached to attracting the best talent; continuously improving their skill set through on the job training, helping them excel at challenging assignments and finally retaining ***our biggest asset — our people.***

"HCLT promotes entrepreneurial spirit across the organization. This gives the employees a platform to explore new avenues within and beyond their functional responsibilities thus helping them to grow."

Shilpy Madan
Member - Technical Staff



## Recruiting the best

HCLT made early investments to ensure a strong Recruitment Process and spread. The Global Resourcing Group, or GRG, was instituted across 6 key cities in India, USA and Europe. GRG continuously scouts for talent and builds a database that is globally networked to facilitate quick turnaround from requirement to identification to closure.

HCLT is amongst the preferred recruiters from the country's premier campuses. We recruit some of the brightest minds. Many of the business unit heads and senior people who joined us straight from campus have gone through an extensive training cum grooming programme for 3-6 months. We believe that campus recruitments over the long term create a much more stable and compatible workforce for the organization.

"By giving you an opportunity to differentiate and build a career path of your own, the corporate leaders at HCL Technologies shape your professional Identity and influence your thinking."

Himanshu Vyas
Senior Management Trainee

The recruitment process at HCL Technologies is stringent and ensures we recruit only the best. Some of the employee friendly initiatives include flexible work schedules, creative assignments, competitive compensation and benefit packages, bonus programmes tied to corporate and team performance and extensive training and development opportunities.

## Cross-cultural nuances, learning is fun

At positions of responsibility, all our Managers have extensive experience in handling culturally diverse workgroups and customers. Many of them have lived abroad for significant periods. Where necessary, additional orientation programmes are held to facilitate understanding and appreciation of cross-cultural differences.

For the delivery team, HCLT has a structured and ongoing cross-cultural training programme, particularly for those travelling overseas. The programme covers aspects such as communication, etiquette, living skills, social skills, conversation techniques, and mannerisms.

At an organizational level, where feasible and necessary, dedicated HR professionals are assigned to a team to ensure that the respective client organization and the offshore teams work seamlessly and are culturally compatible. On many occasions HCLT has introduced client-specific training programmes and even recognition & reward programmes to minimize the cultural gap.

We have a large number of examples where we have successfully worked with culturally diverse teams in Japan, Europe, Asia-Pacific and the US and this capability is amply demonstrable.

The culture encourages organizational bonding that comes with quality of work, new challenges, peer group association. HCLT emphasizes the human aspect of pride in work and encourages it even as it continues to grow at a fast pace.

## Growing with the organization

HCLT encourages staff members to garner experience across all phases of a projects life cycle. We believe that the best IT professionals emerge from roles that have been all encompassing and well rounded. Further, we prefer a career development approach that involves planned rotation of staff within all functions. Our policy of engaging 'shadow' staff is in tune with this objective. It facilitates transition and rotation without impacting the quality, cost, or timelines of project deliveries.

"HCLT gives complete freedom to think. Any employee can implement an idea and if the idea is successful it will be implemented across the board. There are no walls or boundaries here. You are only limited by yourself."

Udai Saklani
Sr. Manager - Marketing

We encourage people to look at existing ways of doing business and to redefine the critical points where inefficiencies, delays or outright breakdowns occur. This is how we practice empowerment – The freedom to suggest a better way of doing things and the authority to put ones personal imprint on the revisions.

After all, ownership, empowerment and trust are points that make their mark on the arc of the same circle. One seemingly follows another but there is no particular hierarchy. Each contributes its own strength to the stability of the system. All are in consonance with the 'circle of trust' that represents organizational longevity.

# HCLT a glo

# bal business

## Structure and processes for business scalability, frameworks for governance

AT HCLT, we are committed to delivering and enhancing shareholder value. As organizations become larger they need an enabling framework for governance. A framework that gives management a ringside view of the business 24x365 and if required, the option and the ability to make a spot intervention for course correction.

Over the last two years, we have worked ceaselessly at embedding core systems into the fabric of our business. These provide HCLT the navigational ability to monitor ongoing business transactions and the capability to unify and scale up operations with all effort being directed at organizational success.

The three cores wired in include a state-of-the-art Sales Force Automation System, developed on Siebel to monitor the business opportunity to closure cycle. This ensures each opportunity in the order book is guided with the intent of success. A robust Knowledge Management System aids decision making by providing instant access to archived organizational learning that is multidimensional. Once business is signed on, the SAP Enterprise Resource Planning system takes over and controls all operations that ensure the delivery of high quality services culminating with billing, receipt and ultimately customer satisfaction.


### Concerns of a new business order

HCLT operates in three continents, fifteen countries. We are mindful of our international identity and conform to the business laws and requirements of each country we operate in. Our continuing endeavour is to have a positive impact on local business and community.

The international character of our business brings with it a great deal of complexity and requires a deep understanding of local laws and practices. It also requires significant managerial bandwidth to ensure compliance. This inevitably raises the cost of doing business.

Markets, on the other hand, the final arbiter of quality and service propel us forward in our quest to deliver infinitely superior quality at prices that are attractive. At HCLT, we strive to always better the price value equation for our customers. We accomplish this through constant innovation and improvement of processes and systems that attack, ferret and eliminate hidden inefficiencies. This enables us to steadily climb the value chain while harvesting benefits that accrue from true learning.

With trying business conditions, commercial laws in many countries have become more demanding and less forgiving. This requires greater diligence on the part of management to ensure no breach is inadvertently committed. A battery of lawyers now scans all contracts and legal documents to ensure that vulnerabilities from oversight are eliminated and the risk of doing business reduced. Accounting, book keeping, tax compliance, revenue and other business reporting norms as mandated by local law are several other important areas that now vie for professional attention.

Take the Visa regime. Some countries in the past year have placed restrictions on the cross border mobility of ex-pat personnel. Others are contemplating similar steps. This seriously hampers business and the ability to deliver full value to customers.

The irony is that IT, an enabler, creates a positive multiplier effect that causes the wheels of economies to turn. It generates net local employment. For this very reason, observers believe that these restrictive measures are short lived and untenable in the long run.

Contrast what has been said with the idea of doing business a few years ago. It was simpler then but the risks were unknown, undiscovered. Today, we know the risks better and move systematically towards mitigating them. It is surer ground that we stand on with lower risk – a safer business proposition. A significantly safer haven for all of us – The customer, the company, the stakeholders, the employees, partners and business associates, all of whom have close affinity through an overarching bond defined by — ***'The circle of trust'.***

## Customer Speak
## – Keeping promises, delivering trust

"Over the last year, Brooks has benefited from the partnership with HCL Technologies. HCLT has consistently delivered projects on time and with good quality. HCLT is an effective and reliable partner with a strong technology background and a robust software engineering process."

— Brooks Automation

"We have gone through an extremely diligent evaluation and selection process and find that the embedded software skills and methodologies at HCL Technologies match AIRBUS France's objectives."

— Manager, Software & Simulation Procurement, AIRBUS

"HCLT was chosen as a strategic partner to help manage existing applications and implement new technologies. HCLT provides us with high quality development and support both onshore at our offices in the U.S. as well as a dedicated offshore team in India. Over the past 3 years, we have come to rely upon HCLT for a variable level of resources with the required technical expertise. HCLT has been responsive to the needs of the IT group and our customers and has delivered high quality services with a level of flexibility required by our business."

— Jeff Carlson, CIO, American General Life Companies

"I really appreciate your work. You clearly managed the requirements and completed all necessary changes on schedule. I believe that your great work made all approx 900 Siebel users happy and improved their productivities. YOU DID GREAT WORK !!!"

— Elichi Sumita, Vice President, GCB, Citibank, Japan

"Over the last 1 year, GM - R&D has benefited immensely from the partnership with HCL Technologies. We have found HCLT to be an effective and reliable partner who brings in a good understanding of the Automotive Manufacturing Industry. We have no hesitation in continuing our relationship with HCLT to do high level conceptualization type work as well as traditional software engineering work."

— Jeffrey D Tew, Group Manager, Distribution and Supply Chain Analysis Group, R&D division of GM

# Management's Discussion and Analysis

## OF FINANCIAL CONDITION AND STANDALONE RESULTS OF OPERATIONS OF HCL TECHNOLOGIES LIMITED PREPARED UNDER INDIAN GAAP

INVESTORS ARE cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions as they relate the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading 'Risk Factors' in the Prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned as not to place undue reliance on the forward-looking statements as they speak only as of their dates. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

### BUSINESS OVERVIEW

The Company's revenues are derived from outsourced software development services in technology/ application enabled practices. These services are offered in certain chosen verticals. The verticals in which the company operates are banking and asset management, insurance, retail, semiconductor manufacturing equipment, pharmaceuticals, petroleum, aerospace and automotive.

The services of the company are delivered to a global base of 385 clients primarily through a network of offshore development centres located in Chennai, Gurgaon and Noida.

### THE CURRENT OPERATING ENVIRONMENT AND OUTLOOK

The operating environment for Indian IT services vendors continues to be challenging. With most of the client companies reeling under the impact of a global slowdown, there is a squeeze on their IT budgets and a consequent tightening of the overall market. This has caused pricing

pressures for all Indian vendors under the twin impact of clients trying to get the maximum leverage in a constrained IT budget as also higher competition from peers. However, on the positive side, the slowdown has also encouraged major multinational corporations, towards reallocating IT budgets in favour of vendors who can offer more cost-effective solutions. This is expected to give a major boost to the Indian IT industry which is held in very high esteem worldwide with respect to its offshore-based delivery capabilities conforming to the highest of quality standards.

The Company with its pre-eminent position in the Indian IT industry and proven capabilities in offshore software development is positioned to benefit from these new opportunities.

The Company has been making significant investment in software engineering processes and offshore methodologies. All of the Company's software development centres are ISO 9001 certified. Most of the Company's centres have also obtained Capability Maturity Model (CMM) Level 4 or Level 5 accreditation.

The Company has built a world-class sales and marketing infrastructure to service its global clientele. To achieve maximum penetration within the various target markets with a high degree of sensitivity to the culture and needs of the local market, the Company has established local companies in each important country. These local companies operate through a network of 26 marketing offices worldwide to ensure that the Company maintains a close touch with its customers. The Company believes that its rigorous, research-oriented approach to identify, qualify and develop relationships has been a key differentiator in the market place. This has helped the Company to position itself with its clients on the basis of a value proposition built on quality and service in addition to the pure cost advantage that an offshore development facility in India also provides.

## REVENUE CONTRIBUTION FROM DIFFERENT GEOGRAPHICAL SEGMENTS

With the American continent remaining the largest spender on IT services as well as the largest outsourcer, the largest share of the Company's revenue continues to come from the American continent. Europe is the next largest contributor. The contribution from the key geographical segments to the Company's revenues has been indicated in the Table.

Revenue contribution from various geographies
(year ended June 30, 2003)

| | |
|---|---|
| America | 82.2% |
| Europe | 11.9% |
| Others | 5.9% |
| Total | 100% |

## INTERNAL CONTROL SYSTEMS

The Company has strong internal control systems to ensure that its assets and interests are protected. Well-documented processes have been implemented to ensure that the Company policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations.

The Company has a rigorous business planning system to set targets and parameters for operations and the same are reviewed with actual performance to ensure timely initiation of corrective action if required.

The Company has a dedicated Internal Audit team to ensure that:

- adequate processes, systems, internal controls are implemented commensurate with the size and operations.
- transactions are executed in accordance with policies and authorization.
- resources are deployed as per the business plan, policies and authorization.

The Company-constituted Audit Committee reviews adherence to internal control systems and interacts with the internal audit team and follows up implementation of suggestions. This committee has been entrusted with reviewing all quarterly and yearly results of the Company and recommending to the Board their consideration and adoption.

## RISK FACTORS

The key risk factors for the Company are as follows:

Internal Risks

- Business concentration risks
- Mergers and Acquisitions (M & A) execution risks
- Investment portfolio-related risks

### External Risks

- Technology-related risks
- Currency risk related to fluctuations in the foreign exchange rate
- Geo-political risks

### Internal Risks

Business concentration risks

The Company strives to ensure that it does not become too dependent on any particular set of clients or any particular geography. The Company's revenues are spread across a total of 385 clients to ensure this. With the USA remaining the largest IT spender in the world, a large portion of the Company's revenues comes from USA. However, conscious efforts are being made to reduce this dependence. Non-US revenues as a percentage of the total revenues of the Company have been steadily increasing over the years. Similarly, a very high dependence on certain segments of the IT services market may also pose certain risks in the event of a slowdown impacting such segments. Indeed, the Company has recognized this factor and has undertaken multiple initiatives during the previous fiscal year June 30, 2002 to rebalance its business portfolio. As a result of these initiatives, the Company has managed to reduce its dependence on its traditional stronghold of product engineering.

M & A execution risks

The Company faces a risk with respect to its merger and acquisition related transactions. The risk exposures in this area are as follows:

a. increase in cost on account of staffing/advisory fees to consultants
b. lapses in due diligence
c. difficulties in integration of acquired entities within the operational fabric

The Company follows a very structured approach in pursuance of its M & A strategy. Much of the risk is mitigated by restricting the choice of target companies by applying certain rigorous selection criteria as also by proper resourcing of the integration effort.

Investment portfolio-related risks

The Company's primary market risk exposures are related to the interest rate risk on its investment securities;

The Company's exposure to interest rate risk is from its investment in securities. To mitigate interest rate risk, all surplus funds are invested in avenues upon a review by the investment committee. However, the guiding principles of all investment decision are safety of investments, followed by liquidity and returns.

### External Risks

Technology-related risks

The Company has competencies in a wide variety of software operating environments rather than depending on any

specific technology. This ensures that it diversifies its technology-related risks and offers the customers the choice of any technology or platform they are comfortable with.

### Exchange rate risk

The functional currencies for the Company's operations are the respective currencies of the countries in which it operates. Substantially all of its revenues are generated in US dollars and to a lesser extent, certain European and Asian currencies, while most of its expenses are incurred in Indian rupees and to a lesser extent, US dollars. As described above, a substantial amount of its investments is held in Indian rupees. It also holds investments in certain countries, consisting primarily of investments by its subsidiaries, which are denominated in the local currency. It is therefore subject to the effects of exchange rate fluctuations between these currencies.

In the current fiscal year, the Company has started using derivatives to hedge completely against foreign currency fluctuations related to its billed receivables. The Company does not speculate in foreign currency.

There is some foreign exchange risk which arises from accounts payable to overseas vendors. This risk is partially mitigated as the Company has receipts in foreign currency from overseas customers and holds some of its cash in foreign currency bank accounts.

### Geo-political risks

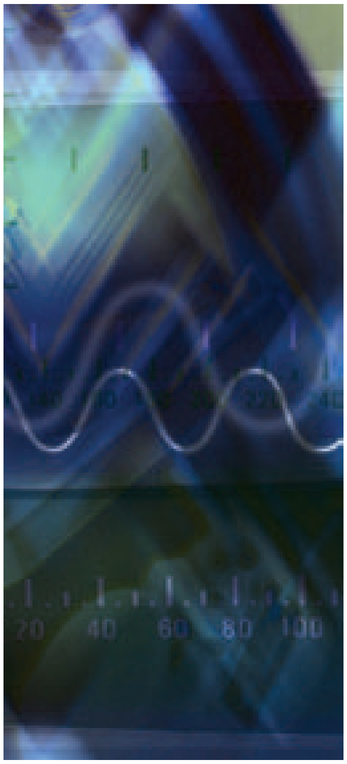
The Indian subcontinent has seen recurrences of some forms of hostilities between India and Pakistan. There has also been a lot of civil unrest in other countries of the Asian continent with proximity to India. These can have negative implications for the operations of the Company. To mitigate these risks and to ensure continued delivery of services to clients irrespective of any geo-political disturbances, the Company has made adequate investments in disaster recovery and business continuity systems.

## EMPLOYEE STOCK OPTION PLANS

Employee stock option plan 1999

The Company had instituted an Employees Stock Offer Plan – 1999 (“1999 Plan”) for employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on September 13, 1999. The Plan provided for the issuance of 20,000,000 options to employees as recommended by the Committee constituted for this purpose.

Each option granted under the Plan, entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.




Till June 30, 2003, 5,983,436 options had been exercised under the 1999 Plan. As of June 30, 2003, 10,927,381stock options were in force under the 1999 Plan.

Employee stock option plan 2000

The Company instituted another Employees Stock Offer Plan – 2000 ("2000 Plan") in October 2000. The 2000 Plan provided for the issuance of 15,000,000 options to employees. Each option granted under the 2000 Plan entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.

Under 2000 Plan, out of the stock options granted till June 30, 2003, 3,036,871 options have vested for shares out of which only 225 have been exercised. As of June 30, 2003, 8,814,611 options were in force.

## SOFTWARE DEVELOPMENT CENTRES AND MANPOWER

The Company services its clients through a network of 23 software development facilities situated in the cities of Chennai, Gurgaon and Noida. These are spread over an aggregate area of more than 7 lac square feet. The seating capacity of the Company went up from 5,030 at the end of 30 June, 2002 to 6,197. During the fiscal 2003, the Company invested a sum of Rs 711 million in building, leasehold land, equipment, computers, etc as against Rs748 million in the previous fiscal.

The total number of billable employees increased from 4,103 (3,610 offshore and 493 onsite) as on June 30, 2002 to 5,677 (5,070 offshore and 607 onsite) as on June 30, 2003.

During the fiscal year ended June 30, 2002, the Company had made major changes in the processes relating to its performance appraisal systems to identify and reward meritorious efforts by its employees. In view of the competitive situation that prevailed for most of the year, salary structures were modified to increase the proportion of performance-based pay. The Company is continuing with this system of compensation. The Company focuses on several training and development initiatives to ensure that its human resource base is kept abreast of the latest developments in information technology.

## RESULTS OF OPERATIONS (STAND ALONE)

(Rs. in million)

Fiscal years ended June 30

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|
| Service Income | 2,757 | 3,997 | 7,245 | 7,234 | 8,717 |
| Other Income | 180 | 521 | 1,086 | 1,331 | 996 |
| Total Income | 2,937 | 4,518 | 8,331 | 8,565 | 9,713 |
| Cost of Software Development | 1,312 | 1,451 | 2,068 | 2,644 | 4,049 |
| Administration and Other Expenses | 387 | 811 | 1,507 | 1,371 | 1,931 |
| Total Expenditure | 1,699 | 2,262 | 3,575 | 4,015 | 5,980 |
| PBIDT | 1,238 | 2,256 | 4,756 | 4,551 | 3,733 |
| Interest | 43 | — | — | 17 | 11 |
| Depreciation | 164 | 154 | 225 | 355 | 493 |
| Profit before Tax | 1,031 | 2,102 | 4,530 | 4,179 | 3,229 |
| Provision for Tax | 21 | 103 | 262 | 159 | 136 |
| Profit after Tax | 1,010 | 1,999 | 4,268 | 4,020 | 3,093 |

### FISCAL 2003 COMPARED TO FISCAL

Service Revenues. The Company's revenues grew to Rs.8,717 million in fiscal 2003, an increase of 21% over revenues of Rs.7,234 million in fiscal 2002. The revenue growth in 2003 was driven solely by an increase in volumes with realizations having come down during the year. The Company handled this increase in volumes through an increase in billable manpower by 1,574 during the year from 4,103 as at the end of June, 2002 to 5,677 as at the end of June, 2003.

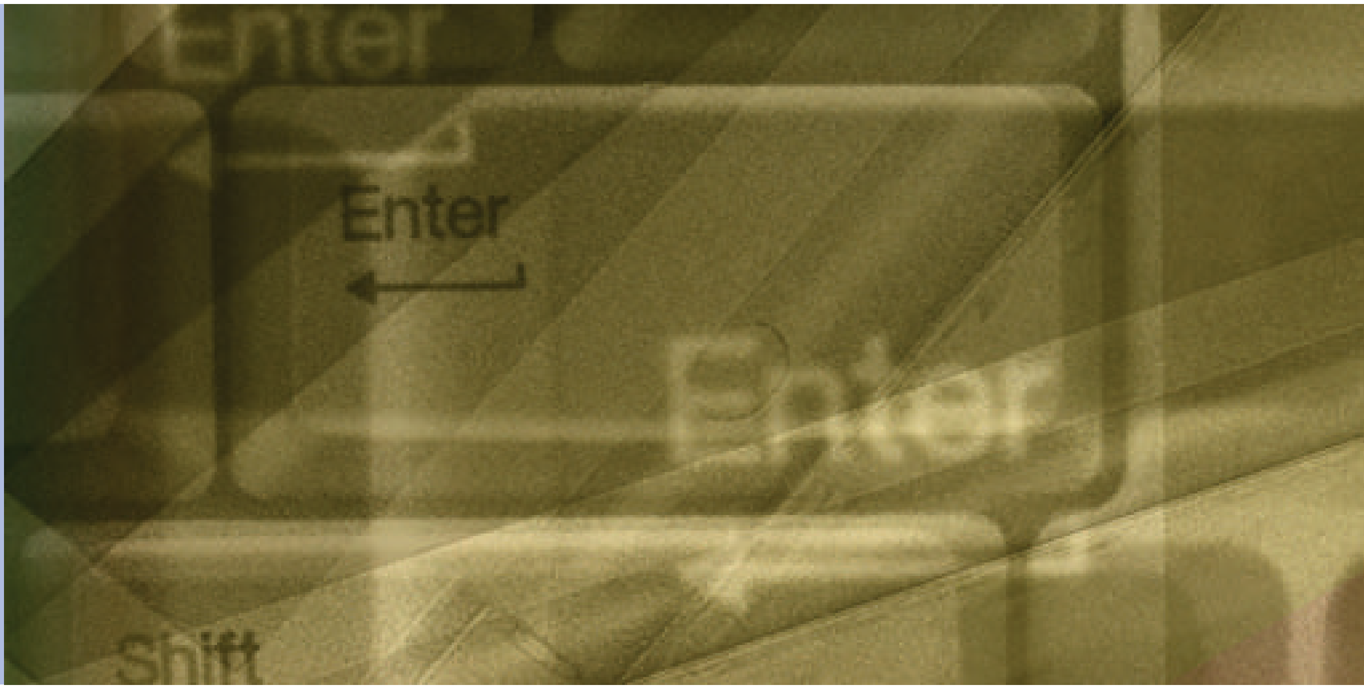
The Company is continuing its efforts to reduce the dependence on America, and generate a more substantial proportion of its revenues from other geographies. These efforts are seeing results with the share of revenues coming from America having dropped to 82% as compared to 86% in the previous fiscal. The revenues from America have grown by 16% this year while that for Europe and the rest of the world have grown by a sizeable 57% and 36%, respectively.

Other income. Other income in the current year decreased by 25% to Rs.996 million from Rs.1,331 million in fiscal 2002. This income mainly comprised income from interest income on bond and bank deposits as well as gain from sale of investments during the year. This income has been earned from investment of operational surpluses and funds raised by way of public issue in 1999, pending deployment. Towards the end of the previous fiscal, the Company had shifted a large portion of its investment in debt mutual funds from the dividend option to the growth

option after changes in tax laws in the Finance Act 2002 wherein long-term capital gains attracted lower tax rates as compared to dividend income. This has resulted in a sharp decrease in dividend income during the year – from Rs.579 million to Rs.18 million. The two other components of other income which have decreased sharply are (a) interest income down from Rs.586 million to Rs.221 million and (b) gains related to movement in foreign exchange which has reduced by Rs.106 million. Consequent to the movement of the mutual funds from dividend option to growth option, the Company has redeemed some of its mutual fund holdings and booked capital gains to the extent of Rs.565 million.

Cost of Software development. Cost of software development increased by 53% in fiscal 2003 over fiscal 2002, from Rs.2,644 million to Rs.4,049 million. This increase has mainly been on account of an increase in the number of billable manpower, resulting in increased personnel costs to Rs.2,318 million in fiscal 2003 from Rs.1,514 million in fiscal 2002. As a percentage of service revenue, employee costs increased to 27% from 21% last year. The Company subcontracts certain projects to its subsidiaries and external parties. These costs increased to Rs.1,501 million in fiscal 2003 from Rs.942 million in fiscal 2002. Of the total subcontracted cost, Rs.1,292 million and Rs.690 million in fiscal 2003 and 2002, respectively, were on account of software development work subcontracted out to subsidiaries.

Administration and Other Expenses. Administration and other expenses increased to Rs.1,929 million in fiscal 2003 from Rs.1,371 million in fiscal 2002. The increase in administration and other expenses has mainly been on account of (a) increase in project related travel, (b) higher expenses on facilities as a result of infrastructure expansion, (c) increase in recruitment, training and development cost, (d) higher communication cost and (e) commission paid to subsidiary company which was absent in the previous fiscal. As a percentage of total revenue, these costs increased to 22% in fiscal 2003 from 19% in fiscal 2002. Depreciation. Depreciation expense increased to Rs.493




million in fiscal 2003 from Rs.355 million in fiscal 2002. Increase in depreciation has arisen because of capitalization of fixed assets of Rs.685 million in the fiscal year 2003.

Taxation. The tax expense in fiscal 2003 was Rs.104 million as compared to Rs.159 million in fiscal 2002. The tax liability has decreased as a result of finalization of certain prior period adjustments.

Profit after Tax. As a result of all the above factors, profit after tax in fiscal 2003 showed a fall of 22% over fiscal 2002, at Rs.3,125 million from Rs.4,020 million in fiscal 2002. As a percentage of service revenues, profit after tax decreased significantly to 36% in fiscal 2003 from 56% in fiscal 2002.

## TAX DEDUCTIONS

A substantial portion of the profits of the Company's operations is eligible for exemption for income tax under Indian law, these profits being attributable to exports and to undertakings situated in Software Technology Parks. Under the tax holiday, the taxpayer can obtain an exemption of profits from income tax for a period of any ten consecutive years subject to certain conditions and stipulations. The Company has opted for this exemption for the years ended March 31, 1997 to March 31, 2006 for the existing undertakings situated in Software Technology Parks (STPs). During the year ended June 30, 2002, the Company set up new undertakings in Software Technology Parks for which deduction is available till March 2010.

Non-exempt revenue of companies is currently subject to taxation at the rate of 35.87%, including the applicable surcharge.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows from Operating Activities

The Company's operations generate a significant amount of cash each year. Net cash provided by operating activities was Rs.3,542 million and Rs.4,012 million in fiscal 2003 and 2002. The drop in cash from operating activities is primarily because of a drop in profitability in the year under review, as compared to the previous fiscal, which has been countered to some extent by a tightening of the working capital requirements.

In the previous fiscal year, some customers had requested for some relaxation in the collection cycle with the tightening in the overall business environment. As a result, there had been some lengthening of the overall period for which debts were uncollected during the previous fiscal year, a phenomenon, which has been experienced by most IT companies in India. However, in the current fiscal year, the Company has sought to keep a very tight control on its accounts receivables. In fiscal 2003, accounts receivable at 26% of the total revenues decreased from 31% for fiscal 2002. The debtors turnover ratio decreased to 95 days, as of June 30, 2003 from 112 days as of June 30, 2002.

### Cash Flows from Investing Activities

In fiscal 2003, an amount of Rs.2,054 million was additionally invested in debt mutual funds while Rs.400 million of bonds were redeemed. During the year, a net amount of Rs.624 million was invested in fixed assets, and Rs.8,855 million was used for investments and loans in subsidiaries. Cash from investing activities arose mainly from income on investment. This inflow was Rs.230 million in fiscal 2003. Net cash, thus, used in investing activities was Rs 2,947 million in fiscal 2003 as compared to Rs.6,633 million in 2002.

The thrust of the Company's treasury policy is to reduce the credit risk concentration in a bid to achieve the maximum possible safety, while earning reasonable returns from the investment of surplus funds.

Any surplus funds are invested in avenues at the discretion of the investment committee. However, the guiding principles of all investment decisions are safety of investments, followed by liquidity and return on investment.

### Cash Flows from Financing Activities

Cash flow from financing activities was Rs.44 million in the previous fiscal 2002. The corresponding figure in the year under review was an outflow of Rs.1,086 million mainly due to a large dividend outflow of Rs.1,080 million pertaining to the dividend declared in the previous fiscal as well as the interim dividend paid out during the year under review.

As a result of the above, the total amount of cash and cash equivalents available with the company as of June 30, 2003, was Rs.371 million and there were no bank borrowings. Management believes that these balances along with cash from future operations and existing credit facilities will be sufficient to meet all needs of the Company in the next fiscal year.

# Directors' Report

## Dear Shareholder,

Your Directors have pleasure in presenting this Eleventh Annual Report together with the Audited Accounts for the year ended June 30, 2003.

### FINANCIAL RESULTS

The highlights of consolidated financial results of your Company and its subsidiaries prepared under US GAAP are as follows:

| | Rs. in million<br>Year Ended June 30, | |
|---|---|---|
| | 2003 | 2002 |
| Revenues | 18,009 | 15,888 |
| Less : Stock based sales incentive | 17 | (4) |
| Net revenues | 17,992 | 15,892 |
| Cost of revenues | 10,900 | 9,499 |
| Selling, General and Administrative Expenses | 3,413 | 3,085 |
| Depreciation & Amortisation | 861 | 581 |
| Foreign Exchange Gains/ (Loss) | 12 | 151 |
| Income from operations | 2,830 | 2,878 |
| Other Income, net | 838 | 948 |
| Income before income taxes, share of income from equity investees and minority interest | 3,668 | 3,826 |
| Income tax expenses | 347 | 407 |
| Income before share of income from equity investees and minority interest | 3,321 | 3,419 |
| Share of income from equity investees | 62 | 341 |
| Minority interest | (330) | (108) |
| Net Income | 3,053 | 3,652 |

## FINANCIAL RESULTS

The highlights of consolidated financial results of your Company and its subsidiaries prepared under Indian GAAP are as follows:

| | Rs. in million Year Ended June 30, 2003 | 2002 |
|---|---|---|
| **INCOME** | | |
| Sales | 21,435 | 16,099 |
| Other income | 1,101 | 1,285 |
| | 22,536 | 17,384 |
| **EXPENDITURE** | | |
| Cost of goods sold | 796 | 1,192 |
| Cost of services | 12,089 | 8,087 |
| Administration and other expenses | 4,562 | 3,457 |
| Finance costs | 49 | 74 |
| Depreciation | 1,575 | 938 |
| | 19,071 | 13,748 |
| Prior period charge | 464 | - |
| **Profit before tax and minority interest** | 3,001 | 3,636 |
| Provision for income tax - current | (445) | (341) |
| Deferred tax benefit | 165 | 28 |
| Provision for income tax of earlier years written back | - | 54 |
| **Profit before minority interests** | 2,721 | 3,377 |
| Share of loss of equity investees | (4) | - |
| Share of minority shareholders | (238) | (25) |
| | 2,479 | 3,352 |
| Balance brought forward | 9,001 | 6,483 |
| Amount available for appropriation | 11,480 | 9,835 |
| **Appropriations** | | |
| Proposed final dividend [including Rs. 0.5 million (previous year Rs. 0.3 million) paid for previous year] | 592 | 432 |
| Corporate dividend tax | 76 | - |
| Interim dividend | 577 | - |
| Corporate dividend tax on interim dividend | 74 | - |
| Transfer to general reserve | 312 | 402 |
| **Balance carried forward to the balance sheet** | 9,849 | 9,001 |
| | 11,480 | 9,835 |

## Financial results of your Company as a stand-alone entity prepared under Indian GAAP are as follows:

Rs. in million

| | Year Ended June 30, 2003 | 2002 |
|---|---|---|
| Revenue from software services | 8,717 | 7,234 |
| Other income | 996 | 1,331 |
| Total Income | 9,713 | 8,565 |
| Cost of software development | 4,049 | 2,643 |
| Administration and other expenses | 1,931 | 1,386 |
| Finance Charges | 11 | 2 |
| Depreciation | 493 | 355 |
| | 6,484 | 4,386 |
| Profit before tax | 3,229 | 4,179 |
| Provision for tax | 136 | 159 |
| Profit after tax | 3,093 | 4,020 |
| Balance brought forward from previous year | 10,001 | 6,815 |
| Available for appropriation | 13,137 | 10,835 |
| Appropriations: | | |
| Proposed Dividend | 592 | 432 |
| Corporate Dividend Tax | 76 | - |
| Interim Dividend | 577 | - |
| Interim Dividend Tax | 74 | - |
| Transfer to General Reserve | 312 | 402 |
| Balance carried forward | 11,506 | 10,001 |
| Total | 13,137 | 10,835 |

## OPERATIONS

During the current year, the Company has managed to reverse the trend in decline in revenues seen in the previous fiscal with a healthy 21% growth. The Company's efforts to rebalance its service portfolio have started paying dividends and the turnaround in the current year is a vindication of this strategy. However, with conditions in the market-place remaining extremely competitive, the growth in revenues has been driven solely by volumes with price realizations having come down during the year.

With the a) fall in realizations on one hand and b) cost pressures resulting from efforts to retain talented man-power in a competitive supply market, the gross margins of the Company have come down. Administration and other related expenses have also gone up with the Company expanding capacity as also investing in mergers and acquisitions related activities. These have also put pressures on the operating margins of the Company. The increase in depreciation cost, related to the Company's capacity expansion, and the fall in Other Income along with the fall in margins have resulted in a decline in net income in the current year as compared to the previous fiscal.

The Company is putting in place various measures to reduce costs in line with the falling profitability in the industry. It is also expected that the pricing environment in the industry would stabilize in the near future as demand for outsourcing services to Indian IT vendors picks up. In such a scenario, it is expected that the profitability metrics of the Company would improve.

## DIVIDEND

Your directors had declared and paid an interim dividend of Rs. 2/- per share for the nine months ended March 31, 2003 amounting to Rs. 577 million. The distribution tax paid by the Company on the interim dividend distribution amounted Rs. 74 million

Your directors are further pleased to recommend a final dividend of Rs.2 /- per share for the financial year ended on June 30, 2003. The total amount of dividend (including interim dividend paid) for the year ending June 30, 2003 is Rs.1169 million as against Rs.432 million for the previous year. The dividend, if approved will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. Under the Indian Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on distributed profits, payable by the Company would amount to Rs.150 million.

## SOFTWARE DEVELOPMENT CENTERS

The Company services its clients through a network of 23 software development facilities situated in the cities of Chennai, Gurgaon and Noida. These are spread over an aggregate area of more than 7 lac square feet.

The seating capacity of the Company went up from 5,030 at the end of 30 June, 2002 to 6,197. During the fiscal 2003, the Company invested a sum of Rs 624 million in building, leasehold land, equipment, computers, etc as against Rs.714 million in the previous fiscal.

## JOINT VENTURES & SUBSIDIARIES CREATED DURING THE YEAR

HCL m.a. Ltd

During the year under review, the Company has formed a 51:49 joint venture with m.a. Partners a management consulting firm - to address software services opportunities in Global Financial Markets, especially in the areas of Investment Banking, Asset Management and Private Banking. The JV will enable HCL Tech to leverage its capabilities in software development and applications engineering to target m.a. Partners' client base, whilst enabling m.a. Partners to provide end-to-end solutions.

HCL Technologies (Mumbai) Ltd ("HCLTM")

During the year ended June 30, 2003, the Company has formed a subsidiary called HCL Technologies (Mumbai) Ltd for software delivery related to its operations in the US Government space. This was pursuant to its 100% acquisition of HCLT (Mass) Inc (formerly Gulf Computers Inc) in the previous year. In the current year the Company invested a sum of Rs.54.5 million in HCLTM.

Aalayance

During the year, the Company, through its subsidiary, acquired a 19% stake (15% on a fully diluted basis) in Aalayance Inc., USA through an issue of additional equity for a total consideration of $0.45 million. At a later stage, the balance stake may be acquired within the next four years subject to the achievement of a specified revenue milestone, at a valuation based on the profitability parameters of Aalayance. The alliance will enable HCL Tech to further consolidate its expertise in the area of Enterprise Application Integration services, predicted to be a rapidly growing area in the next few years.

## EXISTING SUBSIDIARIES AND JOINT VENTURES — FURTHER INVESTMENTS MADE DURING THE YEAR

The significant events relating to the key subsidiaries of the Company are given below. Your Company, either directly or through its subsidiaries, has undertaken a series of strategic acquisitions and alliances during the current fiscal. These have helped the Company to add specific competencies to its portfolio and offer a wider mix of services to its clients. The details of such transactions undertaken by the Company and its subsidiaries in the year under review are also given below.

a. HCL Technologies (Bermuda) Limited ("HCL Bermuda")

To support the business operations of its subsidiary HCL Bermuda, the Company has invested an additional sum of $12.0 (Rs.557.2) million during the year. This amount, along with an outstanding loan (from the Company to HCL Bermuda) of $57.2 (Rs.2,655.8) million has been converted into equity in the books of HCL Bermuda with an allotment of 69.2 million shares of US$ 1 each.

In line with the business requirements of its subsidiary HCL Technologies America Inc, HCL Bermuda has further invested US$22.0 (Rs.1021.5) million; the shares in lieu of this are pending allotment.

HCL Bermuda also invested a sum of $1.2 (Rs.55.3) million towards increase of stake in its subsidiary HCL Enterprise Solutions Ltd, Mauritius. During the year, its stake in HES Mauritius increased from 51% to 67.33%.

b. Shipara Technologies Limited ("Shipara")

During the year under review, additional investment of Rs.35.5 million was made in Shipara Technologies Limited towards equity capital, thereby increasing the stake of the Company to 70.5% from 60.5%.

c. HCL Technologies America Inc ("HCLTA")

During the fiscal under review, HCLTA invested a sum of $5.8 (Rs.269.3) million in HCL Technologies Europe Ltd with an allotment of 35.7 million shares of GBP 1 each.

d. Winding up of the operations of HCL Technologies Schweiz AG (HCL Switzerland)

The available business opportunities in Switzerland did not match the overall business plan of your Company. Accordingly, the operations in this company have been wound up .

## CHANGES IN CAPITAL STRUCTURE

During the year under review the company allotted 552,348 shares of Rs 2/- each on exercise of stock options. As on June 30, 2003, the issued & paid up share capital of the Company was Rs. 576,873,276 comprising of 288,436,638 equity shares of Rs. 2/- each.

## EMPLOYEE STOCK OPTION PLANS

1999 Stock Option Plan / 2000 Stock Option Plan

Pursuant to the approval of the shareholders, your Company had instituted 1999 Stock Option Plan ("1999 Plan") and the 2000 Stock Options Plan ("2000 Plan") for all eligible employees of the Company and its subsidiaries. The 1999 Plan and 2000 Plan are administered by the Compensation Committee of the Board and provide for the issuance of 20,000,000 and 15,000,000 options respectively.

Each option granted under the 1999 Plan and 2000 Plan, entitles the holder thereof with an option to apply for and be issued two equity shares (post split) of the Company.

The details of the options granted under the 1999 and 2000 Plans are given below:

| DESCRIPTION | 1999 Plan | 2000 Plan |
|---|---|---|
| 1. Total number of options granted (gross) | 22,460,538 | 10,442,681 |
| 2. The pricing formula | At the fair value as on date of grant | At the fair value as on date of grant |
| 3. Number of options vested | 12,830,291 | 3,036,871 |
| 4. Number of options exercised | 5,983,436 | 225 |
| 5. Number of options lapsed | 601,292 | 140,900 |
| 6. Number of options forfeited | 4,948,429 | 1,486,945 |
| 7. Variation in terms of options | None | None |
| 8. Money realized by exercise of options | Rs 166.15 million | Rs 0.07 million |
| 9. Total number of options in force as on June 30, 2003 | 10,927,381 | 8,814,611 |
| 10. Grant to Senior Management | | |
| Number of Options | 1,601,968 | 110,311 |
| Vesting Period | 3-7 years | 2-7 years |
| 11. Employees holding 5% or more of the total number of options granted during the year | None | None |
| 12. Employees granted options equal to or exceeding 1% or more of the issued capital during the year | None | None |

The diluted earnings per share were Rs.10.62 and Rs.13.71 for the fiscal years ended June 30, 2003 and 2002 respectively.

## HCL TECHNOLOGIES LIMITED EMPLOYEES TRUST

In April 2001, a HCL Technologies Limited Employees Trust (the Trust) was formed for the purpose of creating further stock option scheme(s) for the benefit of employees of the Company and/or its subsidiaries at any time (including directors of the Company). The Company would provide this trust interest free loan(s) from time to time up to a limit of Rs.1,500 million for administering the stock option scheme(s).

During the year, an amount of Rs. 50 million was provided to the trust and the trust purchased 170,000 shares for granting the same to the employees under the Stock Option plans of the Company. The trust transferred 839,414 shares to the employees on exercise of their stock options and collected an amount of Rs.107 million on this account. The trust paid an  amount of Rs. 144 million to the Company towards the repayment of loan taken by it. As on June 30, 2003, an amount of Rs. 679 million is outstanding as loan from the Company and 4,098,887 shares of the Company are held by the trust to be transferred to the employees who shall exercise their stock options.

## SHARES UNDER COMPULSORY DEMATERIALIZATION

The Equity Shares of your Company have been included in the list of specified scripts where delivery of shares in dematerialized (demat) form is compulsory effective July

24, 2000, if the same are traded on a Stock Exchange, which is linked to a depository. As of June 30, 2003, 98.82% shares are held in demat form.

## CORPORATE GOVERNANCE

Your Company follows principles of effective Corporate Governance. The endeavor of your Company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity, transparency and overall accountability.

The report of the Directors on the practices of Corporate Governance is given as a separate section titled 'Corporate Governance', which forms part of this Annual Report.

## INSIDER TRADING REGULATIONS

The Securities and Exchange Board of India (SEBI) has effective February 20, 2002 introduced amendments to the existing Insider Trading Regulations of 1992 which ordain new action steps by corporates and other market intermediaries for the purposes of prevention of Insider Trading.

These regulations specify for a mandatory model Code of Conduct for prevention of insider trading and for a mandatory Code for corporate disclosures for all listed companies. Based on the requirements under these regulations, Code of conduct for prevention of insider trading and Code for corporate disclosures introduced by the Company during the year ending June 30, 2002 are in force.

## DIRECTORS' RESPONSIBILITY STATEMENT

Responsibility statement of the directors relating to compliance with the financial and accounting reporting requirements specified under section 217 (2AA) of the Companies (Amendment) Act, 2000, is annexed to this report.

## DIRECTORS

During the year, Mr. Ajai Chowdhry was appointed as additional director of the Company w.e.f. January 22, 2003 and Mr. Subroto Bhattacharya, Mr. Amal Ganguli and Mr. Cyril Suresh Shroff were appointed as additional directors w.e.f. May 8, 2003.

Mr. Vineet Nayyar and Mr. Anupam Puri, Directors resigned from the Board during the year.

In accordance with the Articles of Association of the Company, Mr. T.S.R. Subramanian and Ambassador Richard Burt retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment.

## AUDITORS

The auditors, M/S BSR & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and have not offered themselves for re-appointment. The Company has received a notice under section 225(1) of the Companies Act, 1956, from a shareholder proposing the appointment of M/s. Price Waterhouse, Chartered Accountants as statutory auditors of the Company in the ensuing annual general meeting of the Company. M/s. Price Waterhouse, Chartered Accountants have confirmed their willingness and eligibility for appointment as statutory auditors of the Company, if approved by the shareholders.


## CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Disclosure of particulars as required by Companies (Disclosure of particulars in the report of board of directors) Rules, 1988, are set out in the annexure included in this report.

## FIXED DEPOSITS

Your Company has not accepted any fixed deposits. As such, no amount of principal or interest was outstanding as of the balance sheet date.

## PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report.

## ACKNOWLEDGEMENTS

The Board wishes to place on record its appreciation to the contribution made by employees of the Company and its subsidiaries during the year under review. The Company has achieved impressive growth through the competence, hard work, solidarity, cooperation and support of employees at all levels. Your directors thank the customers, clients, vendors and other business associates for their continued support of the Company's growth. The Directors also wish to thank the Government Authorities, Financial Institutions and Shareholders for their cooperation and assistance extended to the Company.

For and on behalf of the Board of Directors

SHIV NADAR
Chairman, President & CEO

Noida (UP), India
October 31, 2003

# Annexure to the Directors' Report

Particulars pursuant to companies (disclosure of particulars in the report of the board of directors) Rules, 1988

## a. Conservation of Energy

The nature of your Company's operation does not involve intensive energy consumption. However, your Company constantly endeavors to plan infrastructure investments of a design that results in conservation of energy. Adequate measures have been taken to reduce energy consumption, wherever possible. As energy cost forms a very small part of total cost, the impact on cost is not material.

## b. Research and Development

Your Company continued its R&D efforts to build competence in the emerging Internet, Telecom and Embedded Technology areas thereby ensuring a continuous movement up the value chain. Since business and technologies are changing constantly, continuous investments in research and development need to be made. As a result of research efforts, your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

Expenditure on R&D for the years ended June 30, 2003 and 2002 are as follows:

Rs. in Million

| | 2003 | 2002 |
|---|---|---|
| Revenue Expenditure | 10.0 | 18.0 |
| Capital Expenditure | - | 14.0 |
| Total R&D Expenditure | 10.0 | 32.0 |
| R&D Expenditure as a percentage of software services revenue | 0.1% | 0.4% |

## c. Technology absorption, adaptation and innovation

Your Company's core businesses demand absorption of emerging technologies to stay at the cutting edge of technology. New methods for absorbing, adapting and effectively deploying new technologies have been developed. Your Company has made significant additions to the number of servers used for software development as well as file and print servers. Your Company has made investments in applications and other software tools required for engineering design work in all its Software Development Centers.

## d. Foreign exchange earnings and outgo

Your Company is an export-oriented unit and majority of the software development work undertaken by the Company is for the entities outside India. Apart from USA, which is the major source of Company's revenue, the Company is expanding its business in Europe, Australia and Japan.

The foreign exchange earned and spent by the Company during the year under review is as follows:

Rs. in Million

| | 2003 | 2002 |
|---|---|---|
| Foreign exchange earnings | 8,505 | 7,367 |
| Foreign exchange outgo | 2,168 | 1,687 |

For and on behalf of the board of directors

SHIV NADAR
Chairman, President & CEO

Noida (UP), India
October 31, 2003

## Directors' Responsibility Statement as required under Section 217 (2AA) of the Companies (Amendment) Act, 2000

i) The financial statements have been prepared in accordance with the accounting standards issued by the Institute of Chartered Accountants Of India and also the requirements of the Companies Act, 1956, to the extent applicable to the Company. There have been no material departures from prescribed accounting standards while preparing these financial statements;

ii) The Board of Directors has selected the accounting policies described in the notes to the accounts, which have been consistently applied, except where otherwise stated. The estimates and judgments relating to the financial statements have been made on a prudent basis, in order that the financial statements reflect in a true and fair manner, the state of affairs of the Company as at June 30, 2003 and the profit of the Company for the year ended on that date;

iii) The Board of Directors and management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) The annual accounts have been prepared on the historical cost convention, as a going concern and on the accrual basis.

For and on behalf of the board of directors

SHIV NADAR
Chairman, President & CEO

Noida (UP), India
October 31, 2003

## STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FORMING PART OF DIRECTORS' REPORT

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2002-2003

| S.No. | Name | Age (Years) | Designation / Nature of Duties | Educational Qualifications | Remuneration (Rs) | Experience (Years) | Date of Joining | Previous Employment | Designation held in Previous Employment | Previous Employment held since | % of equity shares held in the Company as on June 30, 2003, |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Amitava Roy | 47 | Executive Vice President | M.E .(Computer Science) | 2,883,665 | 21 | Jan-18-99 | Hughes Software Systems | Assistant Vice President | Jul-92 | 0.0055% |
| 2 | Anup Dutta | 44 | General Manager | M.Tech (Electrical) | 2,835,121 | 22 | Jul-01-96 | HCL Hewlett Packard Ltd. | Dy. Manager | Jul-81 | 0.0001% |
| 3 | Arjun Raghunathan | 46 | General Manager | M.E. | 2,641,699 | 22 | Jul-01-96 | HCL Hewlett Packard Ltd. | Asst. Engineer | Aug-81 | 0.0056% |
| 4 | Frederick Amirtharaj Jeyaveeran Mony | 55 | Vice President S & M | M. Tech | 2,426,351 | 30 | Mar-11-02 | Value Software Technologies Limited | COO | Apr-01 | 0.0000% |
| 5 | Gade Hanumantha Rao | 45 | Associate Vice President - Embedded Technologies | B.E. | 2,604,520 | 22 | Jul-01-96 | HCL Hewlett Packard Ltd. | Asst. Engineer | Nov-80 | 0.0063% |
| 6 | Gunaseelan Narayanan | 51 | Vice President | M. Tech | 3,622,697 | 23 | Jul-01-96 | HCL Hewlett Packard Ltd. | General Manager | Aug-79 | 0.0039% |
| 7 | Mukul Jain | 43 | General Manager | B. Tech (Electrical) | 3,066,532 | 22 | Jul-01-96 | HCL Hewlett Packard Ltd. | Dy. Manager | Jun-81 | 0.0033% |
| 8 | Prem Kumar Asija | 53 | Executive Vice President | B. E. | 3,590,043 | 34 | Sep-01-97 | APT Automation | Director | Jan-93 | 0.0058% |
| 9 | Rajiv Sodhi | 44 | Vice President | B. E. | 2,550,138 | 22 | Jul-24-97 | T C S | Manager Systems | Jul-81 | 0.0088% |
| 10 | Rajiv Swarup | 51 | Vice President | B. Tech (EE) | 2,653,519 | 29 | Mar-08-01 | Graphtech India Ltd. | CEO | Mar-97 | 0.0000% |
| 11 | Ramamurthy Vaidyanathan | 48 | Executive Vice President | B. E. | 4,244,439 | 22 | Jul-01-96 | HCL Hewlett Packard Ltd. | DGM -R&D | Jul-81 | 0.0050% |
| 12 | Raman Subrahmanyan | 60 | Chief Operating Officer | B.Tech | 6,383,170 | 37 | Apr-01-97 | HCL Hewlett Packard Ltd. | Vice Chairman | | 0.0006% |
| 13 | Ranjeet Bhargava | 53 | Chief Information Officer | B. Tech | 2,712,866 | 31 | Nov-01-00 | Murugappa Group | Vice President-IT | Jan-97 | 0.0000% |
| 14 | Ranjit Narasimhan | 49 | Corporate Vice President & COO BPO Division | MBA | 3,259,129 | 25 | Apr-15-99 | Riviera Confectionery Pvt. Ltd. | Director | Jul-87 | 0.0246% |
| 15 | Srinivasa Krishnakumar Thakkolam | 42 | General Manager | M. Tech | 2,729,672 | 18 | Jul-01-96 | HCL Hewlett Packard Ltd. | Group Project Manager | January-88 | 0.0003% |
| 16 | Sriram Subramanian Vaitheeswaran Kovil | 46 | Head Operations | MBA | 2,693,107 | 22 | Oct-01-01 | Citicorp Overseas Software Ltd | Centre Head - Chennai | Nov.-88 | 0.0000% |
| 17 | Subramanian Lakshmi Narayanan | 41 | Corporate Vice President F & A | B.COM., ACA | 3,897,756 | 17 | May-15-01 | BPL Cellular Ltd. | CFO | Nov-99 | 0.0000% |
| 18 | Sujit Baksi | 53 | Executive Vice President HR | MBA | 2,470,987 | 31 | Dec-01-95 | HCL Corporation Ltd. | Director | Dec-95 | 0.0021% |
| 19 | Udayakumar Nalinasekaren | 43 | General Manager | B.E. | 2,968,706 | 19 | Jul-01-97 | HCL Hewlett Packard Ltd. | Group Project Manager | July-84 | 0.0003% |
| 20 | Vasudevan Aravamudhan | 44 | General Manager | B.E. | 2,966,102 | 20 | Jul-01-96 | HCL Hewlett Packard Ltd. | Asst. Engineer | Dec-82 | 0.0035% |
| 21 | Vijay Ahooja | 46 | Associate Vice President | B. Tech | 2,671,618 | 24 | Jul-17-01 | Price Waterhouse Associates | Principal Consultant | May-98 | 0.0000% |

B. EMPLOYED FOR PART OF THE FINANCIAL YEAR - 2002-2003

| S.No. | Name | Age (Years) | Designation / Nature of Duties | Educational Qualifications | Remuneration (Rs) | Experience (Years) | Date of Joining | Previous Employment | Designation held in Previous Employment | Previous Employment held since | % of equity shares held in the Company as on June 30, 2003, |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Anil Chanana | 45 | Group VP-F & A | FCA | 943,676 | 20 | Apr-01-98 | HCL Corporation Ltd. | Group VP-Finance | Jan-95 | 0.0089% |
| 2 | Arun Duggal | 56 | Chief Financial Officer | B. Tech, MBA | 13,828,583 | | May-08-01 | Bank of America | | | 0.0000% |

Notes - None of the employees is a relative of any director and the employment held is of contractual nature.

# Corporate Governance

## Philosophy on code of governance

The Company continues to focus on good corporate governance, in line with the global standards, and its primary objective is to create and adhere to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business for meeting its obligations towards shareholders and other stakeholders.

Corporate governance is an integral part of HCL Technologies and in its pursuit of excellence, growth and value creation, it continuously endeavors to leverage resources to translate opportunities into reality. The Company recognizes that strong corporate governance is indispensable to resilient and vibrant capital markets and is therefore an important instrument of investor protection. The Company endeavors to benchmark its internal policies and systems with the best in the world.

## Board of Directors

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. Majority of the Board of Directors (Board) comprise of independent non- executive directors. The present Board comprises of 9 members, of whom, one is the promoter director who is Chairman, President and CEO of the Company, one is whole time director who is Chief Operating Officer, President, Core Software & Technology Services and Whole Time Director (WTD), two are non-independent directors and five are independent directors. Other details relating to the Board of Directors are given below:

| Name of Directors | Position | Directorships in other Companies | Committee memberships in other Companies | Chairmanships in Committees of other Companies. in which they are members |
|---|---|---|---|---|
| Mr. Shiv Nadar | Chairman, President & CEO | 13 | - | - |
| Mr. S. Raman | COO, President, Core Software & Technology Services and WTD | 2 | - | - |
| Mr. Vineet Nayyar* | Vice Chairman | 19 | 5 | - |
| Mr. TSR Subramanian | Independent Non Executive Director | 2 | - | - |
| Mr. S. Bhattacharya | Non Independent Non Executive Director | 10 | 9 | 2 |
| Mr. Ajai Chowdhry | Non Independent Non Executive Director | 11 | 9 | 2 |
| Ambassador Richard Burt | Independent Non Executive Director | 6 | 3 | - |
| Ms. Robin Abrams | Independent Non Executive Director | 1 | - | - |
| Mr. Anupam Puri** | Independent Non Executive Director | 4 | 4 | 1 |
| Mr. Amal Ganguli | Independent Non Executive Director | 5 | 5 | 2 |
| Mr. Cyril S. Shroff | Independent Non Executive Director | 6 | 3 | - |

* Resigned w.e.f. December 19, 2002
** Resigned w.e.f. May 8, 2003

The names of the other Companies in which the current directors hold directorships and Committee memberships are as under:

Mr. Shiv Nadar

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | HCL Perot Systems N.V., The Netherlands | Director |
| 2 | HCL Technologies (Bermuda) Ltd. | Director |
| 3 | HCL Technologies America Inc. | Director |
| 4 | HCL Comnet Systems & Services Ltd. | Director |
| 5 | HCL Corporation Limited | Director |
| 6 | HCL Holdings Pvt. Ltd., Mauritius | Director |
| 7 | HCL Investment Pvt. Ltd., Mauritius | Director |
| 8 | IT Con Investment Pvt. Ltd. Mauritius | Director |
| 9 | HCL Technologies BPO Services Limited | Director |
| 10 | DSI Financial Solutions Pte. Limited | Director |
| 11 | HCL Holdings GmbH, Austria | Director |
| 12 | DSL Software Limited | Director |
| 13 | HCL Perot Systems Limited | Director |

Mr. S. Raman

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | Shipara Technologies Limited | Director<br>Member of Audit Committee |
| 2 | HCL Technologies (Bermuda) Ltd | Director |
| 3 | DSL Software Limited | Director |
| 4 | DSI Financial Solutions Pte Ltd | Director |

Mr. Subroto Bhattacharya

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | HCL Infosystems Limited | Director<br>Member of the Accounts & Audit Committee<br>Members of the Shareholders & Investors Grievances Committee<br>Member of the Employee Compensation and Employee Satisfaction Committee |
| 2 | NIIT Limited | Director<br>Chairman of the Audit Committee<br>Member of the Compensation Committee<br>Members of the Investor Relations Committee |
| 3 | HCL Corporation Limited | Director<br>Member of the Audit Committee |
| 4 | HCL Infinet Limited | Director<br>Chairman of the Accounts & Audit Committee<br>Member of the Employees' Compensation Committee<br>Member of the Customer Satisfaction Committee |
| 5 | Infosystems (Bermuda) Limited | Director |
| 6 | Infosystems (Europe) Limited | Director |
| 7 | Infosystems (America) Inc. | Director |
| 8 | HCL Peripherals Limited | Director |
| 9 | Far East Computers (M) Sdn. Bhd. | Director |
| 10 | HCL Technologies (Bermuda) Ltd. | Director |

Mr. Ajai Chowdhry

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | Apollo Trading and Finance Pvt. Ltd. | Director |
| 2 | HCL Infosystems Ltd. | Director<br>Member of the KRA review committee<br>Member of the Employee's Compensation Committee<br>Member of the Accounts & Audit Committee<br>Chairman of the Customers Satisfaction Committee<br>Member of the Shareholders, Investors Grievance Committee |
| 3 | HCL Peripherals Ltd. | Director |
| 4 | HCL Infinet Ltd. | Director<br>Member of the KRA review committee<br>Member of the Accounts & Audit Committee<br>Chairman of the Employee's Compensation Committee<br>Member of the Customers Satisfaction Committee |
| 5 | Infosystems (Europe) Ltd. | Director |
| 6 | Infosystems (America) Inc. | Director |
| 7 | Infosystems (Australia) Pty. Ltd. | Director |
| 8 | FEC Infosystems Pte. Ltd. | Director |
| 9 | Infosystems (Bermuda) Ltd. | Director |
| 10 | HCL Infosystems (Malaysia) Sdn. Bhd. | Director |
| 11 | HCL Technologies (Bermuda) Ltd. | Director |

Mr. T.S.R. Subramanian

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | HCL Technologies (Bermuda) Ltd. | Director |
| 2 | ABN Amro Bank | Chairman, Local Board in India<br>Chairman, Local Advisory Board |
| 3 | Interstrat Limited | Shareholder |
| 4 | Vita Pumps Limited | Shareholder |

Ambassador Richard Burt

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | HCL Technologies (Bermuda) Ltd. | Director |
| 2 | Hollinger International | Director<br>Member of the Audit Committee |
| 3 | Weirton Steel | Chairman of the Board<br>Member of the Audit Committee |
| 4 | ELLIPSO Inc. | Director |
| 5 | IEP Advisors LLP | Chairman of the Board |
| 6 | IGT | Director<br>Member of the Audit Committee |

Ms. Robin Abrams

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | HCL Technologies (Bermuda) Ltd. | Director |

Mr. Amal Ganguli

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | Hughes Escorts Communications Ltd. | Alternate Director |
| 2 | Hughes Software Systems Ltd. | Director<br>Chairman of the Audit Committee |
| 3 | Maruti Udyog Limited | Director<br>Chairman of the Audit Committee |
| 4 | Tube Investments of India Ltd. | Director<br>Member of the Remuneration Committee |
| 5 | Gillette India Ltd. | Director<br>Member of the Audit Committee<br>Member of the Remuneration Committee |

Mr. Cyril Suresh Shroff

| S. No. | Name of the Company in which interested | Nature of Interest |
|---|---|---|
| 1 | Kotak Mahindra Bank Ltd. | Director<br>Member of the Audit & Remuneration Committee |
| 2 | IDBI Capital Markets Ltd. | Director |
| 3 | Thirumalai Chemicals Ltd. | Director |
| 4 | Grasim Industries Ltd. | Director<br>Member of the Investor Committee |
| 5 | Associated Cement Companies Ltd. | Director |
| 6 | BSES Ltd. | Director<br>Member of the Nomination & Compensation Committee |

## Board Meetings

The dates of the Board Meetings of the ensuing year are decided in advance and published as part of the Annual Report. The Board meets at least once a quarter to review the quarterly results and other items on the agenda. When necessary, additional meetings are held. The Board Meetings are generally held at the Corporate Office of the Company at Noida. The agenda for the Board Meeting is drafted in consultation with the Chairman and the same is distributed in advance to the Board Members.

Committees of the Board usually meet on the day of the Board Meeting.

There were eight Board Meetings held during the year ended June 30, 2003. These were on August 29, 2002, September 20, 2002, October 21, 2002, December 18, 2002, January 22, 2003, February 5, 2003, April 26/27, 2003 and May 8, 2003. The following table gives the attendance record of the directors in the Board Meetings and last Annual General Meeting.

| Name of Directors | Number of Board Meetings held | No. of Board meetings attended | Whether attended last AGM |
|---|---|---|---|
| Mr. Shiv Nadar | 8 | 7 | Yes |
| Mr. S. Raman | 7 | 7 | Yes |
| Mr. Vineet Nayyar* | 4 | 3 | No |
| Mr. TSR Subramanian | 8 | 8 | Yes |
| Mr. S. Bhattacharya*** | 1 | 1 | N.A. |
| Mr. Ajai Chowdhry | 4 | 3 | N.A. |
| Ambassador Richard Burt | 8 | 3 | No |
| Ms. Robin Abrams | 8 | 4 | No |
| Mr. Anupam Puri** | 7 | 3 | No |
| Mr. Amal Ganguli*** | 1 | 1 | N.A. |
| Mr. Cyril S. Shroff*** | 1 | - | N.A. |

* Resigned w.e.f. December 19, 2002. ** Resigned w.e.f. May 8, 2003 *** Appointed as Additional Directors w.e.f. May 8, 2003

### Availability of information to the members of the Board

The Board has complete access to any information within the Company, and to any employee of the Company. The Board welcomes the presence of managers in the Board Meeting, who can provide additional insights into the items being discussed in the meeting.

The information regularly provided to the Board includes:

- Annual operating plans and budgets including capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of audit committee, compensation committee and related party transactions committee of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

### Re-appointment of Directors

Mr. T.S.R. Subramanian has been a director of your Company since September 1999. Mr. Subramanian shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Ambassador Richard Burt has been a director of your Company since September 1999. Ambassador Burt shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

### Board Committees

Currently, the Board has five committees viz. the Audit Committee, the Compensation Committee, the Related Party Transactions Committee, the Shareholders Committee and ESOP Allotment Committee.

The Board decides the terms of service of various committees and the assignment of members to various committees. Normally, the committee meetings are held once in every quarter except for Shareholders Committee and ESOP Allotment Committee that normally meet once every month.

## Audit Committee

The audit committee comprises of the following directors, namely:

a. Mr. T.S.R. Subramanian (Chairman)
b. Ambassador Richard Burt
c. Ms. Robin Abrams
d. Mr. Subroto Bhattacharya
e. Mr. Amal Ganguli
f. Mr. Cyril Suresh Shroff

Mr. Anupam Puri, Director of the Company was also a member of Audit Committee and on his resignation as Director of the Company w.e.f. May 8, 2003, he also ceased to be the member of this Committee.

Mr. Subroto Bhattacharya, Mr. Amal Ganguli and Mr. Cyril Suresh Shroff were co-opted as additional members of the Audit Committee w.e.f. May 8, 2003.

## Terms of Reference

The constitution of the Audit Committee meets all the requirements of Section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement. The Board of Directors has approved the following terms of reference for the Audit Committee.

a. Statutory Auditors

Recommend to the Board the appointment and removal of the statutory auditors, fixation of audit fee and also approve payment for any other services.

b. Review Independence of Statutory Auditors

In connection with recommending the firm to be retained as the Company's statutory auditors, review the information provided by management to the auditors relating to the independence of such firm, including, among other things, information related to the non-audit services provided and expected to be provided by the statutory auditors. The Committee is also responsible for:

i. Ensuring that the statutory auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the auditor and the Company,

ii. Actively engaging in dialogue with the statutory auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the statutory auditors, and

iii. Recommending that the Board take appropriate action in response to the statutory auditors' report to satisfy itself of their independence.

c. Review Audit Plan

Review with the statutory auditors their plans for, and the scope of, their annual audit and other examinations.

d. Conduct of Audit

Discuss with the statutory auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

e. Review Audit Results

Review with the statutory auditors the report of their annual audit, or proposed report of their annual audit, areas of concern, the accompanying management letter, if any, the reports of their reviews of the Company's interim financial statements conducted in accordance with Statement on Auditing Standards No. 71, and the reports of the results of such other examinations outside of the course of the statutory auditors' normal audit procedures that they may from time to time undertake.

f. Review Financial Statements

Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. The Audit Committee reviews with appropriate officers of the Company and the statutory auditors, the annual and interim financial statements of the Company prior to submission to the Board or public release thereof, focusing primarily on:

- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with stock exchange and legal requirements concerning financial statements.
- Any related party transactions i.e. transactions of the Company with promoters or the management, their subsidiaries or relatives, etc. that may have conflict with the interest of the Company at large.

g. Review Policies

Review of the Company's financial and risk management policies.

h. Review Internal Audit Function

Review the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

i. Review Internal Audit Plans

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the plans for and the scope of their ongoing audit activities.

j. Review Internal Audit Reports

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the annual report of the audit activities, examinations and results thereof of the internal auditing department, any significant findings and follow up thereon. The Audit Committee also reviews the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

k. Review Systems of Internal Accounting Controls

Review with the statutory auditors, the senior internal auditing executive and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staffs the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and personnel and the Company's policies and compliance procedures with respect to business practices.

l. Review Recommendations of Outside Auditors

Review with the senior internal auditing executive and the appropriate members of the staff of the internal auditing department recommendations made by the statutory auditors and the senior internal auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

m. US Securities Exchange Act

Obtain assurance from the statutory auditors that Section 10A of the US Securities Exchange Act has not been implicated.

n. Review Other Matters

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

o. Board Reports

Report its activities to the Board in such manner and at such times, as it deems appropriate.

p. Investigation

The Audit Committee has the authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, it has full access to information contained in the records of the Company. It can also investigate any activity within its term of reference. It has the authority to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (for non payment of declared dividends) and creditors, if any.

q. Seek information / advice

The Audit Committee can seek information from any employee and can obtain from outside any legal or other professional advice. It can also secure attendance of outsiders with relevant experience, if it considers necessary.

r. To attend Annual General Meeting

The Chairman of the Committee would attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company.

Statutory auditors of the Company are special invitees to the Audit Committee meetings, wherein they participate on discussions related to the review of financial statements of the Company and any other matter that in the opinion of the statutory auditors needs to be brought to the notice of the Committee.

Four Audit Committee meetings were held during the year, on the following dates:

August 29, 2002
October 21, 2002
January 22, 2003
April 27, 2003

Attendance details of each member at the Audit Committee meetings during the current fiscal year are as follows:

| Name of Committee Members | Number of Meetings held | No. of Meetings attended |
|---|---|---|
| Mr. T.S.R. Subramanian | 4 | 4 |
| Ambassador Richard Burt | 4 | 3 |
| Ms. Robin Abrams | 4 | 4 |
| Mr. Anupam Puri[1] | 4 | 3 |
| Mr. Subroto Bhattacharya[2] | * | - |
| Mr. Amal Ganguli[2] | -* | - |
| Mr. Cyril Suresh Shroff[2] | -* | - |

* Indicates the committee meetings held after the director became the member of the committee.

1. Ceased to be a member of the Committee w.e.f. May 8, 2003.

2. Co-opted as additional member of the Committee w.e.f. May 8, 2003.

## Compensation Committee

The Compensation Committee of the Board consists of following members:

a. Mr. Shiv Nadar (Chairman)
b. Mr. T.S.R. Subramanian
c. Ms. Robin Abrams

### Terms of Reference

The role of the Compensation Committee has been defined as under:

a. To review and approve/recommend the remuneration for the Corporate Officers or Whole time directors of the Company;

b. To review and recommend to the Board the remuneration policy for the Company;

c. To approve grant of stock options to the employees and / or directors of the Company and subsidiary companies and perform such other functions as are required under the various Employees Stock Option Plans of the Company;

d. To discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.

Four compensation committee meetings were held during the year on:

August 29, 2002
October 21, 2002
January 22, 2003
April 27, 2003

Attendance details of each member at the Compensation Committee meetings during the current fiscal year are as follows:

| Name of the Committee Member | Number of Meetings held | No. of Meetings attended |
|---|---|---|
| Mr. Shiv Nadar | 4 | 4 |
| Mr. T.S.R. Subramanian | 4 | 4 |
| Ms. Robin Abrams | 4 | 4 |

### Remuneration Policy

The remuneration policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis and is in consonance with the existing industry practice.

### Remuneration to Directors

Presently, the Company is not paying remuneration to any of the directors except for Mr. S. Raman, who is a whole time director. The remuneration paid to Mr. S. Raman for the period October 1, 2002 to June 30, 2003 is as under:

| Particulars | Rs. / lacs |
|---|---|
| Salary | 37.35 |
| Allowances | 3.15 |
| Perquisites | 0.74 |
| Contribution to Provident Fund | 4.48 |
| Total | 45.72 |

Apart from the above remuneration, Mr. S. Raman is also entitled for performance-linked pay as may be determined by the Board of Directors on the basis of the performance of the Company.

The appointment of Mr. S. Raman can be terminated by the Company by giving six months notice in writing or such shorter notice as may be mutually agreed between Mr. S. Raman and the Company. In lieu of the notice, payment by the Company or by Mr. S. Raman to the Company, equivalent to six months last drawn remuneration can be made.

The Company has granted Stock Options to some of the independent directors and to Mr. S. Raman, whole time director under the 1999 Stock Option Plan of the Company as per the details given hereunder.

| Name of the Director | Number of Options | Vesting Period (in years) | Vesting Start Date |
|---|---|---|---|
| Ambassador Richard Burt | 48,800 | 5 | Oct 1, 1999 |
| Ms. Robin Abrams | 48,800 | 5 | Oct 1, 1999 |
| Mr. T.S.R. Subramanian | 48,800 | 5 | Oct 1, 1999 |
| Mr. S. Raman | 366,000 | 6 | Oct 1, 2000 |
| Mr. Anupam Puri * | 48,800 | 5 | Jul 1, 2003 |

* Resigned w.e.f. May 8, 2003.

## Related Party Transactions Committee

The Related Party Transactions Committee of the Board consists of following members:

a. Mr. T.S.R. Subramanian (Chairman)

b. Ambassador Richard Burt

### Terms of Reference

Related party transactions committee considers and approves certain transactions that are entered into between the Company and any director, executive officer, or holder of more than 5% of the voting power of the Company or any affiliate of such holder.

Three committee meetings were held during the year on:

August 29, 2002

October 21, 2002

January 22, 2003

The following table gives the attendance of each member at the Related Party Committee Meeting

| Name of the Committee Member | Number of Meeting held | Number of Meetings attended |
|---|---|---|
| Mr. T.S.R. Subramanian | 3 | 3 |
| Ambassador Richard Burt | 3 | 3 |

## Shareholders Committee

The Shareholders Committee consists of following members:

a. Mr. T.S.R. Subramanian (Chairman)

b. Mr. Shiv Nadar

Mr. Vineet Nayyar, Director of the Company was also a member of Shareholders' Committee and on his resignation as Director of the Company w.e.f. December 19, 2002, he also ceased to be the member of this Committee. Mr. Arun Duggal, Chief Financial Officer who was a member of shareholders committee ceased to be the member of this committee w.e.f. June 16, 2003 on his resignation from services of the Company.

Mr. Allwyn Noronha, General Manager & Company Secretary is the compliance officer.

### Terms of Reference

In view of the SEBI Corporate Governance norms, which have been incorporated in the Listing Agreement, the Shareholders Committee has been formed to undertake the following activities:

a. To review and take all necessary actions for redressal of investors' grievances and complaints as may be required in the interests of the investors.

b. To approve requests for share transfers, transmissions, transpositions, rematerialsiations, split and duplicate shares.

The details relating to number of shareholder complaints received, number not solved to the satisfaction of the shareholder and number of pending transfers has been provided in the shareholders information section.

During the year under review, the committee met 14 times.

### ESOP Allotment Committee

The ESOP Allotment Committee consists of following members:

a. Mr. S. Raman, Chief Operating Officer

b. Mr. Sujit Baksi, Executive Vice President – Human Resources

Mr. Vineet Nayyar, Director of the Company was also a member of ESOP Allotment Committee and on his resignation as Director of the Company w.e.f. December 19, 2002, he also ceased to be the member of this Committee. Mr. Arun Duggal, Chief Financial Officer who was a member of ESOP Allotment committee ceased to be the member of this committee w.e.f. June 16, 2003 on his resignation from services of the Company.

This Committee has been formed to allot shares to the employees who exercise their stock options under the Stock Option Plans of the Company. During the year under review, the committee met 11 times.

### General Body Meetings

a. The location and time of the last three AGMs

| Year | Date | Venue | Time |
|---|---|---|---|
| 1999-2000 | Oct 20, 2000 | FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi - 110001 | 10.00 A.M. |
| 2000-2001 | Oct 20, 2001 | FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi - 110001 | 4.00 P.M. |
| 2001-2002 | Nov 7, 2002 | FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi - 110001 | 10.00 A.M. |

No resolution was put through postal ballot last year.

### Disclosures

a. Related party transactions

The Company has not entered into any transaction of a material nature with the promoters, directors or the management, their subsidiaries or relatives, etc , that may have any potential conflict with the interest of the Company.

b. Compliances by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the stock exchanges, SEBI, or other statutory authorities relating to the above.

## Means of Communication

a. At present, half yearly report on accounts is not being sent to each household of shareholders.

b. The quarterly financial results are generally published in Business Standard and Jansatta newspapers.

c. The quarterly, half yearly and annual financial statements are posted on the Company's website that is www.hcltech.com

d. The Company also makes a presentation to the investors and analysts after taking on record the quarterly results by the Company. Any press releases or official news is displayed on the Company's website.

e. The Management Discussion and Analysis (MD&A) on the financial statements is provided in the Annual Report.

## Shareholders' Information

a. General Information

Dates of book closure:
December 19, 2003 to December 20, 2003 (both days inclusive)

Date, time and venue of the annual general meeting:
December 20, 2003; 11.00 A.M
FICCI Auditorium, Federation House, 1, Tansen Marg,
New Delhi – 110 001

Dividend Payment Date:
December 31, 2003

Listing on Stock Exchanges in India at:
The Delhi Stock Exchange Association Ltd. (DSE)
DSE House, 3/1, Asaf Ali Road,
New Delhi – 110 002, India
Tel.: +91-11-2329 2417, Fax: +91-11-2329 2181

National Stock Exchange of India Ltd. (NSE)
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra Kurla Complex, Bandra East,
Mumbai – 400 051, India
Tel.: +91-22-2659 8236 Fax: +91-22-2659 8237

The Stock Exchange, Mumbai (BSE)
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001, India
Tel.: +91-22-2272 1233 Fax: +91-22-2272 3121

Listing fees:
Paid to all the above stock exchanges for the Year 2003-2004

Stock code:
National Stock Exchange – "HCLTECH"
The Stock Exchange, Mumbai – "532281"

Registered office:
806, Siddharth, 96, Nehru Place,
New Delhi – 110 019, India
Tel.: 91-11-2644 4812
Homepage: www.hcltech.com

Share transfers in physical form and other communications regarding share certificates, dividends, and change of address, etc. may be addressed to:

Alankit Assignments Limited
Unit: HCL Technologies Ltd.
205-208, Anarkali Market,
Jhandewalan Extension,
New Delhi – 110 055
Tel.: 91-11-51540060-63, Fax: 91-11-51540064
E-mail: alankit@alankit.com

b. Share Transfer System

Shares sent for physical transfer are generally registered and returned within a period of 15-20 days from the date of receipt, if the documents are clear in all respects. The shares of the Company have been placed by SEBI under compulsory dematerialization ("Demat") with effect from July 24, 2000. The Company has, as per SEBI guidelines with effect from the said date offered the facility of transfer cum Demat.

Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him to approach a Depository Participant ("DP") with the option letter, in case he desires to hold his shares in Demat form. The DP, based on the option letter, generates a Demat request and sends the same to the Company along with the option letter issued by the Company. On receipt of the same the Company dematerializes the shares. In case the transferee desires to hold his shares in physical form, he need not exercise the option and the Company dispatches the share certificates after 15 days from the date of such option letter.

c. Dematerialization of Shares

About 98.82% of the shares issued by the Company have been dematerialized up to June 30, 2003.

Demat ISIN Numbers in NSDL & CDSL: INE860A01027

d. Distribution of Shareholding as on June 30, 2003

| Number of Equity Shares held | Shareholders (Numbers) | Shareholders (%) | Shares (Numbers) | Shares (%) |
|---|---|---|---|---|
| 1 – 100 | 32854 | 70.37 | 1994114 | 0.70 |
| 101 – 200 | 6788 | 14.54 | 1220437 | 0.42 |
| 201 – 500 | 3691 | 7.90 | 1283398 | 0.44 |
| 501 – 1000 | 1305 | 2.79 | 993497 | 0.34 |
| 1001 - 5000 | 1500 | 3.21 | 3454867 | 1.20 |
| 5001 – 10000 | 272 | 0.58 | 1911269 | 0.66 |
| 10001 and above | 286 | 0.61 | 277579056 | 96.24 |
| Total | 46696 | 100.00 | 288436638 | 100.00 |

e. Categories of Shareholders as on June 30, 2003

| Category | Number of Shareholders | Number of Shares held | Voting Strength (%) |
|---|---|---|---|
| Individuals | 43525 | 12453861 | 4.32 |
| Companies | 1856 | 11078884 | 3.84 |
| FIIs | 34 | 12368537 | 4.29 |
| OCBs, NRIs & Foreign Nationals | 628 | 5654379 | 1.96 |
| Founders | 3 | 222202376 | 77.04 |
| Mutual Funds | 94 | 14789175 | 5.13 |
| Banks and Financial Institutions | 31 | 4993633 | 1.73 |
| Clearing Members | 517 | 791850 | 0.27 |
| Trusts | 8 | 4103943 | 1.42 |
| Total | 46696 | 288436638 | 100.00 |

f. Stock Market Data

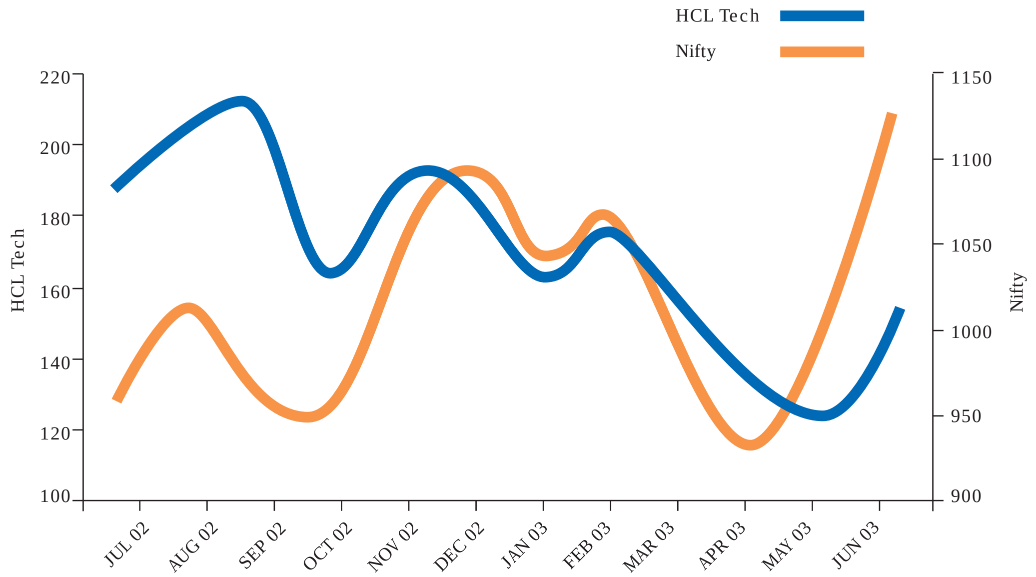
Monthly high and low quotations, as well as, the volume of shares traded at National and Mumbai stock exchanges for fiscal year are as follows:

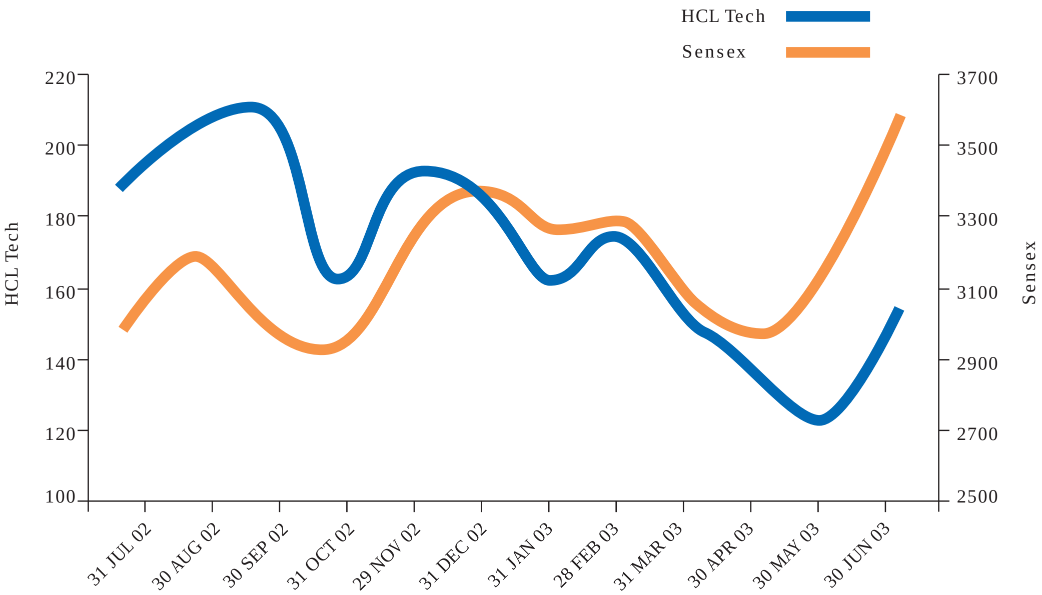
| Month | NSE | | | BSE | | |
|---|---|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | Volume | High (Rs.) | Low (Rs.) | Volume |
| July 2002 | 250.90 | 163.00 | 20929821 | 251.00 | 164.10 | 9638887 |
| August | 215.00 | 172.10 | 31710109 | 214.75 | 172.05 | 14400467 |
| September | 225.90 | 198.00 | 37769935 | 224.75 | 198.00 | 15957494 |
| October | 221.40 | 157.85 | 83556911 | 221.85 | 157.75 | 41310036 |
| November | 192.70 | 153.35 | 45823747 | 192.50 | 153.55 | 20401725 |
| December | 198.40 | 174.40 | 43184546 | 198.30 | 174.30 | 14321847 |
| January 2003 | 193.00 | 147.35 | 23128922 | 192.90 | 147.80 | 9614614 |
| February | 177.20 | 152.85 | 14114443 | 177.40 | 160.55 | 5972058 |
| March | 179.70 | 144.45 | 16186646 | 179.45 | 144.35 | 6503594 |
| April | 177.00 | 127.20 | 42290251 | 176.90 | 128.00 | 15144790 |
| May | 146.25 | 117.60 | 34308614 | 146.25 | 117.65 | 10449738 |
| June | 156.30 | 124.25 | 26630952 | 157.00 | 124.20 | 8735124 |

## g. Liquidity

The Company's shares are among the most liquid and actively traded shares on National and Mumbai stock exchanges. The monthly trading volumes of the Company's shares on these exchanges are given in the table above in the Paragraph (f) titled 'Stock Market Data'.

## h. Share price performance in comparison to broad based Indices



## Investor Services

i. Complaints received during the year 2002-2003

| Source of Complaint | Received | Attended |
|---|---|---|
| Directly from the Investors | 49 | 49 |
| Through SEBI, Stock Exchanges, etc. | 3 | 3 |
| Total | 52 | 52 |

ii. Share Transfers

As on June 30, 2003, no share transfer requests were pending for consideration for transfer.

## Location and addresses of Software Development Centres of the Company

Gurgaon

Applications Solutions Kendra,
3, Udyog Vihar Phase 1
Gurgaon – 122 016
Haryana
India
Tel. : +(91) 124 243 9900
Fax : +(91) 124 243 9910

Advance Technologies Centre
Plot No. 244, Udyog Vihar Phase I
Gurgaon, 122 016
Haryana
India
Tel. : +(91) 124 234 6405
Fax : +(91) 124 234 9020

Noida

Netcentric Technologies Division
A11, Sector 16,
Noida – 201 301
UP
India
Tel. : +(91) 120 251 0701
Fax : +(91) 120 251 0713

Microprocessor Software Group
A – 5, Sector 24
Noida, 201 301
UP
India
Tel. : +(91) 120 253 4265
Fax : +(91) 120 244 0155

Internet Application Centre
A – 1/ CD, Sector 16
Noida, 201 301
UP
India
Tel. : +(91) 120 251 6321
Fax : +(91) 120 251 6315

Chennai

Core Technologies Division
50-53, Greams Road
Chennai – 600 006
India
Tel. : +(91) 44 2829 3298
Fax : +(91) 44 2829 4969

Core Technologies Centre
PM Towers
37, Greams Road
Chennai, 600 006
India
Tel. : +(91) 44 2829 1735
Fax : +(91) 44 2829 1738

Core Technologies Division
No.184-188, 190,192 & 196
Arcot Road, Vadapalani
Chennai – 600 026

India
Tel. : +(91) 44 2372 8366
Fax :+(91) 44 2372 8368
Business Solutions Centre
No. 51, J.N. Road,
Guindy
Chennai, 600 097
India
Tel. : +(91) 44 2232 1960
Fax :+(91) 44 2234 4256

Application Solutions Development Center
J-16, Anna Nagar East
Chennai, 600 102
India
Tel. : +(91) 44 2626 4206
Fax :+(91) 44 2628 1120
Integrated Technologies Center
D-12, 12B, Ambattur Industrial Estate
Ambattur
Chennai, 600 058
India
Tel. : +(91) 44 2623 0711
Fax :+(91) 44 2624 4213

Networking Products Divison (Centre I)
49-50, Nelson Manickam Road
Chennai 600 029
India
Tel. : +(91) 44 2374 1939
Fax :+(91) 44 2374 1038
Networking Products Divison (Centre II)
158, Arcot Road, Vadapalani
Chennai 600 026
India
Tel. : +(91) 44 2375 0171
Fax :+(91) 44 2375 0185

Banking Software Development Centre
601-602, 604 Tidel Park
4 Canal Road, Taramani
Chennai 600 113
Tel. : +(91) 44 2254 0473
Fax :+(91) 44 2254 0308
Software Engineering Solutions Centre
Swapna Trade Centre
109/110 P H Road
Chennai, 600 084
India
Tel. : +(91) 44 2822 1129
Fax :+(91) 44 2821 4278

j. Financial Calendar
(tentative and subject to change)

| | |
|---|---|
| Annual General Meeting | December 20, 2003 |
| Financial reporting for the first quarter ending September 30, 2003 | October 30 & 31, 2003 |
| Financial reporting for the second quarter ending December 31, 2003 | January 29 & 30, 2004 |
| Financial reporting for the third quarter ending March 31, 2004 | April 29 & 30, 2004 |
| Financial reporting for the year ending June 30, 2004 | September 2 & 3, 2004 |
| Annual General Meeting for the year ending June 30, 2004 | November 2004 |

k. Address for Investors correspondence
The Investor Relations
HCL Technologies Limited
A - 10 & 11, Sector – 3, Noida – 201 301
UP, India
Tel. +91-120-254 6043 Fax: +91-120-252 6907
E-mail: sujoyg@corp.hcltech.com

# AUDITORS' CERTIFICATE

To the Members of
HCL Technologies Limited
(formerly HCL Consulting Limited)

We have examined the compliance of conditions of corporate governance by HCL Technologies Limited formerly HCL Consulting Limited ("the Company") for the year ended on 30 June 2003, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company except those under dispute or subjudice, as per the records maintained by the Company and presented to the Shareholders Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: Gurgaon
Date: September 12, 2003

# FINANCIAL STATEMENTS

## AUDITORS' REPORT

To the Members of
**HCL Technologies Limited**
(formerly HCL Consulting Limited)

We have audited the attached Balance Sheet of HCL Technologies Limited ("the Company"), formerly HCL Consulting Limited, as at 30 June 2003 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to above, we report that:

   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the division not audited by us. These have been audited by the division's auditors, whose report has been furnished to us and has been appropriately dealt with by us while preparing our report;

   (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns from the division;

   (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

   (v) on the basis of written representations received from the directors, as on 30 June 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30 June 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

   (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30 June 2003;

      (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For BSR & Co.**
*Chartered Accountants*

**Rajesh Jain**
*Partner*
Membership No:081203

Place: Gurgaon, India
Date: September 12, 2003

## ANNEXURE TO THE AUDITORS' REPORT

**(Referred to in our report of even date)**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. The Company has a regular programme of verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, computers and office equipment were physically verified by management during the year. As informed to us, no material discrepancies were noticed on such verification.

2. The fixed assets of the Company have not been revalued during the year.

3. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or no companies under the same management as defined by sub-section (1-B) of section 370 of the Companies Act, 1956.

4. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 except for an advance towards share application money amounting to Rs. 140,764,686 to HCL Technologies (Bermuda) Limited, unsecured and interest free loans amounting to Rs. 359,311,100 and Rs. 5,000,000 to HCL Technologies BPO Services Limited (formerly HCL E Serve Technologies Limited) and HCL Technologies (Mumbai) Limited respectively and an unsecured loan to Shipara Technologies Limited amounting to Rs. 43,800,000, subsidiaries of the Company. HCL Technologies (Mumbai) Limited and Shipara Technologies Limited are also companies under the same management as defined by the sub section (1-B) of section 370 of the Companies Act, 1956. In our opinion, having regard to the companies' involvement with HCL Technologies (Bermuda) Limited, HCL BPO Services

Limited (formerly HCL E Serve Technologies Limited), HCL Technologies (Mumbai) Limited and Shipara Technologies Limited and considering the explanations given to us in this regard, the rate of interest and other terms and conditions of the loans and advances are prima facie not prejudicial to interests of the Company.

5. The Company has not granted any loans or advances in the nature of loans except for loans to HCL Technologies (Bermuda) Limited, HCL Technologies BPO Services Limited (formerly HCL E Serve Technologies Limited), HCL Technologies (Mumbai) Limited and Shipara Technologies Limited, as mentioned in para 4 above, the terms of repayment of which have been stipulated and loans to employees, who are repaying principal and interest due thereon as stipulated. In case where repayment of loans by employees are not as stipulated, reasonable steps have been taken by the Company for recovery.

6. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain assets purchased are specific to the Company's technical requirements, in respect of which comparable alternative quotations are not considered necessary, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of plant and machinery, equipments and other assets. The activities of the Company do not involve sale of goods.

7. In our opinion, and having regard to our comments in paragraph 6 above and according to the information and explanations given to us, the transactions of purchase of goods and sale of services, made in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000 or more in respect of each party have been made in respect of items of special nature and in respect of which alternative quotations are not considered necessary by the Company.

8. The Company has not accepted any deposits from the public.

9. The Company's operations do not generate any by-products or scrap.

10. The Company has an internal audit system commensurate with the size and nature of its business.

11. As informed to us, the provisions of clause 4A(xvi) regarding maintenance of cost records are not applicable to the Company.

12. The Company has been regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities during the year.

13. According to information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 30 June 2003, for a period exceeding six months from the date they became payable.

14. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practice.

15. The provisions of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.

16. In our opinion, and according to the information and explanations given to us, in respect of the service activities of the Company, we report as follows:

    16.1 the service activities of the Company do not involve consumption of any material and stores.

    16.2 the Company has a reasonable system of allocating man hours utilised to the relative jobs, commensurate with the size and nature of its business.

    16.3 the Company has a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business on the allocation of labour to jobs. In view of our comments to para 16.1 above, the provisions of clause 4B (iv) relating to authorisation and internal controls on issue of stores are not applicable to the Company.

17. As the Company does not maintain any inventories, paragraphs 4(A)(iii) to 4(A)(vi), 4(A)(xii) and 4(C)(ii) of the Order, are not applicable in relation to its activities.

**For BSR & Co.**
*Chartered Accountants*

**Rajesh Jain**
*Partner*
Membership No:081203

Place: Gurgaon, India
Date: September 12, 2003

## BALANCE SHEET as at 30 June 2003

All amounts in crores of rupees, except share data and unless otherwise stated

| | Schedule | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|
| **Sources of funds** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | 57.69 | 57.58 |
| Equity shares to be issued as per approved scheme of arrangement | 17(10) | 1.42 | - |
| Share application money pending allotment | | 0.29 | 1.33 |
| Reserves and surplus | 2 | 2,256.47 | 2,044.22 |
| | | 2,315.87 | 2,103.13 |
| **Loan funds** | | | |
| Secured loans | 3 | 5.42 | 3.30 |
| Unsecured loan | 4 | 0.41 | - |
| | | 5.83 | 3.30 |
| | | **2,321.70** | **2,106.43** |
| **Application of funds** | | | |
| **Fixed assets** | 5 | | |
| Gross Block | | 327.79 | 259.26 |
| Less: Accumulated depreciation | | (150.70) | (95.11) |
| Net block | | 177.09 | 164.15 |
| | | | |
| Capital work in progress (including capital advances) | | 12.05 | 9.45 |
| | | 189.14 | 173.60 |
| **Investments** | 6 | 1,908.60 | 1,319.90 |
| **Deferred tax asset** | 17(11) | 7.42 | 1.57 |
| **Current assets, loans and advances** | | | |
| Sundry debtors | 7 | 228.93 | 221.44 |
| Cash k balances | 8 | 37.12 | 84.75 |
| Loans and advances | 9 | 181.32 | 445.49 |
| Other current assets | 10 | 8.23 | 7.11 |
| | | 455.60 | 758.79 |
| **Less: Current liabilities and provisions** | 11 | (241.56) | (148.75) |
| **Net current assets** | | 214.04 | 610.04 |
| **Miscellaneous expenditure** (to the extent not written off or adjusted) | 12 | 2.50 | 1.32 |
| | | **2,321.70** | **2,106.43** |
| **Significant accounting policies and notes to the accounts** | 17 | | |
| All schedules referred to above form an integral part of the Balance Sheet. | | | |

As per our report attached
**For BSR & Co.**
*Chartered Accountants*

**Rajesh Jain**
*Partner*
Membership no. 081203

Place: Gurgaon, India
Date: September 12, 2003

**For HCL Technologies Limited**

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Noida (UP), India
Date: September 12, 2003

**PROFIT AND LOOS ACCOUNTS for the year ended 30 June, 2003**

All amounts in crores of rupees, except share data and unless otherwise stated

| | Schedule | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|---|
| **Income** | | | |
| Software and related technical services | | 871.73 | 723.42 |
| Other income | 13 | 99.58 | 133.13 |
| | | **971.31** | **856.55** |
| **Expenditure** | | | |
| Cost of software development | 14 | 404.93 | 264.35 |
| Administration and other expenses | 15 | 192.88 | 137.11 |
| Finance charges | 16 | 1.06 | 1.73 |
| Product development cost | 12 | 0.22 | - |
| Depreciation | 5 | 49.31 | 35.47 |
| | | **648.40** | **438.66** |
| Profit before tax | | 322.91 | 417.89 |
| Provision for income tax - current | | (19.43) | (21.71) |
| Deferred income tax benefit | | 5.85 | 0.39 |
| Provision for wealth tax | | (0.03) | (0.02) |
| | | 309.30 | 396.55 |
| Provision for income tax for earlier years written back | | 3.17 | 5.40 |
| | | | |
| Profit after tax | | 312.47 | 401.95 |
| Deferred tax credits pertaining to earlier years | | - | 1.18 |
| Balance in Profit and Loss Account brought forward | | 1,001.28 | 681.56 |
| | | | |
| Profit available for appropriation | | **1,313.75** | **1,084.69** |
| | | | |
| **Appropriations** | | | |
| Proposed final dividend [including Rs. 0.05 crore (previous year Rs. 0.03 crore) paid for previous year] | | 59.16 | 43.21 |
| Corporate dividend tax on final dividend | | 7.57 | - |
| Interim dividend | | 57.69 | - |
| Corporate dividend tax on interim dividend | | 7.39 | - |
| Transfer to general reserve | | 31.25 | 40.20 |
| Balance carried forward to the balance sheet | | 1,150.69 | 1,001.28 |
| | | **1,313.75** | **1,084.69** |
| Earnings per equity share | 17(21) | | |
| -Basic | | 10.83 | 14.05 |
| -Diluted | | 10.62 | 13.71 |
| Number of shares used in computing earnings per equity share | | | |
| -Basic | | 288,287,307 | 286,106,626 |
| -Diluted | | 294,088,917 | 293,256,148 |
| **Significant accounting policies and notes to the accounts** | 17 | | |
| All schedules referred to above form an integral part of the Profit and Loss Account. | | | |

As per our report attached
**For BSR & Co.**
*Chartered Accountants*

**Rajesh Jain**
*Partner*
Membership no. 081203

Place: Gurgaon, India
Date: September 12, 2003

**For HCL Technologies Limited**

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Noida (UP), India
Date: September 12, 2003

## CASH FLOW STATEMENT for the year ended 30 June 2003

All amounts in crores of rupees, except share data and unless otherwise stated

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 322.91 | 417.89 |
| Adjusted for: | | |
| Income from investments, interest and rent | (23.04) | (108.41) |
| Loss/(gain) on sale of investments | (56.52) | (1.79) |
| Depreciation | 49.31 | 35.47 |
| Loss/(gain) on sale of fixed assets | (0.01) | 0.21 |
| Dimunition in value of investments | - | 9.42 |
| Provision for dimnution in value of investments written back | (9.42) | - |
| Provision others written back | (1.90) | - |
| Provision for doubtful debts | (1.72) | 3.20 |
| Premium amortized on bonds | 0.99 | 1.03 |
| Miscellaneous expenditure written off | 0.22 | - |
| Finance charges | 0.60 | 0.21 |
| | **281.42** | **357.23** |
| Decrease (increase) in sundry debtors | 15.11 | (24.76) |
| Decrease (increase) in other current assets | 1.83 | 12.77 |
| Decrease (increase) in loans and advances | (2.96) | 20.59 |
| Increase (decrease) in current liabilities and provisions | 75.19 | 41.86 |
| Income taxes paid | (14.97) | (5.18) |
| Miscellaneous expenditure (to the extent not written off) | (1.41) | (1.32) |
| **Net cash from operating activities** | **354.21** | **401.19** |
| **Cash flows from investing activities** | | |
| Investment in mutual funds (net) | (205.43) | (491.02) |
| Investment in bonds (net) | 40.01 | 241.84 |
| Investment in subsidiaries | (81.09) | (349.91) |
| Loans to subsidiaries | (7.46) | (28.35) |
| Advance to HCL Technologies Limited Employees Trust | 9.07 | (76.97) |
| Inter-corporate deposit | - | 25.00 |
| Purchase of fixed assets (including capital advances) | (62.40) | (71.37) |
| Principal payment on finance lease obligations | (1.69) | (0.29) |
| Proceeds from sale of fixed assets | 1.46 | 0.53 |
| Income from investments, interest and rent | 23.04 | 108.41 |
| Income taxes paid | (10.19) | (21.19) |
| **Net cash (used for) investing activities** | **(294.68)** | **(663.33)** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Issue of share capital (including share application money pending allotment, net of share issue expenses) | 5.92 | 35.93 |
| Increase (decrease) in unsecured loans | (5.94) | - |
| Dividends paid (including corporate dividend tax) | (107.94) | (31.35) |
| Finance charges on finance lease obligations | (0.60) | (0.21) |
| **Cash flows from financing activities** | **(108.56)** | **4.37** |
| **Unrealised exchange gain on cash and equivalents held in foreign currency** | **0.70** | **0.17** |
| **Cash and bank balances taken over during acquisition of software business of HCL Infosystems Limited** | **1.40** | **-** |
| **Net increase (decrease) in cash and equivalents** | **(48.33)** | **(257.94)** |
| **Cash and equivalents at the beginning of the year** | **84.75** | **342.52** |
| **Cash and equivalents at the end of the year** | **37.12** | **84.75** |

As per our report attached
**For BSR & Co.**
Chartered Accountants

**For HCL Technologies Limited**

**Rajesh Jain**
*Partner*
Membership No.: 081203

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Gurgaon, India
Date: September 12, 2003

Place: Noida (UP), India
Date: September 12, 2003

**SCHEDULES FORMING PART OF THE ACCOUNTS**

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 1: Share capital | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Authorised** | | |
| 350,000,000 equity shares of Rs. 2 each (previous year 350,000,000 equity shares of Rs. 2 each) | **70.00** | **70.00** |
| **Issued, subscribed and paid up** | | |
| 288,436,638 equity shares of Rs. 2 each, fully paid up (previous year 287,884,290 equity shares of Rs. 2 each, fully paid up) | 57.69 | 57.58 |
| | **57.69** | **57.58** |

**Notes:**

1. The shareholders of the Company in the extra-ordinary general meeting held on 13 September 1999 authorised the splitting up of equity shares, in accordance with the provisions of Section 94 of the Companies Act, 1956. Accordingly, each equity share was split from par value of Rs 10 each into 2.5 equity shares of par value of Rs. 4 each. The board of directors had fixed 1 November 1999 as the record date for determining the shareholders entitled to the split.
2. The shareholders of the Company in the annual general meeting held on 20 October 2000 authorised the splitting up of equity shares, in accordance with the provisions of Section 94 of the Companies Act, 1956. Accordingly, each equity share has been further split from par value of Rs 4 each into two equity shares of par value of Rs. 2 each. The board of directors had fixed 12 December 2000 as the record date for determining the shareholders entitled to the split
3. Paid up share capital includes:

- 16,000,000 (previous year 16,000,000) equity shares of Rs. 2 each allotted as fully paid up, pursuant to consideration other than cash.
- 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve. The board of directors had fixed 25 October 1999 as record date for determining the shareholders entitled to the bonus shares.
- 28,400,000 (previous year 28,400,000 ) equity shares of Rs. 2 each issued during the initial public offer of the Company in December 1999.
- 11,076,012 equity shares of Rs. 2 each (previous year 10,523,664) allotted to employees of the Company and its subsidiaries on vesting of stock options issued under Employee Stock Option Plan 1999 of the Company.

4. Of the above subscribed shares 159,572,772 (previous year 159,572,772) equity shares are held by HCL Corporation Limited (formerly Slocum Investments Private Limited), the holding company.

| Schedule 2: Reserves and surplus | As at 1 July 2002 | Additions | Deductions | As at 30 June 2003 |
|---|---|---|---|---|
| Securities premium account | 927.34 | 6.85 | - | 934.19 |
| | (890.64) | (36.70) | - | (927.34) |
| General reserve | 115.60 | 55.99 | - | 171.59 |
| | (75.40) | (40.20) | - | (115.60) |
| Profit and Loss Account | 1,001.28 | 180.66 | 31.25 | 1,150.69 |
| | (681.56) | (359.92) | (40.20) | (1,001.28) |
| | **2,044.22** | **243.50** | **31.25** | **2,256.47** |
| Previous year | (1,647.60) | (436.82) | (40.20) | (2,044.22) |

**Notes:**

1. Additions to the securities premium account represents share premium in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999 and Employee Stock Option Plan 2000.
2. Additions to general reserve include Rs. 24.74 crores (previous year Rs. nil) pursuant to the scheme of arrangement between the Company and HCL Infosystems Limited, as approved by Hon'ble High Court of Delhi on 8 July 2003.
3. Additions to Profit and Loss Account includes Rs. nil (previous year Rs. 1.18 crores) on account of deferred tax credits pertaining to prior years in accordance with transitional provisions of AS-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.
4. Previous year figures are in brackets.

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 3: Secured loans | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Finance lease obligations [ refer note 6 (i) of schedule 17 ]<br>(Secured by hypothecation of leased vehicles) | 5.42 | 3.30 |
| | **5.42** | **3.30** |

| Schedule 4: Unsecured loan | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| From financial institution<br>[Amount payable within one year is Rs. 0.10 crore (previous year Rs. nil)] | 0.41 | - |
| | **0.41** | **-** |

| Schedule 5: Fixed assets | As at 1 July 2002 | Additions | Disposal/ adjustments | As at 30 June 2003 |
|---|---|---|---|---|
| **Gross block** | | | | |
| Goodwill | 1.02 | - | 0.29 | 0.73 |
| Freehold land | 11.65 | 4.99 | - | 16.64 |
| Leasehold land | 12.34 | - | - | 12.34 |
| Building | 50.33 | 6.45 | - | 56.78 |
| Plant and machinery | 48.95 | 7.39 | 0.41 | 55.93 |
| Computers | 84.61 | 32.98 | 1.14 | 116.45 |
| Furniture and fixtures | 44.02 | 14.97 | 0.27 | 58.72 |
| Vehicles - owned | 2.79 | 0.93 | 0.12 | 3.60 |
| - leased | 3.55 | 3.81 | 0.76 | 6.60 |
| | **259.26** | **71.52** | **2.99** | **327.79** |
| Previous year | 168.90 | 92.44 | 2.08 | 259.26 |
| **Accumulated depreciation** | | | | |
| Goodwill | 0.02 | 0.14 | - | 0.16 |
| Leasehold land | 0.39 | 0.16 | - | 0.55 |
| Building | 4.32 | 2.74 | - | 7.06 |
| Plant and machinery | 22.63 | 10.63 | 0.35 | 32.91 |
| Computers | 47.42 | 28.43 | 0.78 | 75.07 |
| Furniture and fixtures | 19.06 | 13.25 | 0.22 | 32.09 |
| Vehicles - owned | 0.93 | 0.69 | 0.06 | 1.56 |
| - leased | 0.34 | 1.09 | 0.13 | 1.30 |
| | **95.11** | **57.13** | **1.54** | **150.70** |
| Previous year | 60.97 | 35.48 | 1.34 | 95.11 |
| Net block | **164.15** | | | **177.09** |
| Previous year | 107.93 | | | 164.15 |
| Capital work-in-progress | **9.45** | | | **12.05** |
| Previous year | 26.09 | | | 9.45 |

**Notes:**

1. The freehold land at Gurgaon costing Rs. 1.01 crores (previous year Rs. 1.01 crores), included in opening gross block has not yet been transferred in the name of the company.
2. Additions to fixed assets includes a building at Kolkata costing Rs. 0.49 crore (previous year Rs. nil) acquired pursuant to the acquisition of software business of HCL Infosystems Limited, which has not yet been transferred in the name of the Company.
3. Additions to gross block and accumulated depreciation include Rs. 10.48 crores (previous year Rs. nil) and Rs. 7.82 crores (previous year Rs. nil) respectively, acquired pursuant to the acquisition of software business of HCL Infosystems Limited.

**SCHEDULES FORMING PART OF THE ACCOUNTS**

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 6: Investments | | | | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|---|---|
| **Long terms Investment** | | | | | |
| **Equity shares in subsidiaries - non trade and unquoted** | | | | | |
| 12,793,904 equity shares of Rs. 10 each, fully paid up in HCL Comnet Systems and Services Limited (previous year - 12,793,904 equity shares of Rs. 10 each, fully paid up ) | | | | 23.65 | 23.65 |
| 109,170,638 equity shares of USD 1 each, fully paid in HCL Technologies (Bermuda) Limited, Bermuda, formerly HCL Technologies Limited, Bermuda (previous year 40,000,000 equity shares of USD 1 each, fully paid up) | | | | 565.58 | 227.47 |
| 9,820,000 equity shares of Rs. 10 each, fully paid up in Shipara Technologies Limited (previous year - 6,270,000 equity shares of Rs.10 each, fully paid up) | | | | 9.82 | 6.27 |
| 4,950,000 equity shares of Rs. 10 each, fully paid up in HCL Technologies (Mumbai) Limited (previous year - Nil) | | | | 4.95 | - |
| 143,000 equity shares of USD 10 each, fully paid up in Infosystems (Bermuda) Limited, Bermuda (previous year -Nil) | | | | 6.47 | - |
| 550,000 equity shares of SGD 1 each, fully paid up in FEC Infosystems Pte Limited, Singapore (previous year -Nil) | | | | 5.25 | - |
| | | | | **615.72** | **257.39** |
| **Current investments** | | | | | |
| **Investments in mutual funds -trade and unquoted** | | | | | |
| | **Number of units** | **Face value per unit (Rupees)** | **Aggregate value** | | |
| Grindlays SSIF-Investment Plan-Annual Dividend | - | - | - | | |
| | (57,134,353) | (10) | (65.91) | | |
| Grindlays -Investment Plan-Growth | 24,026,592 | 10 | 34.22 | | |
| | (4,964,701) | (10) | (5.00) | | |
| Jardine Fleming India Bond Fund-Dividend Plan | - | - | - | | |
| | (15,835,491) | (10) | (17.06) | | |
| JM Income Fund-Growth Plan-Growth Option | 4,165,400 | 10 | 10.00 | | |
| | - | - | - | | |
| Kotak Mahindra K Bond Unit Scheme 99 | - | - | - | | |
| (Wholesale Plan)-Annual Dividend | (9,223,912) | (10) | (12.15) | | |
| Kotak Mahindra K Bond Unit Scheme 99 (Wholesale Plan)-Growth | 7,021,182 | 10 | 10.83 | | |
| | - | - | - | | |
| Templeton India Income Builder Account Plan A-Annual Dividend | - | - | - | | |
| (Formerly Kothari Pioneer Income Builder | | | | | |
| Account Plan A- Annual Dividend) | (23,663,842) | (10) | (27.92) | | |
| Templeton India Income Builder Account Plan A-Growth | 8,340,344 | 10 | 17.60 | | |
| (Formerly Kothari Pioneer Income Builder Account Plan A-Growth) | (10,918,258) | (10) | (20.82) | | |
| Templeton India Income Builder Account-Institutional Plan-Dividend Reinvestment | 22,695,920 | 10 | 25.43 | | |
| | - | - | - | | |
| Prudential ICICI Income Plan- Dividend | - | - | - | | |
| | (33,744,123) | (10) | (37.31) | | |
| Prudential ICICI Income Plan- Growth | 25,676,925 | 10 | 43.46 | | |
| | - | - | - | | |
| Prudential ICICI Long Term Plan-Cumulative | 99,187,941 | 10 | 109.30 | | |
| | (146,488,566) | (10) | (147.90) | | |
| Prudential ICICI Long Term Plan-Dividend | 96,488,566 | 10 | 114.31 | | |
| | - | - | - | | |
| Prudential ICICI Flexible Income Plan-Growth | 6,354,163 | 10 | 7.00 | | |
| | - | - | - | | |
| HDFC India High Interest Fund-Annual Dividend | - | - | - | | |
| (Formerly Zurich India High Interest Fund-Annual Dividend) | (4,755,597) | (10) | 5.39) | | |
| HDFC Income Fund Premium Plus Plan-Dividend | 27,348,763 | 10 | 30.27 | | |
| | - | - | - | | |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 6: Investments (Contd.) | Number of units | Face value per unit (Rupees) | Aggregate value | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|---|---|
| HDFC Income Fund-Growth | - | - | - | | |
| | (20,271,992) | (10) | (25.99) | | |
| Sun F&C Money Value Fund, Bond-Growth | 4,821,416 | 10 | 7.84 | | |
| | - | - | - | | |
| Birla Income Plus-Growth | - | - | - | | |
| | (11,162,883) | (10) | (25.76) | | |
| Birla Income Plus Institutional Plan-Dividend-Payout | 11,233,694 | 10 | 29.84 | | |
| | - | - | - | | |
| Grindlays Dynamic Bond Fund-Institutional Plan B-Quarterly Dividend | 9,978,904 | 10 | 10.54 | | |
| | - | - | - | | |
| Grindlays Dynamic Bond Fund-Growth | 11,225,117 | 10 | 12.00 | | |
| | (9,236,511) | (10) | (9.23) | | |
| Sundaram Bond Saver-Appreciation | 2,636,118 | 10 | 5.15 | | |
| | - | - | - | | |
| Tata Income Plus Fund (Option B)-Growth | 9,850,276 | 10 | 10.00 | | |
| | - | - | - | | |
| IL&FS Bond Fund-Growth | 2,557,218 | 10 | 4.00 | | |
| | - | - | - | | |
| IL&FS Bond Fund-Institutional Plan-Growth | 958,957 | 10 | 1.50 | | |
| | - | - | - | | |
| Deutche Premier Institutional Plan-Growth | 9,577,443 | 10 | 10.00 | | |
| | - | - | - | | |
| HDFC Gilt Fund Long Term-Growth | 4,245,935 | 10 | 5.88 | | |
| | (4,245,924) | (10) | (5.02) | | |
| Kotak Mahindra K Gilt Unit Scheme 98 (Investment Plan)-Growth | - | - | - | | |
| | (2,958,930) | (10) | (5.00) | | |
| Kotak Mahindra K Gilt Unit Scheme 98 (Investment Plan)-Dividend | 5,749,106 | 10 | 6.05 | | |
| | - | - | - | | |
| Prudential ICICI Gilt Fund Investment Plan-Growth | 6,269,672 | 10 | 11.53 | | |
| | (6,269,655) | (10) | (10.00) | | |
| Prudential ICICI Gilt Fund Treasury One Year Plus Plan-Dividend | - | - | - | | |
| | (86,639,179) | (10) | (89.42) | | |
| Templeton India Government Securities Fund-Growth | 2,801,299 | 10 | 5.70 | | |
| | - | - | - | | |
| UTI Liquid Cash Plan-Income Option-Dividend Reinvestment | 4,998,301 | 10 | 5.00 | | |
| | - | - | - | | |
| HDFC Liquid Fund Premium Plan-Growth | 9,952,143 | 10 | 12.00 | | |
| | - | - | - | | |
| Kotak Mahindra Liquid Scheme Institutional Plan-Growth | 4,140,821 | 10 | 5.00 | | |
| | - | - | - | | |
| Kotak Mahindra Liquid Scheme-Growth | - | - | - | | |
| | (14,766,223) | (10) | (16.80) | | |
| HSBC Cash Fund-Growth | 5,689,949 | 10 | 5.80 | | |
| | - | - | - | | |
| Templeton India Treasury Management Account-Growth | 49,849 | 1,000 | 7.51 | | |
| (Formerly Kothari Pioneer ITI Treasury Management Account-Growth) | (292,464) | (1,000) | (41.38) | | |
| Prudential ICICI Liquid Fund-Growth | - | - | - | | |
| | (13,498,116) | (10) | (19.02) | | |
| Zurich India Liquidity Fund Savings Plan-Growth | - | - | - | | |
| | (4,572,927) | (10) | (5.37) | | |
| Alliance Cash Manager-Growth | - | - | - | | |
| | (144,364) | (1,000) | (20.11) | | |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 6: Investments (Contd.) | Number of units | Face value per unit (Rupees) | Aggregate value | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|---|---|
| Birla Cash Plus-Growth | - | - | - | | |
| | (22,240,286) | (10) | (34.34) | | |
| DSP Merrill Lynch Liquidity Fund-Growth | - | - | - | | |
| | (21,130,762) | (10) | (29.18) | | |
| Alliance Short term Fund-Growth | - | - | - | | |
| | (100,000) | (1,000) | (10.00) | | |
| Birla Bond Plus-Growth | 14,161,631 | 10 | 15.00 | | |
| | (18,172,239) | (10) | (18.80) | | |
| Birla Bond Plus Plan A-Dividend Reinvestement | 18,670,543 | 10 | 19.41 | | |
| | - | - | - | | |
| Birla Bond Plus Institutional Plan-Growth | 12,380,648 | 10 | 14.00 | | |
| | - | - | - | | |
| Grindlays Growth Fund-Short Term Plan-Growth | 46,857,177 | 10 | 54.50 | | |
| | (34,814,573) | (10) | (38.97) | | |
| Grindlays Floating Rate Fund-Growth | 9,321,807 | 10 | 9.33 | | |
| | - | - | - | | |
| Grindlays Medium Term Fund-Growth | 10,000,000 | 10 | 10.00 | | |
| | - | - | - | | |
| Grindlays Short Term Plan B Institutional Plan-Growth | 26,622,232 | 10 | 32.54 | | |
| | - | - | - | | |
| HSBC Income Fund Short Term Plan-Dividend | 9,482,534 | 10 | 9.58 | | |
| | - | - | - | | |
| HDFC Short Term Plan-Growth | - | - | - | | |
| | (20,200,897) | (10) | (20.47) | | |
| HDFC Short Term Premium Plan-Dividend | 31,131,154 | 10 | 33.67 | | |
| | - | - | - | | |
| HDFC Short Term Premium Plan-Growth | 13,500,864 | 10 | 15.00 | | |
| | - | - | - | | |
| IDBI Principal Income Fund-Growth | 26,576,434 | 10 | 28.25 | | |
| | (10,972,569) | (10) | (11.00) | | |
| Sun F&C FISF-Medium Term Plan-Growth | - | - | - | | |
| | (5,000,000) | (10) | (5.00) | | |
| Sun F&C FISF-Short Term Plan-Growth | - | - | - | | |
| | (5,000,000) | (10) | (5.00) | | |
| Kotak Mahindra K Bond Short Term Plan-Growth | 45,543,669 | 10 | 47.42 | | |
| | (1,760,000) | (10) | (1.76) | | |
| Prudential ICICI Short Term Plan-Cumulative | 39,389,407 | 10 | 42.76 | | |
| | (49,231,472) | (10) | (51.47) | | |
| Prudential ICICI Short Term Plan Institutional-Growth | 43,811,163 | 10 | 50.27 | | |
| | - | - | - | | |
| Templeton Floating Rate Income Fund-Short Term Plan-Growth | 19,543,982 | 10 | 21.00 | | |
| | (2,130,654) | (10) | (2.18) | | |
| Templeton India Short Term Income Plan-Growth | 461,386 | 1,000 | 48.50 | | |
| (Formerly Kothari Pioneer ITI Short Term Income Plan-Growth) | (3,830) | (1,000) | (0.39) | | |
| Templeton India Short Term Income Plan-Monthly Dividend | 4,196 | 1,000 | 0.43 | | |
| | - | - | - | | |

**SCHEDULES FORMING PART OF THE ACCOUNTS**

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 6: **Investments (Contd.)** | Number of units | Face value per unit (Rupees) | Aggregate value | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|---|---|
| DSP Merrill Lynch Short Term Fund-Growth | 40,308,581 | 10 | 41.38 | | |
| | - | - | - | | |
| Deutche Short Maturity Fund-Growth Plan | 32,616,566 | 10 | 33.03 | | |
| | - | - | - | | |
| HDFC High Interest Fund Short Term Plan-Growth | 27,831,040 | 10 | 28.96 | | |
| (Formerly Zurich India High Interest Fund Short Term Plan-Growth) | (20,709,752) | (10) | (21.15) | | |
| HDFC High Interest Fund Short Term Plan-Dividend | 10,906,397 | 10 | 11.49 | | |
| | - | - | - | | |
| | | | | 1,124.28 | 862.33 |
| Less: Dimunition in value of investments | | | | - | (9.42) |
| | | | | **1,124.28** | **852.91** |

**Notes:**

1. Net asset value of investment in mutual funds as on 30 June 2003-Rs. 1,161.49 crores (previous year - Rs. 852.91 crores).
2. Previous year figures are in brackets.

| **Investments in bonds and debentures- trade and quoted** | Number of units | Face value per unit (Rupees) | Aggregate value | | |
|---|---|---|---|---|---|
| Bank of Baroda 11.15% Bonds | 500 | 100,000 | 5.13 | | |
| | (500) | (100,000) | (5.15) | | |
| BPCL 9.95% Debentures | 25 | 10,000,000 | 25.00 | | |
| | (25) | (10,000,000) | (25.00) | | |
| HDFC 10.19% Bonds | - | - | - | | |
| | (5) | (10,000,000) | (5.00) | | |
| HDFC 11.30% Bonds | 50 | 1,000,000 | 5.02 | | |
| | (50) | (1,000,000) | (5.05) | | |
| ITI 10.5% Bonds-Series G | 100 | 500,000 | 5.00 | | |
| | (100) | (500,000) | (5.00) | | |
| NPC 10% Bonds | 1,500 | 100,000 | 15.00 | | |
| | (1,500) | (100,000) | (15.00) | | |
| SBI 10.80% Bonds | 2,500 | 100,000 | 25.04 | | |
| | (2,500) | (100,000) | (25.07) | | |
| SBI 11.90% Bonds | 200 | 1,000,000 | 20.88 | | |
| | (200) | (1,000,000) | (21.07) | | |
| 10.90% PGC 2015 Bonds | 100 | 1,200,000 | 12.00 | | |
| | (100) | (1,200,000) | (12.00) | | |
| GE Capital Services 8.95% Debentures | - | - | - | | |
| | (10) | (10,000,000) | (10.00) | | |
| 12.95% Standard Chartered Bank 2009 Debentures | 15 | 10,000,000 | 17.45 | | |
| | (15) | (10,000,000) | (17.84) | | |
| 11.15% Grindlays Bank 2010 Debentures | 5 | 10,000,000 | 5.47 | | |
| | (5) | (10,000,000) | (5.53) | | |
| ABN Amro Securitiies (India) Private Limited Debentures | - | - | - | | |
| | (25) | (10,000,000) | (25.00) | | |
| PFC 10.5% Tax Free Redeemable Bonds | 1,000 | 20,000 | 2.00 | | |
| | (1,000) | (20,000) | (2.00) | | |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 6: Investments (Contd.) | Number of units | Face value per unit (Rupees) | Aggregate value | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|---|---|
| IRFC 7.8% Tax Free Bonds | 100 | 1,000,000 | 10.00 | | |
| | (100) | (1,000,000) | (10.00) | | |
| NPC 10.5% Tax Free Bonds | 2,000 | 100,000 | 20.61 | 168.60 | 209.60 |
| | (2,000) | (100,000) | (20.89) | | |
| | | | | **1,908.60** | **1,319.90** |

**Notes:**

1. Market value of investments in bonds and debentures as on 30 June 2003-Rs. 189.44 crores (previous year Rs. 218.92 crores).
2. Previous year figures are in brackets.

**Notes:**

1. Particulars of units of mutual funds purchased and sold during the year ended 30 June 2003.

| | Number of units | Face value per unit (Rupees) | Aggregate value |
|---|---|---|---|
| Kotak Mahindra K Bond Short Term Plan-Growth | 3,371,453 | 10 | 3.43 |
| Alliance Short term Fund-Growth | 13,648,683 | 10 | 14.00 |
| IDBI Principal Income Fund-Growth | 10,227,567 | 10 | 10.75 |
| DSP Merrill Lynch Short Term Fund-Growth | 10,476,190 | 10 | 10.48 |
| Sun F&C Bond Fund-Growth | 5,604,930 | 10 | 9.72 |
| HSBC Institutional Income Fund Short Term Plan-Growth | 15,000,000 | 10 | 15.00 |
| Birla Bond Plus Institutional Plan-Dividend-Reinvestment | 1,930,931 | 10 | 1.99 |
| Deutche Short Maturity Fund-Growth | 1,973,126 | 10 | 1.97 |
| HDFC Liquid Fund-Growth | 6,268,580 | 10 | 7.50 |
| Kotak Mahindra Liquid Scheme-Growth | 2,080,577 | 10 | 2.50 |
| Birla Cash Plus-Growth | 3,086,344 | 10 | 5.00 |
| Grindlays Floating Rate Fund-Growth | 9,812,387 | 10 | 9.83 |
| Kotak Mahindra K Bond Unit Scheme 99 | 124,025 | 10 | 0.14 |
| (Wholesale Plan)-Annual Dividend | | | |
| Templeton India TMA-Growth | 39,820 | 1,000 | 5.99 |
| IL&FS Liquid Fund-Growth | 7,133,513 | 10 | 8.00 |
| Prudential ICICI Liquid Fund Institutional-Growth | 3,366,074 | 10 | 5.00 |
| Grindlays Investment Plan-Dividend | 5,333,860 | 10 | 5.54 |
| Prudential ICICI Gilt Fund Investment Plan-Growth | 9,716,219 | 10 | 11.12 |
| HDFC Gilt Fund Long Term-Growth | 5,329,896 | 10 | 5.80 |
| Pru ICICI Long Term Plan-Dividend | 50,000,000 | 10 | 56.82 |
| JM High Liquidity Fund-Growth | 2,504,039 | 10 | 4.20 |
| HDFC Short Term Plan-Dividend | 2,491,305 | 10 | 2.52 |
| Prudential ICICI Short Term Plan Institutional-Dividend | 37,007,891 | 10 | 40.22 |
| Grindlays Short Term Plan B Institutional Plan-Monthly Dividend | 26,658,354 | 10 | 27.51 |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 7: **Sundry debtors** | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Unsecured - considered good (refer note) | | |
| Debts outstanding for more than six months | 2.46 | 1.27 |
| Other debts | 226.47 | 220.17 |
| | 228.93 | 221.44 |
| Unsecured - considered doubtful | | |
| Debts outstanding for more than six months | 1.37 | 2.11 |
| Other debts | 0.12 | 1.10 |
| | 1.49 | 3.20 |
| Less: Provision for doubtful debts | (1.49) | (3.20) |
| | **228.93** | **221.44** |

**Note:** Sundry debtors include Rs. 186.57 crores (previous year - Rs. 175.81 crores) recoverable from subsidiaries of the Company.

| Schedule 8: **Cash and bank balances** | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Cash in hand | 0.06 | 0.03 |
| Cheques in hand | 0.06 | - |
| Remittances in transit | 17.17 | 19.85 |
| Balances with scheduled banks | | |
| - On current accounts in Indian rupees (refer note 1) | 2.40 | 1.12 |
| - On current accounts in foreign currency | 10.34 | 40.55 |
| - On fixed deposit accounts in Indian rupees (refer note 2) | 6.82 | 23.20 |
| Balances with non-scheduled banks | | |
| -Citi Bank N.A. Singapore-Singapore dollar account (refer note 3) | 0.11 | - |
| -Citi Bank N.A. Singapore-United States dollar account (refer note 4) | 0.16 | - |
| | **37.12** | **84.75** |

**Notes:**

1. Includes Rs. 0.45 crores (previous year Rs. 0.08 crore) in unclaimed dividend account.
2. Pledged with banks as security for guarantees and letter of credit- Rs. 0.07 crore (previous year Rs. 0.09 crore)
3. Maximum balance outstanding during the year Rs. 0.23 crore (previous year Rs. nil)
4. Maximum balance outstanding during the year Rs. 0.56 crore (previous year Rs. nil)

| Schedule 9: **Loans and advances** | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| (Unsecured and considered good, unless otherwise stated | | |
| Loans and advances recoverable in cash or in kind or for value to be received | | |
| - Considered good (refer note 1 and 2) | 120.17 | 121.47 |
| - Considered doubtful | 0.34 | 0.35 |
| Loans to subsidiaries | 40.81 | 33.35 |
| Share application money pending allotment | 14.08 | 279.60 |
| Interest receivable (refer note 3) | 6.26 | 11.07 |
| | **181.66** | **445.84** |
| Less: Provision for doubtful advances | (0.34) | (0.35) |
| | **181.32** | **445.49** |

**Notes:**

1. Includes Rs. 16.97 crores (previous year Rs. 9.28 crores) recoverable from the subsidiaries of the Company.
2. Include Rs. 67.90 crores (previous year Rs. 76.97 crores) on account of loan given to HCL Technologies Limited Employees Trust.
3. Interest receivable includes Rs.0.59 crore (previous year-Rs. 4.1 crores) recoverable from subsidiaries of the Company.

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 10: **Other current assets** | **As at 30 June 2003** | **As at 30 June 2002** |
|---|---|---|
| Income accrued but not due (refer note) | 8.23 | 7.11 |
| | **8.23** | **7.11** |

**Note:** Includes Rs 6.31 crores (previous year Rs.4.55 crores) in respect of subsidiaries of the Company.

| Schedule 11: **Current liabilities and provisions** | **As at 30 June 2003** | **As at 30 June 2002** |
|---|---|---|
| **Current liabilities** | | |
| Sundry creditors (refer note 1 and 2) | 151.21 | 83.17 |
| Advance billing (refer note 3) | 7.23 | 1.26 |
| Advance from customer | 0.06 | - |
| Unclaimed dividend | 0.45 | 0.08 |
| Other liabilities | 1.55 | 1.39 |
| | **160.50** | **85.90** |
| **Provisions** | | |
| Provision for income tax [net of advance tax Rs. 61.78 crores (previous year - Rs. 46.06 crores)] | 0.70 | 9.55 |
| Provision for wealth tax | 0.03 | 0.04 |
| Provision for dividend | 66.68 | 43.18 |
| Provision for staff benefits | 13.65 | 10.08 |
| | **81.06** | **62.85** |
| | **241.56** | **148.75** |

**Notes:**

1. Sundry creditors includes Rs. 83.82 crores (previous year Rs.18.96 crores) due to subsidiaries of the Company.
2. The Company has no amounts payable to small-scale industrial undertakings as defined under Section 3 (j) of the Industries (Development and Regulation) Act, 1951 as on 30 June 2003.
3. Advance billing includes Rs. 4.13 crores (previous year Rs. nil) pertaining to the subsidiaries of the Company.

| Schedule 12: **Miscellaneous expenditure** (to the extent not written off or adjusted) | **As at 30 June 2003** | **As at 30 June 2002** |
|---|---|---|
| Product development cost | 2.72 | 1.32 |
| Less: Product development cost amortised | (0.22) | - |
| | **2.50** | **1.32** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 13: **Other income** | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Interest income-gross [Tax deducted at source Rs. 3.83 crores (previous year Rs. 4.24 crores)] | | |
| - On fixed deposits | 1.87 | 19.22 |
| - From customers | 1.75 | 8.88 |
| - Inter-corporate deposits | - | 0.01 |
| - On bonds | 18.22 | 30.39 |
| - Others | 0.29 | 0.05 |
| Income from non trade investments | | |
| -Dividend | 1.79 | 57.87 |
| -Others | 0.11 | 0.21 |
| Exchange gain (net) | - | 10.63 |
| Rent received | 0.79 | 0.70 |
| Profit on sale of investments (net) | 56.52 | 1.79 |
| Profit on sale of fixed assets (net) | 0.01 | - |
| Provision for diminution in value of investments written back | 9.42 | - |
| Provision for doubtful debts written back | 1.72 | - |
| Other provisions written back | 1.90 | - |
| Miscellaneous income | 5.19 | 3.38 |
| | **99.58** | **133.13** |

| Schedule 14: **Cost of software development** | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| **Personnel expenses** | | |
| Salaries, wages and bonus | 231.83 | 151.36 |
| Contribution to provident and other funds | 10.00 | 8.01 |
| Staff welfare expenses | 12.99 | 10.80 |
| **Software development expenses - external** | 150.11 | 94.18 |
| [Includes Rs. 129.17 crores (previous year Rs. 69.04 crores) paid to subsidiaries of the Company] | | |
| | **404.93** | **264.35** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

| Schedule 15: Administration and other expenses | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Rent | 12.09 | 11.14 |
| Electricity and water | 11.80 | 8.88 |
| Insurance | 1.90 | 0.77 |
| Repairs and maintenance | | |
| - Plant and machinery | 4.60 | 3.11 |
| - Others | 9.92 | 5.10 |
| Communication costs | 12.67 | 8.48 |
| Travel and conveyance | 68.29 | 58.97 |
| Commission to subsidiary | 28.33 | - |
| Business promotion | 1.49 | 0.54 |
| Legal and professional charges | 5.87 | 3.61 |
| Lease rent | 1.69 | 0.81 |
| Software licence fee | 0.70 | 0.50 |
| Printing and stationery | 1.37 | 1.28 |
| Rates and taxes | 7.24 | 9.11 |
| Advertising and publicity | 0.10 | 0.07 |
| Books and periodicals | 1.14 | 1.38 |
| Recruitment, training and development | 8.25 | 5.23 |
| Provision for doubtful debts | - | 3.20 |
| Bad debts written off | 1.93 | 1.76 |
| Loss on sale of fixed assets (net) | - | 0.21 |
| Donations | 0.83 | 0.63 |
| Provision for diminution in value of investments | - | 9.42 |
| Premium amortisation on bonds | 0.99 | 1.03 |
| Exchange loss (net) | 7.50 | - |
| Miscellaneous expenses | 4.18 | 1.88 |
| | **192.88** | **137.11** |

| Schedule 16: Finance charges | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Interest | | |
| - on vehicles under finance lease | 0.59 | 0.21 |
| - on loan from bank | 0.01 | - |
| Bank charges | 0.46 | 1.52 |
| | **1.06** | **1.73** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

**Schedule 17: Significant accounting policies and notes to the accounts**

**1. Significant accounting policies**

**(i) Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. The financial statements are presented in Indian rupees rounded off to two decimals to crore.

**(ii) Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**(iii) Revenue recognition**

Revenue from software developed on a time and materials basis is recognised as the services are rendered by the Company. Revenue from fixed price contracts is recognised in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, up to the completion of contract are recognised immediately. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Revenue from products developed for customers is recognised as a proportion of the sales value of the products sold by the customer, in accordance with the terms of the contract. Income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with terms of the contract.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income and brokerage is recognised when the right to receive the same is established.

**(iv) Expenditure**

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.

**(v) Fixed assets**

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work in progress.

Goodwill represents the difference between purchase price and book value of assets and liabilities of the business acquired by the Company.

**(vi) Depreciation and amortisation**

Depreciation on fixed assets except leasehold land and leasehold improvements is provided on the straight-line method based on estimated useful lives, as determined by the management. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over a period of 4 years or the remaining period of the lease, whichever is shorter. Computer software is amortised over a period of 3 years or the period of licence, whichever is shorter. Estimated useful life of goodwill is five years and the carrying value of goodwill at the end of the each accounting period is reviewed for impairment. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase. The management's estimates of the useful life of the various fixed assets is as follows:

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

| | Life (in years) |
|---|---|
| Goodwill | 5 |
| Buildings | 20 |
| Plant and machinery (including office equipment, air conditioners and electrical installations) | 4 |
| Computers (excluding mainframes) | 3 |
| Mainframe computer system (including related software) | 6 |
| Furniture and fixtures (including leasehold improvements) | 4 |
| Vehicles-Owned | 5 |
| Vehicle–Leased | Over the period of lease or 5 years, whichever is lower |

**(vii) Leases**

**Finance leases**

**Upto 31 March 2001**

In respect of assets taken on lease, the lease rental payments are charged to the profit and loss account rateably over the period of lease.

**From 1 April 2001**

The assets taken on finance lease are capitalised at an amount equal to fair value of the leased assets or the present value of the minimum lease payments, in case fair value of the leased asset exceeds the present value of the minimum lease payments, liability of an equal amount is recognised. In case there is certainty that the Company shall obtain ownership of the asset by the end of the lease term, the asset is depreciated in accordance with the Company's accounting policy. In case there is no reasonable certainty, the asset is depreciated over the lease term or useful life, whichever is shorter. The lease payment is apportioned between finance charge and reduction of outstanding liability. The finance charge is allocated to periods over the lease term so as to produce a constant periodic rate of interest on the remaining liability.

**Operating leases**

Lease payments under an operating lease are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

**(viii) Investments**

Investments are classified into long term and current investments, based on management intention at the time of purchase. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

**(ix) Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss Account. Foreign currency assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations are recognised in the Profit and Loss Account.

The branches of the Company in Singapore and France are considered integral to the Company's operations. The transactions of these branches have been translated as if the transactions of the branches were the transactions of the Company itself.

The premium or discount on forward exchange contracts arising at the inception of such a forward exchange contracts are amortised as expense or income over the life of the contract. Exchange differences on forward contracts are recognised in the Profit and Loss Account of the reporting period in which the exchange rates change. Any profit/loss arising on cancellation or renewal of forward exchange contracts is recognised as an income or an expense for the period.

**(x) Employee stock option based compensation**

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, is recognised as deferred stock compensation cost and amortised over the vesting period on a straight line basis.

Market price of a share on a given date means the price of the Company's share preceding the date of grant of option, on the stock exchange where there is highest trading volume.

**(xi) Taxation**

Income tax expenses comprise current tax (i.e. the amount of tax for the period determined in accordance with the Income tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably /virtually certain (as

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

the case may be) to be realised.

Provision for wealth tax is made annually based on tax liability computed after considering tax allowances and exemptions available in accordance with the provisions of the Wealth tax Act, 1957.

**(xii) Retirements benefits**

Contributions to provident fund are deposited with a recognised provident fund trust, set up by the Company. The Company contributes to a scheme administered by the Life Insurance Corporation of India in respect of superannuation. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

**(xiii) Miscellaneous expenditure**

Product development costs consisting of proportionate compensation costs of employees involved in product development, related travel cost and other direct cost are capitalised subsequent to achievement of technical feasibility of the product. All costs incurred until technical feasibility is achieved are expensed off as incurred. Product development costs are amortised in the ratio that current gross revenues for the product bear to the total current and expected future gross revenues for that product, or the straight line method over the remaining estimated economic life of the product, whichever is greater.

**(xiv) Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year end, except where the results would be anti dilutive.

**2.** During the year ended 30 June 2003, the Company adopted Accounting Standard 11 (revised) on " The Effects of Changes in Foreign Exchange Rates", issued by the Institute of Chartered Accountants of India. Consequently, the Company has recognised exchange difference on forward contracts in the profit and loss account. As a result of change in the accounting policy, the sundry debtors and profit for the year are lower by Rs. 3.21 crores. There were no liabilities arising during the year in respect of purchase of fixed assets.

**3. Stock option plans**

**Employees Stock Option Plan 1999 (ESOP 1999)**

The shareholders of the Company in the extra-ordinary general meeting of the Company held on 13 September 1999 established the Employee Stock Option Plan 1999 of the Company, which provides for grant of options for 40,000,000 equity shares to employees of the Company and its subsidiaries. The plan is administered by a compensation committee comprising 3 directors, of which 2 are independent directors. Under the plan, stock options have been issued to the employees of the Company and its subsidiaries. Options granted to the employees of the Company and the subsidiaries prior to the period when the Company was listed were determined by the compensation committee and approved by the members in the general meeting. Under the plan, options are issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the fair value of the share. Fair value of the shares means value determined by the management during the period the Company was unlisted. Subsequent to listing, fair value of shares means closing price of the Company's shares in the stock exchange with the highest trading volume on a given date and in case the shares were not traded on that day, the closing price on the previous trading date.

Options granted to the employee of the Company and its subsidiaries after the Company was listed, have been determined by the compensation committee. Each option granted under the ESOP 1999 plan, entitles the holder to two equity shares of the Company. These options vest over a maximum period of 110 months from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

As at 30 June 2003, 10,927,381 (previous year 12,331,619) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999.

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Options outstanding at the beginning of the year | 12,331,619 | 14,362,200 |
| Less: Forfeited during the year | (390,959) | (481,996) |
| Exercised during the year | (669,421) | (1,437,516) |
| Expired during the year | (343,858) | (111,069) |
| Options outstanding at the end of the year | **10,927,381** | **12,331,619** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

**Employees Stock Option Plan 2000 (ESOP 2000)**

The shareholders' of the Company in the annual general meeting of the Company held on 20 October 2000 established the Employee Stock Option Plan 2000 of the Company, which provides for grant of options for 30,000,000 equity shares to employees of Company and its subsidiaries. The plan is administered by a compensation committee comprising 3 directors, of which 2 are independent directors. Under the plan, options have been issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the market price on the date of grant of the shares, i.e. closing price of the Company's shares in the stock exchange with the highest trading volume on a given date and in case shares were not traded on that day, the closing price on the previous trading day. Each option granted under this plan entitles the holder to two equity shares of the company. These options vest over a maximum period of 104 months from the date of grant and are to be exercised within a period of five years from the date of vesting.

As at 30 June 2003, 8,814,611 (previous year 8,891,381) options were outstanding with the employees of the Company and its subsidiaries in respect of the ESOP 2000 plan.

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Options outstanding at the beginning of the year | 8,891,381 | 5,982,604 |
| Add: Granted during the year | 820,025 | 3,436,277 |
| Less: Forfeited during the year | (757,595) | (525,575) |
| Exercised during the year | (225) | - |
| Expired during the year | (138,975) | (1,925) |
| Options outstanding at the end of the year | **8,814,611** | **8,891,381** |

**4. HCL Technologies Limited Employees Trust**

During the year ended 30 June 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust (Trust). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issues these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Shares held at the beginning of the year | 4,768,301 | - |
| Add: Shares purchased during the year | 170,000 | 4,768,301 |
| Less: Shares issued to employees | (839,414) | - |
| Shares held at the end of the year | **4,098,887** | **4,768,301** |

**5.** During the year ended 30 June 2000, the Company entered into software consulting and engineering service agreements with certain customers wherein these customers committed certain revenues. On achievement of the revenues and on fulfilment of the necessary conditions, stock options shall be granted by the promoter shareholder.

**6.** (i) The Company has acquired vehicles on finance lease basis. The legal title to assets acquired under the finance lease vests in the lessors. The total minimum lease payments and maturity profile of finance leases at the balance sheet date, element of interest included in such payments, and present value of minimum lease payments are as follows:

| | Total minimum lease payments outstanding | Interest included in minimum lease payments | Present value of minimum lease payments |
|---|---|---|---|
| Not later than one year | 1.98 | 0.63 | 1.35 |
| Later than one year but not later than five years | 4.86 | 0.79 | 4.07 |
| | **6.84** | **1.42** | **5.42** |

(ii) The Company leases office space and accommodation for its employees under operating leases cancellable at the option of lessee for a period ranging between three to five years. The lease rental expense recognised in the profit and loss account for the year in respect of such leases entered into after 1 July 2002 is Rs. 13.97 crores (previous year Rs 13.01 crores). The future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

| | Total minimum lease payments outstanding as on 30 June 2003 |
|---|---|
| Not later than one year | 14.36 |
| Later than one year but not later than five years | 39.63 |
| Later than five years | 1.38 |
| | **55.37** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

**7. Segment reporting**

The Company renders software services to customers in various geographical locations, which have been identified as primary segments. These are as follows:

- America
- Europe
- Others (includes Japan, Australia, New Zealand, HongKong and India)

The above segments have been identified and reported taking into account the differing risks and returns, nature of regulatory environment, underlying currency risks and internal financial reporting systems.

Financial information relating to the primary segments is presented below:

| | For the year ended 30 June 2003 | | | | For the year ended 30 June 2002 | | | |
|---|---|---|---|---|---|---|---|---|
| | America | Europe | Others | Total | America | Europe | Others | Total |
| **Segment revenues** | 716.29 | 103.79 | 51.65 | **871.73** | 619.11 | 66.33 | 37.98 | **723.42** |
| **Segment results** | 264.32 | 38.06 | 10.72 | **313.10** | 306.56 | 28.87 | 16.96 | **352.39** |
| Less: Unallocated corporate expenses and depreciation | | | | (82.27) | | | | (67.63) |
| **Operating profit** | | | | **230.83** | | | | **284.76** |
| Income from treasury operations and other income | | | | 99.58 | | | | 122.50 |
| Exchange gain/(loss) net | | | | (7.50) | | | | 10.63 |
| **Net profit before tax** | | | | **322.91** | | | | **417.89** |
| **Assets** | | | | | | | | |
| **Segment assets** | 311.91 | 54.46 | 23.14 | **389.51** | 395.04 | 42.22 | 24.32 | **461.58** |
| Unallocated corporate, treasury and deferred tax assets | | | | 1,984.63 | | | | 1,619.92 |
| Unallocated fixed assets | | | | 189.12 | | | | 173.61 |
| **Total assets** | | | | **2,563.26** | | | | **2,255.11** |
| **Liabilities** | | | | | | | | |
| **Segment liabilities** | 139.17 | 20.14 | 8.90 | **168.21** | 84.13 | 10.49 | 4.58 | **99.20** |
| Unallocated corporate liabilities | | | | 79.18 | | | | 52.85 |
| **Total liabilities** | | | | **247.39** | | | | **152.05** |
| Significant non cash adjustments affecting segment results | | | | | | | | |
| Provision for doubtful debs and bad debts written off | 1.93 | - | - | 1.93 | 4.54 | 0.21 | 0.22 | 4.97 |
| Amortisation of product development costs | 0.22 | - | - | 0.22 | - | - | - | - |

The Company is engaged exclusively in the business of providing a comprehensive range of information technology services including software development, systems maintenance, engineering design services and product development. These have been considered to constitute one single business segment i.e software services based on the internal reporting systems and nature of regulatory environment. Accordingly, no secondary segment information has been disclosed as required by AS-17 on Segment Reporting.

**Segment accounting policies**

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

**a) Segment assets and liabilities**

All segment assets (excluding fixed assets) and liabilities have been allocated to the various segments on the basis of specific identification or on the basis of revenue generated from each segment. Fixed assets used in the Company's business have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. Hence, the Company believes that it is not practicable to provide segment disclosures relating to fixed assets.

Segment assets principally consist of sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not, however, include fixed assets, unallocated corporate investments, treasury assets and net deferred tax assets.

Segment liabilities include sundry creditors, other liabilities, unaccrued income, unsecured loans and secured loans in respect of leased vehicles. Segment liabilities do not include share capital, reserves and provision for income tax.

**b) Segment revenue and expenses**

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification and actual efforts made. However, segment revenue does not include miscellaneous income, income from investments and other income. Segment expenses do not include depreciation, premium amortised on bonds and diminution allowance in respect of current and trade investments.

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

**8. Related parties transactions**

**a) Related parties where control exists**

**Holding company**

HCL Corporation Limited, India (formerly Slocum Investment Private Limited)

**Subsidiaries**

HCL Technologies America Inc., United States of America
HCL Technologies Europe Limited, United Kingdom
HCL Technologies (Netherlands) BV, Netherlands
HCL Technologies GmbH, Germany
HCL Technologies Belgium NV, Belgium
HCL Technologies Sweden AB, Sweden
HCL Technologies Italy SLR, Italy
HCL Technologies Australia (Pty.) Limited, Australia
HCL Technologies (New Zealand) Limited, New Zealand
HCL Technologies (Hong Kong) Limited, Hong Kong
HCL Technologies Japan Limited, Japan
HCL Technologies South Africa (Proprietary) Limited, South Africa
HCL Comnet Systems and Services Limited, India
HCL Comnet Limited, India
HCL Technologies (Bermuda) Limited, Bermuda
HCL Venture Capital Limited, Bermuda
HCL Holdings GmbH, Austria
EServe Holdings Limited, Mauritius
HCL Technologies BPO Services Limited, India (formerly HCL Eserve Technologies Limited)
HCL Enterprise Solutions Limited, Mauritius
HCL Technologies (Illinois) Inc. United States of America (formerly HCL Enterprise Solutions Inc.),
HCL Enterprise Solutions (India) Limited, India
Intelicent India Limited, India
DSI Financial Solutions Pte. Limited, Singapore
DSL Software Limited, India
DSL GmbH, Germany
HCL Technologies NI Limited, Northern Ireland
HCL Technologies (Mass.) Inc., United states of America (formerly Gulf Computers Inc.)
HCL Technologies (Mumbai) Limited, India
HCL Jones Technologies (Bermuda) Limited, Bermuda
HCL Jones Technologies, LLC, United States of America
Infosystems America Inc., United States of America
Insys Inc., Canada
FEC Infosystems Pte. Limited, Singapore
HCL Infosystems (Malaysia) Sdn. Bhd., Malaysia
Infosystems Europe Limited, United Kingdom
Infosystems (Bermuda) Limited, Bermuda
Infosystems Australia Pty. Limited, Australia

**Jointly controlled entities**

HCL Answerthink Inc., United States of America.
The Company has a 50% interest in the joint venture.

HCL Perot Systems N.V., Netherlands and its subsidiaries
The Company has a 50% interest in the joint venture.

Shipara Technologies Limited, India
The Company has a 70.54% interest in the joint venture.
(Being treated as a joint venture for the purpose of AS 18 on Related Parties in the current year due to applicability of AS 27 on Financial Reporting of Interest in Joint Ventures from 1 July 2002. This entity was treated as a subsidiary in the previous year as AS 27 was not applicable)

HCL Acquila Technologies Limited, India
The Company has a 24.85% interest in the joint venture.

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

**Associates**
Net India Private Limited, India
Aalayance Inc., United States of America

**Others**
Sri Sivasubramaniya Nadar Educational & Charitable Trust
HCL Technologies Limited Employees Trust

**Key managerial personnel**

| | |
|---|---|
| Shiv Nadar | President, Chairman and Chief Executive Officer |
| S Raman | Chief Operating Officer and whole time director |

**b) Related parties with whom transactions have taken place during the year**

**Subsidiaries**
HCL Technologies America Inc., United States of America
HCL Technologies Europe Limited, United Kingdom
HCL Technologies (Netherlands) BV, Netherlands
HCL Technologies GmbH, Germany
HCL Technologies Belgium NV, Belgium
HCL Technologies Sweden AB, Sweden
HCL Technologies Australia (Pty.) Limited, Australia
HCL Technologies (New Zealand) Limited, New Zealand
HCL Technologies (Hong Kong) Limited, Hong Kong
HCL Comnet Systems and Services Limited, India
HCL Technologies (Bermuda) Limited, Bermuda
HCL Technologies BPO Services Limited, India (formerly HCL EServe Technologies Limited)
HCL Technologies (Mass) Inc., United states of America (formerly Gulf Computers Inc.)
HCL Technologies (Mumbai) Limited, India
Infosystems America Inc., United States of America*
Insys Inc., Canada*
FEC Infosystems Pte. Limited, Singapore*
HCL Infosystems (Malaysia) Sdn. Bhd., Malaysia*
Infosystems Europe Limited, United Kingdom*
Infosystems Australia Pty. Limited, Australia*
* refer note 10 of schedule 17

**Fellow subsidiary**
HCL Infosystems Limited

**Jointly controlled entities**

Shipara Technologies Limited, India
HCL Answerthink Inc., United States of America.
HCL Perot Systems Limited, India
HCL Acquila Technologies Limited, India

**Others**
Sri Sivasubramaniya Nadar Educational & Charitable Trust
HCL Technologies Limited Employees Trust

**Key managerial personnel**
S Raman

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

**c) Transactions with related parties during the year**

| Particulars | Subsidiaries | | Fellow subsidiaries | | Jointly controlled entities | | Others | | Key management personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 30 June | | Year ended 30 June | | Year ended 30 June | | Year ended 30 June | | Year ended 30 June | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Transactions with related parties during the year** | | | | | | | | | | |
| Sale of materials and services | 452.76 | 366.78 | 0.47 | 13.91 | 3.46 | - | - | - | - | - |
| Purchase of materials and services | 149.08 | 79.30 | 6.82 | 7.74 | 11.57 | - | - | - | - | - |
| Acquisition of software services division | - | - | 26.16* | - | - | - | - | - | - | - |
| Payment for use of facilities | - | - | - | 0.78 | - | - | - | - | - | - |
| Receipt for use of facilities | 0.51 | 0.51 | - | - | 0.30 | 0.19 | - | - | - | - |
| Investments | 354.73 | 97.82 | - | - | 3.55 | - | - | - | - | - |
| Loans and advances (net of repayments) | 3.08 | 280.44 | 0.02 | 0.01 | 4.38 | - | (9.07) | - | - | - |
| Donations | - | - | - | - | - | - | 0.83 | 0.60 | - | - |
| Other receipts | - | - | - | - | 0.26 | - | - | - | - | - |
| Purchase of capital equipments | 0.33 | 0.04 | 12.85 | 7.19 | - | - | - | - | - | - |
| Remuneration | - | - | - | - | - | - | - | - | 0.46 | - |
| Guarantees | 131.40 | - | - | - | - | - | - | - | - | - |

* Refer Note 10

**d) Outstanding balances with related parties**

| Particulars | Subsidiaries | | Fellow subsidiaries | | Jointly controlled entities | | Others | | Key management personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 30 June | | As at 30 June | | As at 30 June | | As at 30 June | | As at 30 June | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Debtors | 186.57 | 175.81 | - | - | 0.31 | - | - | - | - | - |
| Other receivables | 23.87 | 17.91 | 0.89 | 0.31 | 0.54 | - | - | - | - | - |
| Creditors | 83.82 | 20.13 | 10.58 | 2.15 | 1.73 | 0.50 | - | - | - | - |
| Unaccrued income | 4.13 | - | - | - | - | - | - | - | - | - |

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

**9. Loans and advances in the nature of loans to subsidiaries/related parties**

| Name of the company | Amount of loan | Rate of Interest | Maximum amount outstanding during the year | Investment by the loanee in subsidiary company |
|---|---|---|---|---|
| HCL Technologies BPO Services Limited | 35.93 | - | 75.43 | - |
| | (14.50) | - | (14.50) | - |
| HCL Technologies (Mumbai) Limited | 0.50 | - | 0.50 | - |
| | - | - | - | - |
| Shipara Technologies Limited | 4.38 | 9% | 4.38 | - |
| | - | - | - | - |
| HCL Technologies (Bermuda) Limited, Bermuda. | - | - | 18.85 | 300.22 |
| | (18.85) | - | (18.85) | (310.69) |
| HCL Technologies Limited Employees Trust | 67.90 | - | 81.97 | - |
| | (76.97) | - | - | - |

Previous year figures are in brackets.
There are no loans or advances in the nature of loans granted to associates.

**10. Acquisition of software businesses from HCL Infosystems Limited**

During the year, the Company entered into a scheme of arrangement with HCL Infosystems Limited ("HCLIS"), a fellow subsidiary, to acquire the software business of the latter, in accordance with the provisions of sections 391 to 394 of the Companies Act, 1956. The acquisition of the software services business of HCLIS is expected to consolidate the Company's practice in the area of end-user application and further expand its suite of offerings in the fast growing enterprise solution space. The Company had filed the scheme of arrangement with the Hon'ble High Court of Delhi, which accorded its approval on 8 July 2003. The appointed date of the scheme is 1 January 2003.

The scheme of arrangement envisages a share entitlement ratio of 2 equity shares of the Company for every 9 equity shares of HCLIS in consideration for the proposed business transfer. The Company has fixed 24 July 2003 as the record date for the transaction.

The Company has given effect to the approved scheme of arrangement from the appointed date in the current financial statements. The Company has recorded the assets and liabilities of the software business unit at the values appearing in the books of HCLIS as on the appointed date. The amount representing the surplus of net assets over the aggregate face value of the shares issued to the members of HCLIS has been credited to the general reserve in the books of account, in accordance with scheme of arrangement approved by the Hon'ble High Court of Delhi.

The Company has intimated the Registrar of Companies regarding the scheme of arrangement. The registration of Software Technology Parks acquired with the software business of HCLIS have been transferred to the name of the Company. The Company has filed with Reserve Bank of India for transfer of investments in Infosystems (Bermuda) Limited, Bermuda (holding company for Infosystems America Inc., Insys Inc. Canada, Infosytems Europe Limited and Infosystems Australia Pty Limited) and FEC Infosystems Pte Limited, Singapore (holding company of HCL Infosystems (Malaysia) Sdn. Bhd.), which form part of the acquired software business of HCLIS.

The purchase consideration was allocated to the assets taken over and the liabilities assumed in accordance with the scheme of arrangement as follows:

| | Amount |
|---|---|
| 7,090,990 shares to be allotted to the members of HCLIS at a par value of Rs. 2 per share as at 24 July 2003 (reflected in the financial statements as equity shares to be issued as per approved merger scheme) | 1.42 |
| General reserve | 24.74 |
| | **26.16** |
| **Assets** | |
| Fixed assets (net of accumulated depreciation - Rs. 7.82 crores) | 2.66 |
| Investments in subsidiaries | 11.72 |
| Cash and bank balances | 1.40 |
| Sundry debtors | 20.88 |
| Income accrued and due | 0.46 |
| Other current assets | 2.49 |
| | **39.61** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** All amounts in crores of rupees, except share data and unless otherwise stated

| | Amount |
|---|---|
| **Liabilities** | |
| Unsecured loan | 6.35 |
| Accounts payable | 2.02 |
| Deferred revenue | 1.71 |
| Other liabilities | 3.35 |
| Taxes payable | 0.02 |
| | **13.45** |
| Net assets taken over | **26.16** |

If the Company had accounted for the transaction in accordance with AS-14 on "Accounting for Amalgamations" ("AS-14"), the Company would have considered the fair value of the shares at the appointed date of the scheme, for the purposes of determining the purchase consideration. Consequently, the Company would have recorded a goodwill amounting to Rs. 80.91 crores instead of the credit to the general reserve amounting to Rs. 24.74 crores. Accordingly, amortisation of goodwill would have been higher and net profit for the year would have been lower by Rs. 8.09 crores.

**11. Components of deferred tax asset**

| | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Depreciation | 6.95 | - |
| Provision for diminution in value of investments | - | 0.99 |
| Amortisation of premium on bonds | 0.40 | 0.58 |
| Others | 0.07 | - |
| | **7.42** | **1.57** |

**12.** The Company develops software for HCL Technologies Japan Limited, Japan ("HCLT Japan"), a subsidiary of HCL Technologies (Bermuda) Limited, Bermuda. During the year ended 30 June 1999, the tax authorities in Japan raised a demand on HCLT Japan for not withholding tax on payments to the Company during the period February 1998 to September 1998 amounting to Rs. 0.44 crores. In accordance with the terms of agreement between the Company and HCLT Japan, the withholding tax liability, if any, is payable by the Company. During the year ended 30 June 2000, the Company recovered all amounts due from HCLT Japan, on which, withholding tax was payable on remittance to India. However, the Company does not agree with the stance of the tax authorities in Japan. HCLT Japan has deposited Rs 0.44 crores with the tax authorities in Japan, under protest and did not deduct any tax from the remittance during the year ended 30 June 2000. The Company also invoked the mutual agreement provision under Section 25 of the Convention between the Government of India and Government of Japan for the avoidance of double taxation and prevention of fiscal evasion in respect of taxes on income. The matter is now under the consideration of the competent authorities of India and Japan. If the contention of the Company is not upheld by the competent authorities, there could be an additional tax liability amounting to Rs. 0.65 crores in respect of transactions between the Company and HCLT Japan. The management, based on legal advice, does not believe that any liability in this regard will crystallise and therefore, no provision has been made in the accounts in respect of this amount.

**13. Capital commitments and contingent liabilities**

| | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Capital commitments** | | |
| Estimated amount of unexecuted capital contracts (net of advances and deposits) | 29.98 | 8.53 |
| | **29.98** | **8.53** |
| **Contingent liabilities** | | |
| Outstanding guarantees to various banks, in respect of the guarantees gives by those banks in favour of various subsidiaries. | 131.40 | - |
| Outstanding letters of credit | 1.34 | 0.11 |
| | **132.74** | **0.11** |

**14. Derivative financial instruments**

The Company enters into forward foreign exchange contracts where the counter party is a bank. The forward foreign exchange contracts mature between one to six months. The Company considers the risk of non performance by the counter party as negligible. The value of forward covers outstanding as on 30 June 2003 amounted to Rs 227.97 crores (previous year – nil).

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

**15. Auditors remuneration**

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Statutory audit | 0.35* | 0.25* |
| Tax audit fees | 0.15* | 0.05* |
| Other services | 0.31 | 0.25 |
| | **0.81** | **0.55** |

* excluding service tax

**16. CIF value of imports**

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Capital goods | 17.57 | 20.51 |
| | **17.57** | **20.51** |

**17. Expenditure in foreign currency**

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Software development charges | 139.12 | 94.19 |
| Travel (on cash basis) | 52.93 | 43.31 |
| Rates and taxes | 6.97 | 7.76 |
| Exchange loss (net) | 7.50 | - |
| Others | 8.75 | 2.88 |
| | **215.27** | **148.14** |

Expenditure reimbursed by the customers in foreign currency has been netted off against the related expenses in the Profit and Loss Account and amounts to Rs. 21.10 crores (previous year Rs.17.18 crores).

**18. Earnings in foreign currency**

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Income from software and technical services | 868.88 | 713.94 |
| Interest | 1.74 | 8.88 |
| Exchange gain (net) | - | 10.63 |
| Others | 4.51 | 3.28 |
| | **875.13** | **736.73** |

**19. Dividend remitted in foreign currency**

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| **Final dividend** | | |
| Number of non-resident shareholders | 54 | 70 |
| Number of shares held | 67,902,558 | 65,063,552 |
| Amount remitted (net of tax) | 9.14 | 6.51 |
| Year to which it relates | 2002 | 2001 |
| **Interim dividend** | | |
| Number of non-resident shareholders | 52 | - |
| Number of shares held | 64,830,914 | - |
| Amount remitted (net of tax) | 12.97 | - |
| Year to which it relates | 2003 | |

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in crores of rupees, except share data and unless otherwise stated

### 20. Managerial remuneration

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| During the year ended 30 June 2003, the Company has paid remuneration to a whole time director as given below: | | |
| Salaries and allowances | 0.40 | - |
| Contribution to provident and other funds | 0.04 | - |
| Perquisites | 0.02 | - |
| | **0.46** | **-** |
| During the year ended 30 June 2003 wholly owned subsidiaries have made following payments to non-executive directors of the Company. | | |
| Remuneration paid to wholetime directors | 0.57 | 0.59 |
| Remuneration paid to non executive directors | 0.30 | - |
| Sitting fees | 0.11 | 0.10 |
| Other payments | - | 0.54 |
| | **0.98** | **1.23** |

### 21. Earnings per equity share (EPS)

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Net profit as per profit and loss account for computation of EPS | 312.47 | 401.95 |
| | | |
| Weighted average number of shares outstanding in computation of basic EPS | 288,287,307 | 286,106,626 |
| | | |
| Dilutive effect of stock options outstanding | 3,119,600 | 7,149,522 |
| Dilutive effect of shares to be issued in accordance with the scheme of arrangement between the Company and HCL Infosystems Limited. | 2,682,010 | - |
| Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS | 294,088,917 | 293,256,148 |
| Nominal value of equity shares | 2 | 2 |
| Basic | 10.83 | 14.05 |
| Diluted | 10.62 | 13.71 |

**22.** The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by October 2003 as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**23.** Previous year figures have been re-classified/ re-grouped and recast to conform to current year's classification.

**For HCL Technologies Limited**

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General manager and Company Secretary

Place: Noida (UP), India
Date: September 12, 2003

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in thousands of rupees, unless otherwise stated

### Balance Sheet Abstract and Company's General Business Profile

**I. Registration details**

Registration No. *55-46369* State Code 55

Balance Sheet Date *30 June 2003*

**II. Capital raised during the year**

| | |
|---|---|
| Public issue<br>*Nil* | Rights issue<br>*Nil* |
| Bonus issue<br>*Nil* | Private placement<br>*4,841* |

Note: Capital raised during the year includes share application money and equity shares to be issued as per approved scheme of arrangement between the Company and HCLIS

**III. Position of mobilisation and deployment of funds**

| | |
|---|---|
| Total liabilities<br>*23,216,975* | Total assets<br>*23,216,975* |

**Sources of funds**

| | |
|---|---|
| Paid-up capital<br>*593,917** | Reserves and surplus<br>*22,564,743* |
| Secured loans<br>*54,219* | Unsecured loan<br>*4,096* |

*includes Rs. 2,862 thousands in respect of share application money and 14,182 thousand in respect of shares to be issued as per the approved scheme of arrangement between the Company and HCLIS

**Application of funds**

| | |
|---|---|
| Net fixed assets<br>*1,891,448*** | Investments<br>*19,085,955* |
| Net current assets<br>*2,140,363* | Misc.expenditure<br>*24,962* |
| Accumulated losses<br>*Nil* | Deferred tax<br>*74,247* |

** Includes Rs. 120,542 thousands in respect of capital work in progress

**IV. Performance of Company**

| | |
|---|---|
| Turnover<br>*9,713,082* | Total expenditure<br>*6,484,042* |
| Profit before tax<br>*3,229,040* | Profit after tax<br>*3,124,688* |

| | |
|---|---|
| Earnings per share (in Rs.)<br>10.83 (Basic)<br>10.62 (Diluted) | Dividend rate %<br>*200%* |

**V. Generic names of Principal Products/Services of Company (as per monetary terms)**

## SCHEDULES FORMING PART OF THE ACCOUNTS

All amounts in thousands of rupees, unless otherwise stated

Product description: Software

Item code (ITC code): 852490

For HCL Technologies Limited

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Noida (UP), India
Date: September 12, 2003

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF HCL TECHNOLOGIES LIMITED (FORMERLY HCL CONSULTING LIMITED)

1. We have examined the attached Consolidated Balance Sheet of HCL Technologies Limited and its subsidiaries as at 30 June 2003 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

2. These financial statements are the responsibility of the management of HCL Technologies Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Infosystems America Inc., United States of America, Insys Inc., Canada, FEC Infosystems Pte. Ltd, Singapore, HCL Infosystems (Malaysia) Sdn. Bhd., Malaysia, Infosystems Europe Limited, United Kingdom, Infosystems Bermuda Limited, Bermuda, Infosystems Australia Pty. Limited, Australia, HCL Enterprise Solutions Limited, Mauritius and HCL Holdings GmbH, Austria, subsidiaries of the Company, HCL Perot Systems N.V., Netherlands, HCL Answerthink Inc., United States of America and Aquila Technologies Private Limited, India, joint ventures of the Company, whose financial statements reflect total assets (excluding inter group assets) of Rs. 277.59 crores as at 30 June 2003 and total revenue (excluding inter group revenue) of Rs. 671.69 crores for the year then ended. The statutory financial statements of HCL Perot Systems N.V. and its subsidiaries for the year ended 31 December 2002 are pending approval from the Board of Directors. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, joint ventures and associates, is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS-27, Financial reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of HCL Technologies Limited its subsidiaries, joint ventures and associates as listed in Note 1(b) of Schedule 20 of the consolidated financial statements of the Company.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of HCL Technologies Limited and its aforesaid subsidiaries, joint ventures and associates, we are of the opinion that:

   (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of HCL Technologies Limited and its subsidiaries as at 30 June 2003;

   (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of HCL Technologies Limited and its subsidiaries for the year then ended; and

   (c) the Consolidated Cash Flow Statement gives a true and fair view of the cash flows of operations of HCL Technologies Limited and its subsidiaries for the year then ended.

For **BSR & Co.**
*Chartered Accountants*

**Rajesh Jain**
*Partner*
Membership No:081203

Place: Gurgaon, India
Date: September 12, 2003

**Consolidated Balance Sheet as at 30 June 2003**

(All amounts in crores of rupees, except share data and unless otherwise stated)

| | Schedule | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareolder's funds** | | | |
| Share capital | 1 | 57.66 | 57.58 |
| Equity shares to be issued as per approved scheme of arrangement | 20(4) | 1.42 | - |
| Employee stock compensation liability | 20(7) | 9.88 | - |
| Share application money pending allotment | | 0.29 | 1.33 |
| Reserves and surplus | 2 | 2,229.81 | 1,943.01 |
| | | 2,299.06 | 2,001.92 |
| | | | |
| **Minority interest** | | **49.32** | **32.69** |
| **Loan funds** | | | |
| Secured loans | 3 | 53.26 | 4.65 |
| Unsecured loans | 4 | 0.41 | - |
| | | 53.67 | 4.65 |
| | | **2,402.05** | **2,039.26** |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 5 | | |
| Gross block | | 910.76 | 673.59 |
| Less : Accumulated depreciation | | (447.32) | (243.22) |
| Net block | | 463.44 | 430.37 |
| Capital work in progress (including capital advances) | | 32.52 | 22.51 |
| | | 495.96 | 452.88 |
| **Investments** | 6 | 1,537.32 | 1,181.49 |
| **Deferred tax asset** | 20(5) | 27.29 | 0.88 |
| **Current assets, loans and advances** | | | |
| Inventories | 7 | 32.57 | 13.22 |
| Sundry debtors | 8 | 351.01 | 334.69 |
| Cash and bank balances | 9 | 179.17 | 177.72 |
| Loans and advances | 10 | 179.17 | 169.04 |
| Other current assets | 11 | 11.27 | 16.61 |
| | | 753.19 | 711.28 |
| **Less: Current liabilities and provisions** | 12 | (414.21) | (308.59) |
| **Net current assets** | | 338.98 | 402.69 |
| **Miscellaneous expenditure** (to the extent not written off or adjusted) | 13 | 2.50 | 1.32 |
| | | **2,402.05** | **2,039.26** |
| **Significant accounting policies and notes to the accounts** | 20 | | |
| The schedules referred to above form an integral part of the Balance Sheet | | | |

As per our report attached

**For BSR & Co.**
Chartered Accountants

**For HCL Technologies Limited**

**Rajesh Jain**
*Partner*
Membership no. 081203

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Gurgaon, India
Date: September 12, 2003

Place: Noida (UP), India
Date: September 12, 2003

## Consolidated Profit and Loss Account for the year ended 30 June 2003 (All amounts in crores of rupees, except share data and unless otherwise stated)

| | Schedule | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|---|
| **INCOME** | | | |
| Sales | 14 | 2,143.50 | 1,609.86 |
| Other income | 15 | 110.09 | 128.54 |
| | | **2,253.59** | **1,738.40** |
| **EXPENDITURE** | | | |
| Cost of goods sold | 16 | 79.58 | 119.16 |
| Cost of services | 17 | 1,208.88 | 808.66 |
| Administration and other expenses | 18 | 456.19 | 345.72 |
| Finance costs | 19 | 4.92 | 7.45 |
| Depreciation | 5 | 157.51 | 93.78 |
| | | **1,907.08** | **1,374.77** |
| | | | |
| **Profit before prior period item, tax, minority interest and share of loss of equity investees** | | 346.51 | 363.63 |
| Prior period item | 20(3) | (46.39) | - |
| **Profit before tax, minority interest and share of loss of equity investees** | | 300.12 | 363.63 |
| Provision for income tax - current | | (44.54) | (34.14) |
| Deferred tax benefit | | 16.51 | 2.79 |
| | | 272.09 | 332.28 |
| Provision for income tax of earlier years written back | | - | 5.35 |
| **Profit before minority interests and share of loss of equity investees** | | 272.09 | 337.63 |
| Share of loss of equity investees | | (0.43) | - |
| Share of minority shareholders | | (23.73) | (2.47) |
| | | 247.93 | 335.16 |
| Balance in profit and loss account brought forward | | 900.07 | 648.32 |
| Amount available for appropriation | | 1,148.00 | 983.48 |
| | | | |
| **APPROPRIATIONS** | | | |
| Proposed final dividend [including Rs. 0.05 crore (previous year Rs. 0.03 crore) paid for previous year] | | 59.16 | 43.21 |
| Corporate dividend tax on final dividend | | 7.57 | - |
| Interim dividend | | 57.69 | - |
| Corporate dividend tax on interim dividend | | 7.39 | - |
| Transfer to general reserve | | 31.25 | 40.20 |
| **Balance profit and loss account carried forward to the Balance Sheet** | | **984.94** | **900.07** |
| | | **1,148.00** | **983.48** |
| **Earnings per equity share** | | | |
| Basic | | 8.60 | 11.71 |
| Diluted | | 8.43 | 11.43 |
| **Weighted average number of equity shares used in computing earnings per equity share** | 20(12) | | |
| Basic | | 288,135,933 | 286,106,626 |
| Diluted | | 293,937,543 | 293,256,148 |
| **Significant accounting policies and notes to the accounts** | 20 | | |
| The schedules referred to above form an integral part of the profit and loss account. | | | |

As per our report attached

**For BSR & Co.**
Chartered Accountants

**Rajesh Jain**
*Partner*
Membership no. 081203

Place: Gurgaon, India
Date: September 12, 2003

**For HCL Technologies Limited**

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Noida (UP), India
Date: September 12, 2003

## Consolidated Cash Flow for the year ended 30 June 2003

(All amounts in crores of rupees, except share data and unless otherwise stated)

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 300.12 | 363.63 |
| **Adjusted for:** | | |
| Income from investments, interest and rent | (27.27) | (111.97) |
| (Profit)/loss on sale of investments | (58.17) | 0.54 |
| Depreciation and amortization | 157.51 | 93.78 |
| Finance charges on lease | 0.61 | 0.35 |
| (Profit)/loss on sale of fixed assets | (0.08) | 0.24 |
| Diminution in value of investments | 10.76 | 34.73 |
| Provision for doubtful debts | 7.98 | 44.88 |
| Premium amortized on bonds | 0.99 | 1.03 |
| Provision for diminution in value of investments written back | (9.79) | - |
| Provision for liabilities written back | (7.68) | (1.22) |
| Miscellaneous expenditure written off | 0.22 | - |
| Amortisation of stock compensation | 8.29 | - |
| Taxes paid | (23.11) | (11.50) |
| Decrease (increase) in sundry debtors | 34.26 | (101.77) |
| Decrease (increase) in inventories | (19.55) | 3.49 |
| Decrease (increase) in other current assets | 5.09 | (3.16) |
| Decrease (increase) in loans and advances | (43.87) | (4.57) |
| Decrease (increase) in miscellaneous expenditure (to the extent not written off) | (1.40) | (1.32) |
| Increase (decrease) in current liabilities and provisions | 72.35 | 30.94 |
| **Net cash from (used for) operating activities** | **407.26** | **338.10** |
| | | |
| **Cash flows from investing activities** | | |
| Investment in mutual funds (net) | (302.88) | (532.10) |
| Investment in equity investees | (2.17) | - |
| Investment in bonds (net) | 40.00 | 241.85 |
| Loan to Employees Stock Option Trust | (9.07) | (76.97) |
| Investment in venture capital funds | (9.52) | (18.69) |
| Proceeds from inter-corporate deposits | - | 25.00 |
| Purchase of fixed assets (including capital advances) | (145.93) | (104.05) |
| Proceeds from sale of fixed assets | 1.80 | 0.73 |
| Payments for business acquisition, net of cash acquired | (15.14) | (214.33) |
| Income from investments, interest and rent | 27.27 | 111.97 |
| Income taxes paid | (10.19) | (21.67) |
| Principal payment for capital lease obligations | (2.21) | (0.86) |
| **Net cash from (used for) investing activities** | **(428.04)** | **(589.12)** |
| | | |
| **Cash flows from financing activities** | | |
| Payments for capital lease obligations | (0.61) | (0.35) |
| Proceeds from short term loans | - | 179.56 |
| Repayment of short term loans | (5.92) | (179.56) |
| Proceeds from long term loans | 49.61 | - |
| Repayment of long term loans | (2.54) | - |
| Issue of share capital (including share application money pending allotment and net of share issue expenses) | 5.92 | 35.92 |
| Dividends paid (including corporate dividend tax) | (111.20) | (31.43) |
| **Cash flows from (used for) financing activities** | **(64.74)** | **4.14** |
| | | |
| Effect of exchange rates on cash and cash equivalents held in foreign currency | 5.03 | (5.75) |
| Cash and bank balances taken over during the acquisition of software business of HCLIS | 23.44 | - |
| Net increase (decrease) in cash and equivalents | (85.52) | (246.88) |
| Cash and equivalents at the beginning of the year (refer note 2) | 236.22 | 430.36 |
| **Cash and equivalents at the end of the year** | **179.17** | **177.73** |

## Consolidated Cash Flow for the year ended 30 June 2003

Notes:

1. Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature and any deferrals or accruals of past or future cash receipts or payments. Cash flows from regular revenue generating, financing and investing activities of the Company have been segregated and disclosed separately.
2. The opening balance of cash and cash equivalents include Rs. 58.49 crores in respect of cash and cash equivalents of the jointly controlled entities which have been proportionately consolidated in accordance with AS-27 on "Financial Reporting of Interests in Joint Ventures", issued by the ICAI.
3. The previous year figures have been recast or restated, wherever necessary, to conform to current year's classification.

As per our report attached

**For BSR & Co.**
Chartered Accountants

**For HCL Technologies Limited**

**Rajesh Jain**
*Partner*
Membership no. 081203

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Gurgaon, India
Date: September 12, 2003

Place: Noida (UP), India
Date: September 12, 2003

## SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 1 : SHARE CAPITAL | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Authorised** | | |
| 350,000,000 (previous year 350,000,000) equity shares of Rs. 2 each | 70.00 | 70.00 |
| **Issued, subscribed and paid up** | | |
| 288,436,638 (previous year 287,884,290) equity shares of Rs. 2 each, fully paid up. | 57.69 | 57.58 |
| Less: Face value of 151,374 (previous year nil) equity shares held by HCL Perot Systems NV ("HPS"), proportionately consolidated in accordance with AS-27 on "Financial Reporting for Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India (ICAI). | 0.03 | - |
| | **57.66** | **57.58** |

**Notes:**

1. The shareholders of the Company in the extra-ordinary general meeting held on 13 September 1999 authorised the splitting up of equity shares, in accordance with the provisions of Section 94 of the Companies Act, 1956. Accordingly, each equity share was split from par value of Rs. 10 each into 2.5 equity shares of par value of Rs. 4 each. The board of directors had fixed 1 November 1999 as the record date for determining the shareholders entitled to the split.
2. The shareholders of the company in the annual general meeting held on 20 October 2000 authorised the splitting up of equity shares, in accordance with the provisions of Section 94 of the Companies Act, 1956. Accordingly, each equity share has been further split from par value of Rs. 4 each into two equity shares of par value of Rs. 2 each. The Board of Directors had fixed 12 December 2000 as the record date for determining the shareholders entitled to the split.
3. Paid up share capital includes:
   - o 16,000,000 (previous year 16,000,000) equity shares of Rs. 2 each allotted as fully paid up, pursuant to consideration other than cash.
   - o 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve.
   - o 28,400,000 (previous year 28,400,000) equity shares of Rs. 2 each issued during the initial public offer of the company in December 1999.
   - o 11,075,562 (previous year 10,523,664) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on vesting of stock options issued under Employee Stock Option Plan 1999 of the Company.
   - o 450 (previous year Nil) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on vesting of stock options issued under the Employee Stock Option Plan 2000 of the Company.
4. Of the above shares, 159,572,772 (previous year 159,572,772) shares are held by HCL Corporation Ltd., India, (formerly Slocum Investments Private Limited), the holding company.

| Schedule 2: RESERVES AND SURPLUS | As at 1 July 2002 | Additions | Deletions | As at 30 June 2003 |
|---|---|---|---|---|
| Share premium account | 927.34 | 6.85 | 2.79 | 931.40 |
| | (890.64) | (36.70) | (-) | (927.34) |
| Foreign currency translation reserve | - | (2.31) | - | (2.31) |
| | (-) | (-) | (-) | (-) |
| General reserve | 115.60 | 75.42 | - | 191.02 |
| | (75.40) | (40.20) | - | (115.60) |
| Profit and Loss Account | 900.07 | 240.88 | 31.25 | 1,109.70 |
| | (648.32) | (291.95) | (40.20) | (900.07) |
| | **1,943.01** | **320.84** | **34.04** | **2,229.81** |
| Previous year | (1,614.36) | (368.85) | (40.20) | (1,943.01) |

**Notes:**

1. Addition to general reserve includes Rs. 34.68 crores (previous year nil) pursuant to the scheme of arrangement between the Company and HCL Infosystems Limited ("HCLIS") as approved by the Hon'ble High Court of Delhi on 8 July 2003.
2. Addition to the share premium account represents share premium in respect of allotment of equity shares to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999 and 2000.
3. Deletions from share premium account represents excess of carrying value of investments over face value of the shares of the Company held by HPS, which has been proportionately consolidated in accordance with AS-27.
4. Addition to Profit and Loss Account includes a loss of Rs. 0.80 crores (Previous year Rs nil) being the Company's share for investments made in equity associates pertaining to prior years in accordance with the transitional provisions of AS-23 on "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India (ICAI).

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

5. Addition to Profit and Loss Account and General reserve also includes Rs. 125.56 crores (Previous year Rs. nil) and Rs. 9.49 crores respectively, being the Company's share on account of proportionate consolidation of joint ventures, pertaining to prior years in accordance with the provisions of AS-27.
6. Foreign Currency Translation reserve represents exchange differences arising on the translation of all assets and liabilities at closing rates and income and expenses at weighted average exchange rates in respect of non-integral operations in accordance with AS-11 (revised) on "The Effects of Changes in Foreign Exchange Rates", issued by the ICAI.
7. Previous year figures are in brackets.

| Schedule 3: SECURED LOANS | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Foreign currency loans from banks | 46.45 | - |
| Finance lease obligations (secured by hypothecation of leased vehicles) | 6.81 | 4.65 |
| | **53.26** | **4.65** |

**Note:**
The foreign currency have been secured by hypotehcation of first and pari passu charge on stocks, book debts and other receivables and moveable plant and machinery, both present and future.

| Schedule 4 : UNSECURED LOANS | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| From financial institution | 0.41 | - |
| [Amount payable within one year is Rs. 0.10 crore (previous year Rs. nil) | | |
| | **0.41** | - |

| Schedule 5 : FIXED ASSETS | As at 1 July 2002 | Additions | Deletions | Translation Differences | As at 30 June 2003 |
|---|---|---|---|---|---|
| **GROSS BLOCK** | | | | | |
| Intangible Assets | | | | | |
| Goodwill | 249.00 | 21.37 | 0.78 | 3.93 | 273.52 |
| Intellectual property rights | 1.50 | - | - | - | 1.50 |
| Non-compete agreements | 0.59 | 3.67 | - | - | 4.26 |
| Freehold land | 11.65 | 4.99 | - | - | 16.64 |
| Leasehold land | 12.34 | 13.98 | - | - | 26.32 |
| Buildings | 56.55 | 24.88 | - | (1.75) | 79.68 |
| Plant and machinery - Owned | 87.74 | 29.01 | 1.86 | (0.32) | 114.57 |
| - Leased | 0.01 | - | - | 0.05 | 0.06 |
| Computers - Owned | 112.73 | 72.59 | 1.76 | (6.15) | 177.41 |
| - Leased | 0.09 | - | - | 0.08 | 0.17 |
| Mainframe computer system | 5.29 | 0.81 | - | - | 6.10 |
| Software | 53.89 | 20.52 | 0.02 | 8.13 | 82.52 |
| Furniture and fixtures - Owned | 72.82 | 39.70 | 1.84 | 3.18 | 113.86 |
| - Leased | 0.28 | - | - | (0.05) | 0.23 |
| Vehicles - Owned | 3.97 | 1.99 | 0.53 | (0.02) | 5.41 |
| - Leased | 5.14 | 4.50 | 1.05 | (0.08) | 8.51 |
| | **673.59** | **238.01** | **7.84** | **7.00** | **910.76** |
| Previous Year | 305.63 | 370.40 | 2.44 | - | 673.59 |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

| ACCUMULATED DEPRECIATION | As at 1 July 2002 | Additions | Deletions | Translation Differences | As at 30 June 2003 |
|---|---|---|---|---|---|
| Intangible Assets | | | | | |
| Goodwill | 65.88 | 67.77 | - | 2.57 | 136.22 |
| Intellectual property rights | 1.50 | 0.97 | - | - | 2.47 |
| Non-compete agreement | 0.04 | 0.71 | - | - | 0.75 |
| Leasehold land | 0.39 | 0.52 | - | 0.01 | 0.92 |
| Building | 5.73 | 4.09 | - | (0.71) | 9.11 |
| Plant and machinery - Owned | 36.98 | 26.37 | 0.29 | (0.39) | 62.67 |
| - Leased | 0.01 | - | - | 0.05 | 0.06 |
| Computers- Owned | 62.91 | 52.86 | 1.07 | (4.43) | 110.27 |
| - Leased | x0.03 | 0.03 | - | 0.07 | 0.13 |
| Mainframe computer system | 5.29 | 0.13 | - | - | 5.42 |
| Software | 33.51 | 16.34 | - | 7.13 | 56.98 |
| Furniture and fixtures- Owned | 28.49 | 28.85 | 1.18 | 1.38 | 57.54 |
| - Leased | 0.17 | 0.01 | - | 0.05 | 0.23 |
| Vehicles - Owned | 1.60 | 1.19 | 0.27 | (0.01) | 2.51 |
| - Leased | 0.69 | 1.64 | 0.21 | (0.08) | 2.04 |
| | **243.22** | **201.48** | **3.02** | **5.64** | **447.32** |
| Previous Year | 131.03 | 113.75 | 1.56 | - | 243.22 |
| Net Block | **430.37** | | | | **463.44** |
| Previous Year | 174.60 | | | | 430.37 |
| Capital Work in progress | **22.51** | | | | **32.52** |
| Previous Year | 31.02 | | | | 22.51 |

**Notes:**

1. The freehold land at Gurgaon costing Rs. 1.01 crores (previous year Rs. 1.01 crores), included in opening gross block has not yet been transferred in the name of the company.

2. Additions to fixed assets include a building at Kolkata costing Rs. 0.49 crores (previous year - nil), acquired pursuant to acquisition of software business of HCLIS, which have not yet been transferred in the name of the Company.

3. Gross block of plant and machinery as on 30 June 2003 includes Rs. 6.64 crores (previous year Rs. 4.73 crores) in respect of assets given on operating leases. The accumulated depreciation on these assets upto 30 June 2003 and the depreciation for the period ended on that date amounted to Rs. 2.50 crores (previous year Rs. 1.47 crores) and Rs. 1.03 crores (previous year Rs. 0.56 crores) respectively.

4. Additions to gross block and accumulated depreciation include Rs.16.53 crores and 12.67 crores respectively on account of assets acquired pursuant to the scheme of arrangement between the Company and HCLIS. Additions to accumulated depreciation in the previous year include Rs.13.42 crores and 6.55 crores on account of assets acquired pursuant to the acquisition of DSL Software Limited, HCL Technologies (Mass.) Inc. (formerly Gulf Computers Inc.) respectively.

5. Additions to fixed assets and accumulated depreciation include Rs. 68.91 crores and Rs. 31.30 crores respectively in respect of Company's share of fixed assets on account of proportionate consolidation of joint ventures, pertaining to prior years.

6. Translation differences represent exchange differences on translation of fixed assets of non-integral operations in accordance with the provision of AS 11 (revised) on "Accounting for the Effects of Changes in Foreign Exchange Rates", issued by the ICAI.

**SCHEDULES FORMING PART OF THE ACCOUNTS**

(All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 6 : **INVESTMENTS** | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Long term investments** | | |
| ***Non trade and quoted*** | | |
| Investment in 2,360,025 shares (previous year 2,460,025 shares) of Zamba Corporation, United States of America | 4.45 | 4.77 |
| Less: Provision for diminution | (2.03) | (1.79) |
| | 2.42 | 2.98 |
| ***Non trade and unquoted*** | | |
| **Investments in associates and joint ventures** | | |
| 40,075,000 shares (previous year 40,075,000 shares) of Rs. 2 each, fully paid up in HCL Perot Systems, N.V., Netherlands | - | 8.20 |
| 720,000 shares (previous year 720,000) of Rs. 10 each in Net India Private Limited, India | - | 0.74 |
| 1,854,080 shares (previous year Nil) of no par value in Aalayance Inc., United States of America | 1.89 | - |
| | 1.89 | 8.94 |
| **Investment in venture capital funds** | | |
| Diamondhead Ventures, LLP | 22.61 | 20.94 |
| FCPR Viventures | 9.21 | 6.38 |
| Arena Capital Investment Fund, L.P | 38.03 | 34.74 |
| Carlyle Internet Partners, Europe | 10.75 | 7.52 |
| Carlyle Asia Venture Partners, L.P. | 15.20 | 14.82 |
| | 95.80 | 84.40 |
| Less: Provision for diminution | (25.64) | (14.30) |
| | 70.16 | 70.10 |
| **Others** | | |
| Harmony Software Inc., United States of America | 9.29 | 8.85 |
| Less: Provision for diminution in investment | (9.29) | (8.85) |
| | - | - |
| **Current Investments** | | |
| Investments in mutual funds-Non trade and unquoted | 1,294.25 | 899.67 |
| Less: Provision for diminution | - | (9.79) |
| | 1,294.25 | 889.88 |
| Investments in bonds and debentures – Non trade and unquoted | 168.60 | 209.59 |
| | **1,537.32** | **1,181.49** |

**Notes:**

1. Net asset value of investments in mutual funds as on 30 June 2003 - Rs. 1,405.31 crores (previous year Rs. 889.88 crores).
2. Market value of bonds and debentures as on 30 June 2003 - Rs. 189.44 crores (previous year Rs. 218.92 crores).
3. Market value of other quoted investments as on 30 June 2003 – Rs. 1.86 crores (previous year Rs. 2.64 crores).
4. HCL Perot Systems, N.V., Netherlands, HCL Answerthink Inc, Aquila Technologies Private Limited and Shipara Technologies Limited have been proportionately consolidated in accordance with AS-27 on "Financial Reporting of Interests in Joint Ventures", issued by the ICAI.
5. Investment in Net India Private Limited has been fully written off on loss recognised due to equity pick up in accordance with AS 23 on "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the ICAI.
6. Long term investment in Zamba Corporation include warrants to purchase 615,006 shares of investee's common stock. Warrants are exercisable at any time till 21 February 2007 at a per share purchase price of Rs. 28.32.

| Schedule 7 : **INVENTORIES** | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Networking equipment | 26.99 | 11.86 |
| Work in progress | 0.12 | 0.23 |
| Goods in transit | 5.46 | 1.13 |
| | **32.57** | **13.22** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 8 : SUNDRY DEBTORS – Unsecured | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Considered good | | |
| Debts outstanding for more than six months | 13.29 | 6.21 |
| Other debts | 337.72 | 328.48 |
| | 351.01 | 334.69 |
| Considered doubtful | | |
| Debts outstanding for more than six months | 63.06 | 37.90 |
| Other debts | 1.63 | 18.80 |
| | 64.69 | 56.70 |
| Less: Provision for doubtful debts | (64.69) | (56.70) |
| | **351.01** | **334.69** |

| Schedule 9 : CASH AND BANK BALANCES | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Cash in hand | 0.31 | 0.14 |
| Cheques in hand | 1.49 | 23.18 |
| Remittances in transit | 23.22 | 19.85 |
| Balances with scheduled banks | | |
| - On current accounts in Indian rupees [includes Rs. 0.46 crores (previous year Rs.0.09 crores in unclaimed dividend account)] | 13.13 | 5.15 |
| - On current accounts in foreign currency | 18.16 | 43.20 |
| - On fixed deposit accounts in Indian rupees [pledged with banks as security for guarantees and letter of credit- Rs. 5.55 crores (previous year Rs. 0.12 crores)] | 12.51 | 42.03 |
| - On fixed margin money deposit account | - | 0.42 |
| **Balance with non-scheduled banks** | | |
| - On Current account | | |
| ABN Amro Bank, N.V., Germany | 0.25 | - |
| ABN Amro Bank, N.V., Netherlands | 0.17 | - |
| Banca Popolare di Sondrio, Italy | 0.02 | 0.03 |
| Australia and New Zealand Banking Group Ltd., Sydney, Australia | 1.77 | 1.46 |
| Australia and New Zealand Banking Group Ltd., Wellington, New Zealand | 0.42 | 0.19 |
| Bank of America, United States of America | 4.10 | 0.03 |
| Bank of Bermuda, Bermuda | 0.18 | 0.18 |
| Bank of Butterfield, Bermuda | 0.13 | - |
| Bank of Ireland, Ireland | 0.09 | - |
| Bank of Ireland - collection account, Belfast, Ireland | 7.81 | 2.39 |
| Bank of Ireland - payment account, Belfast, Ireland | 1.00 | 1.56 |
| Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan | 1.79 | 2.95 |
| Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan | 0.09 | 0.28 |
| Bankers Trust, New York, United States of America | - | 0.79 |
| Bank Brussels Lambert, Brussels, Belgium | 0.20 | 0.06 |
| Banque St. Generale, France | 0.02 | - |
| Barclays Bank Plc, United Kingdom | 2.31 | - |
| Chevy Chase Bank, Virginia, United States of America | 0.01 | - |
| Citi Bank N.A. Singapore-SGD | 0.11 | - |
| Citi Bank N.A. Singapore-USD | 0.16 | - |
| Citi National Bank, United States of America | 0.02 | 0.02 |
| Creditanstalt AG, Vienna, Austria | 0.51 | 0.53 |
| Deutsch Bank, Hungary | 0.10 | - |
| Deutsche Bank, New York, USA | 1.80 | - |
| Deutsche Bank, Singapore | - | 0.18 |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 9 : **CASH AND BANK BALANCES (Contd.)** | **As at 30 June 2003** | **As at 30 June 2002** |
|---|---|---|
| Deutsche Bank, Singapore (2nd account) | 0.43 | 0.51 |
| Deutsche Bank, London, United Kingdom | (1.66) | 0.02 |
| Dresdner Bank, Frankfurt, Germany | 0.27 | 0.20 |
| DSL Bank, Frankfurt, Germany | 0.18 | 1.17 |
| First Union National Bank, Delaware, United States of America | - | 6.18 |
| Fleet Bank, Boston, United States of America | 0.06 | 0.03 |
| Hong Kong & Shanghai Banking Corporation Limited, Hong Kong | 0.80 | 1.93 |
| Hong Kong & Shanghai Banking Corporation Limited, Mauritius | 0.37 | - |
| Hong Kong & Shanghai Banking Corporation Limited, Malaysia | 4.31 | - |
| Hong Kong & Shanghai Banking Corporation Limited, United States of America | 0.52 | - |
| Hong Kong & Shanghai Banking Corporation Limited, Sydney | 0.77 | - |
| Indian Overseas Bank, Singapore, SGD Account | 10.65 | - |
| Indian Overseas Bank, Singapore, USD Account | 0.23 | - |
| Industrial and Commercial Bank, Singapore, SGD Account | 0.24 | - |
| Lloyds TSB, London, United Kingdom | 2.97 | 2.88 |
| May Bank, Malaysia | 0.22 | - |
| National Bank of Dubai, Dubai | 0.75 | - |
| PNC Bank | 9.77 | - |
| Public Bank Bhd, Malaysia | 10.38 | - |
| SBI International (Mauritius) Ltd., Mauritius | 0.07 | 0.11 |
| Scotia Bank, Winnipeg, Canada | 0.20 | - |
| South Shore Saving Bank, MA,USA | 0.70 | - |
| Skandinaviska Enskilda Banken AB, Stockholm, Sweden | - | 0.79 |
| Skandinaviska Enskilda Banken AB, Stockholm, Sweden (USD account) | 0.02 | 0.18 |
| Silicon Valley Bank, CA, USA, United States of America | 23.42 | 13.08 |
| Standard Chartered Bank, Malaysia | 0.01 | - |
| Standard Chartered Bank, Singapore | 3.74 | - |
| Sumitomo Bank limited, Tokyo, Japan | 0.42 | 0.19 |
| Sun Trust Bank | 0.39 | - |
| UBS AG, Switzerland | 4.16 | - |
| Wells Fargo Bank, CA, United States of America | 0.95 | 0.03 |
| Wells Fargo Bank, CA, United States of America | 0.79 | 0.44 |
| **- On Deposit accounts** | | |
| Australia and New Zealand Banking Group Limited, Sydney, Australia –USD account | 1.57 | 1.62 |
| Australia and New Zealand Banking Group Limited, Wellington, New Zealand - Call Account | 0.02 | 0.01 |
| Australia and New Zealand Banking Group Limited, Sydney, Australia - Cash Management | 3.60 | 0.01 |
| Australia and New Zealand Banking Group Limited, Wellington, New Zealand- USD account | 0.03 | 0.03 |
| Australia and New Zealand Banking Group Limited, Wellington, New Zealand -Serious Saver | 0.10 | 1.05 |
| Bank of Tokyo - Mitsubishi Limited, Tokyo, Japan | - | 0.24 |
| Hongkong & Shanghai Banking Corporation Limited, USD Account, United States of America | - | 0.30 |
| South Shore Savings Bank, MA, United States of America | 1.71 | 1.77 |
| Australia and New Zealand Banking Group Limited, Sydney, Australia – Term Deposits | 0.76 | 0.33 |
| ABN Amro Bank N. V., United Kingdom | 0.23 | - |
| Bank of America N.A., United States of America | 0.01 | - |
| Bank of Ireland, Ireland | 1.33 | - |
| Standard Chartered Bank, Singapore | 1.33 | - |
| UBS AG, Switzerland | 0.43 | - |
| Deutsche Bank Singapore | 0.04 | - |
| | **179.17** | **177.72** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 10 : LOANS AND ADVANCES | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| (Unsecured and considered good, unless otherwise stated) | | |
| Loans and advances recoverable in cash or in kind or for value to be received | | |
| - Considered good | 173.01 | 161.51 |
| - Considered doubtful | 2.22 | 0.62 |
| Interest receivable | 6.16 | 7.53 |
| | **181.39** | **169.66** |
| Less: Provision for doubtful advances | (2.22) | (0.62) |
| | **179.17** | **169.04** |

| Schedule 11 : OTHER CURRENT ASSETS | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Income accrued but not due | 11.27 | 16.61 |
| | **11.27** | **16.61** |

| Schedule 12 : CURRENT LIABILITIES AND PROVISIONS | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Current liabilities** | | |
| Sundry creditors | 248.22 | 153.15 |
| Other liabilities | 17.19 | 16.87 |
| Advance from customers | 6.96 | 3.02 |
| Deferred revenue | 0.21 | 0.26 |
| Advance billing | 41.33 | 33.42 |
| Unclaimed dividend | 0.46 | 0.01 |
| Interest accrued but not due | 0.02 | - |
| | **314.39** | **206.73** |
| **Provisions** | | |
| Provision for income tax [net of advance tax Rs. 92.83 crores (previous year Rs. 62.91 crores)] | 3.79 | 9.48 |
| Proposed dividend (including corporate dividend tax) | 66.68 | 43.18 |
| Provision for sales tax and other taxes payable | - | 10.17 |
| Provision for warranties | 1.38 | 0.77 |
| Provision for staff benefits | 27.97 | 38.26 |
| | **99.82** | **101.86** |
| | **414.21** | **308.59** |

| Schedule 13 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| Product development cost | 2.72 | 1.32 |
| Less: Amortised during the year | 0.22 | - |
| | **2.50** | **1.32** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 14 : SALES | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Software and related technical services | 1,986.93 | 1,483.17 |
| Networking equipment and software | 156.57 | 126.69 |
| | **2,143.50** | **1,609.86** |

| Schedule 15 : OTHER INCOME | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Interest income | | |
| - On fixed deposits | 3.26 | 19.95 |
| - Inter-corporate deposits | - | 0.01 |
| - On bonds | 15.64 | 29.37 |
| - From customers | 1.75 | - |
| - Others | 1.06 | 0.65 |
| Exchange gain (net) | - | 7.45 |
| Rent received | - | 0.19 |
| Income from trade investments | | |
| -Dividend | 2.48 | 61.80 |
| - Others | - | 2.27 |
| Provision for liabilities not required written back | 7.68 | 1.22 |
| Profit on sale of investments (net) | 58.17 | - |
| Profit on sale of fixed assets (net) | 0.08 | - |
| Miscellaneous income | 10.18 | 5.63 |
| Provision for diminution in value of investments written back | 9.79 | - |
| | **110.09** | **128.54** |

| Schedule 16 : COST OF GOODS SOLD | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Opening stock | 11.86 | 10.01 |
| Purchases | 94.71 | 121.01 |
| Closing stock | (26.99) | (11.86) |
| | **79.58** | **119.16** |

| Schedule 17 : COST OF SERVICES | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| **Personnel expenses** | | |
| Salaries, wages and bonus | 850.08 | 469.87 |
| Contribution to provident and other funds | 67.94 | 41.93 |
| Staff welfare expenses | 13.46 | 7.52 |
| | **931.48** | **519.32** |
| **Others** | | |
| Software development expenses | 264.66 | 278.16 |
| Licence and transponder fee | 12.74 | 11.18 |
| | **1, 208.88** | **808.66** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

| Schedule 18 : ADMINISTRATION AND OTHER EXPENSES | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Rent | 49.28 | 29.51 |
| Electricity and water | 20.39 | 12.44 |
| Insurance | 14.84 | 7.45 |
| Repairs and maintenance | | |
| - Buildings | 1.80 | 0.81 |
| - Plant and machinery | 14.28 | 5.76 |
| - Others | 13.61 | 6.04 |
| Communication costs | 44.96 | 20.27 |
| Travel and conveyance | 162.15 | 108.79 |
| Business promotion | 3.49 | 2.22 |
| Legal and professional charges | 26.24 | 17.45 |
| Software license fee | 16.60 | 6.93 |
| Printing and stationery | 5.44 | 3.70 |
| Rates and taxes | 7.27 | 8.90 |
| Advertising and publicity | 1.37 | 1.66 |
| Postage and courier | 1.82 | 1.06 |
| Provision for current assets other than bills receivable | 0.47 | - |
| Donations | 0.83 | 0.63 |
| Recruitment, training and development | 18.22 | 10.15 |
| Provision for doubtful debts | 7.98 | 40.65 |
| Bad debts written off | 0.70 | 4.23 |
| Other establishment cost | 5.63 | 6.10 |
| Provision for diminution in value of investments | 10.76 | 34.73 |
| Loss on sale of fixed investments (net) | - | 0.54 |
| Loss on sale of fixed assets (net) | - | 0.24 |
| Premium amortized on bonds | 0.99 | 1.03 |
| Exchange loss (net) | 3.53 | - |
| Miscellaneous expenses | 23.54 | 14.43 |
| | **456.19** | **345.72** |

| Schedule 19 : FINANCE COSTS | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Interest – Banks | 0.35 | 2.08 |
| – Others | 1.51 | 1.04 |
| Bank charges | 3.06 | 4.33 |
| | **4.92** | **7.45** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees, except share data and unless otherwise stated)

### Schedule 20 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements are prepared and presented under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, to the extent applicable. The financial statements are prepared in Indian rupees rounded off to two decimals to crore.

(b) *Principles of consolidation*

These consolidated financial statements relate to HCL Technologies Limited ("HCL"), the parent company, its subsidiaries, joint ventures and associates, which are as follows:

| | Name of the company | Location | Holding percentage |
|---|---|---|---|
| | **Subsidiaries** | | |
| 1. | HCL Technologies America Inc. | United States of America | 100% |
| 2. | HCL Technologies Europe Limited | United Kingdom | 100% |
| 3. | HCL Technologies Netherlands BV | Netherlands | 100% |
| 4. | HCL Technologies GmbH | Germany | 100% |
| 5. | HCL Technologies Belgium NV | Belgium | 100% |
| 6. | HCL Technologies Sweden AB | Sweden | 100% |
| 7. | HCL Technologies Schweiz AG | Switzerland | 100% |
| 8. | HCL Technologies Italy SLR | Italy | 100% |
| 9. | HCL Technologies (Australia) Pty Limited | Australia | 100% |
| 10. | HCL Technologies (NZ) Limited | New Zealand | 100% |
| 11. | HCL Technologies (Hong Kong) Limited | Hong Kong | 100% |
| 12. | HCL Technologies Japan Limited | Japan | 100% |
| 13. | HCL Technologies South Africa (Proprietary) Limited | South Africa | 100% |
| 14. | HCL Comnet Systems & Services Limited | India | 99.88% |
| 15. | HCL Comnet Limited | India | 100% |
| 16. | HCL Technologies (Bermuda) Limited | Bermuda | 100% |
| 17. | HCL Venture Capital Limited | Bermuda | 100% |
| 18. | HCL Holdings GmbH | Austria | 100% |
| 19. | EServe Holdings Limited | Mauritius | 100% |
| 20. | HCL Technologies BPO Services Limited (formerly HCL EServe Technologies Limited) | India | 100% |
| 21. | HCL Enterprise Solutions Limited | Mauritius | 67.33% |
| 22. | HCL Technologies (Illinois) Inc. (formerly HCL Enterprise Solutions Inc.) | United States of America | 67.33% |
| 23. | HCL Enterprise Solutions (India) Limited | India | 77% |
| 24. | Intelicent India Limited | India | 100% |
| 25. | DSI Financial Solutions Pte. Limited | Singapore | 51% |
| 26. | DSL Software Limited | India | 51% |
| 27. | DSL GmbH | Germany | 51% |
| 28. | HCL Technologies NI Limited | United Kingdom | 90% |
| 29. | HCL Technologies (Mass.) Inc. (formerly Gulf Computers Inc.) | United States of America | 100% |
| 30. | HCL Jones Technologies, LLC | United States of America | 51% |
| 31. | HCL Jones Technologies (Bermuda) Limited | Bermuda | 51% |
| 32. | HCL m.a. Limited | United Kingdom | 51% |
| 33. | HCL Technologies (Mumbai) Limited | India | 100% |
| 34. | Infosystems (America) Inc.* | United States of America | 100% |
| 35. | Insys Inc.* | Canada | 100% |
| 36. | FEC Infosystems Pte Ltd* | Singapore | 100% |
| 37. | HCL Infosystems (Malaysia) Sdn. Bhd.* | Malaysia | 100% |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

| | | | |
|---|---|---|---|
| 38. | Infosystems (Europe) Limited * | United Kingdom | 100% |
| 39. | Infosystems Bermuda Limited * | Bermuda | 100% |
| 40. | Infosystems Australia Pty. Limited * | Australia | 100% |
| | * Refer note 4, Schedule 20 | | |
| **Joint Ventures** | | | |
| 1. | HCL Perot Systems NV | Netherlands | 50% |
| 2. | HCL Answerthink Inc. | United States of America | 50% |
| 3. | Shipara Technologies Limited ** | India | 70.54% |
| 4. | Aquila Technologies Private Limited | India | 24.85% |
| | ** Treated as subsidiary in the previous year as AS 27 on "Financial Reporting of Interests in Joint Ventures" was not applicable | | |
| **Associates** | | | |
| 1. | Aalayance, Inc. | United States of America | 19.03% |
| 2. | Net India Private Limited | India | 46.72% |

The consolidated financial statements have been prepared on the following basis:

The excess of cost to the parent company of its investment in subsidiaries over its portion of equity in subsidiaries at the respective date on which investment in subsidiaries was made is recognized in the financial statements as goodwill. The parent company's portion of equity in the subsidiary is determined on the basis of book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The financial statements of the parent company and subsidiaries are combined on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses after eliminating intra group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from intra group transactions have also been eliminated. The amount shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the post acquisition increase in the relevant reserve of the subsidiaries.

Investment in entities in which the parent company or its subsidiaries has joint control with one or more co-venturers, are reported using the proportionate consolidation method. The application of proportionate consolidation means that the Consolidated Balance Sheet and Profit and Loss Account includes the Company's share of assets, liabilities, income and expenses in the jointly controlled entities. For the purposes of applying proportionate consolidation, the Company uses the consolidated financial statements of the jointly controlled entities. Most of the procedures for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in subsidiaries.

Investment in entities in which the parent company or any of its subsidiaries has significant influence but not a controlling interest, are reported according to the equity method i.e. the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post-acquisition change in the investor's share of the net assets of the investee. The consolidated Profit and Loss Account includes the investor's share of the results of operations of the investee.

Minority interests' share of net profit is adjusted against the income to arrive at the net income attributable to the shareholders. Minority interests' share of net assets is disclosed separately in the Balance Sheet.

The consolidated financial statements are prepared, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements. The consolidated financial statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances.

(c) *Use of estimates*

The preparation of financial statements in conformity with the GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

(d) *Foreign exchange transactions and translation of financial statements of foreign operations*

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realized gains and losses on foreign exchange transactions during the year are recognized in the Profit and Loss Account. Foreign currency assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations are recognized in the Profit and Loss Account.

Foreign operations of the Company are classified into integral and non-integral. The financial statements of an integral foreign operation are translated as follows:

Revenue items, except opening and closing inventories and depreciation, are translated at weighted average rate. Opening and closing inventories are translated at the rate prevalent at the commencement and close respectively of the accounting period.

Monetary items are translated using the closing rate. Non-monetary items, other than investments and fixed assets, are translated using the exchange rate at the date of the transaction i.e. the date when they were acquired.

Fixed assets existing at the date of acquisition of a subsidiary are translated using the exchange rate at that date. For fixed assets acquired later, the exchange rate at the date of acquisition of fixed asset is used. Investments are translated at historical cost. The net exchange difference resulting from the translation of items in the financial statements of the subsidiary is recognized as income or expense for the period.

In respect of foreign operations identified as non-integral to the operations of the Company, the translation of functional currency into reporting currency is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gain or loss resulting from such translations is accumulated in a foreign currency translation reserve.

The premium or discount arising at the inception of the forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on forward contracts are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit/loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expense for the period.

Contingent liabilities are translated at the closing rate.

*(e) Revenue recognition*

Revenue from software developed on a time and materials basis is recognized as the services are rendered by the Company. Revenue from fixed price contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, up to the completion of contract are recognized immediately. Revenue from sale of licenses for the use of software applications is recognized on transfer of title in the user license. Revenue from annual technical service contracts is recognized on a pro rata basis over the period in which such services are rendered. Revenue from products developed for customers is recognized as a proportion of the sales value of the products sold by the customer, in accordance with the terms of the contract. Income accrued but not due represents revenue recognized on contracts to be billed in the subsequent period, in accordance with terms of the contract.

Revenue from the sale of networking equipment and software is recognized on delivery to the customer and excludes sales tax.

Revenue from installation services is recognized when installation of networking equipment at customer site is completed and accepted by the customer.

Revenue from network usage services is recognized upon actual usage of such services by customers based on either the time for which network is used or volume of data transferred or both.

Revenue from maintenance services is recognized ratably over the period of the contract.

Unaccrued income arising in respect of network usage services and maintenance services is calculated on the basis of unutilized period of service at the balance sheet date and represents revenue, which is expected to be earned in future period in respect of these services.

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, commission, brokerage and rent are recognized when the right to receive the same is established. Revenue from the sale of special import licenses is recognized when the licenses are actually sold.

*(f) Expenditure*

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities.

*(g) Inventory*

Inventories are valued at the lower of cost and net realisable value. The cost is calculated on the basis of weighted average cost method. The comparison of cost and net realisable value is made on an item-by-item basis.

*(h) Fixed assets*

Fixed assets are stated at cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work in progress.

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

*(i) Leases*

Assets given under finance lease are recognized as receivables at an amount equal to the net investment in the lease. The finance income is recognized based on periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

The assets given under operating lease are shown in the balance sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term.

The assets taken on finance lease are capitalized at an amount equal to fair value of the leased assets or the present value of the minimum lease payments, in case fair value of leased asset exceeds the present value of the minimum lease payments and liability of an equal amount is recognized. In case there is certainty that the Company shall obtain ownership of the asset by the end of the lease term, the asset is depreciated in accordance with the Company's accounting policy. In case there is no reasonable certainty, the asset is depreciated over the lease term or useful life, whichever is shorter. The lease payment is apportioned between finance charge and reduction of outstanding liability. The finance charge is allocated to periods over the lease term so as to produce a constant periodic rate of interest on remaining liability.

Lease payments under an operating lease are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

*(j) Depreciation*

Depreciation on fixed assets except leasehold land and leasehold improvement is provided on the straight-line method based on estimated useful lives, as determined by the management. Leasehold land is amortized over the period of lease. Leasehold improvement is amortized over a period of 4 years or the remaining period of the lease, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase. The management's estimates of the useful life of the various fixed assets is as follows:

| | Life (in years) |
|---|---|
| Buildings | 20 |
| Plant and machinery (including office equipment, air conditioners and electrical installations) | 4 to 5 |
| Computers (excluding mainframes) | 3 to 4 |
| Software | 3 to 3.5 |
| Mainframe computer systems (including related software) | 6 |
| Furniture and fixtures (including leasehold improvement) | 4 |
| Vehicles | 5 |

*(k) Intangible assets*

Intangible assets represent goodwill and identified amortisable intangible assets such as intellectual property rights and non-compete agreements, which arise or have been acquired through acquisitions.

Values have been assigned to the identified intangible assets based on management estimates. The intangible assets are amortized on the straight-line method over the periods during which the benefits are expected to accrue from these assets. The estimated useful lives of intangible assets are as follows:

| | |
|---|---|
| Goodwill | 5 years |
| Intellectual property rights | 4 years |
| Non-compete agreements | 3 to 5 years |

The carrying values of intangible assets are tested for impairment at each balance sheet date.

*(l) Investments*

Investments are classified into long term and current investments depending on management intent at the time of purchase of investments. Long-term investments are stated at cost and provision is made to recognize any decline, other than temporary, determined separately for each investment. Other than temporary diminution is recognized on the basis of management estimates and information submitted by the investees. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately for each category of investments.

*(m) Research and development*

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses, is capitalized under relevant heads.

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

*(n) Software product development*

Product development cost consisting of proportionate compensation costs of employees involved in product development, related travel cost and other direct cost are capitalized subsequent to achievement of technical feasibility of the product. All costs incurred until technical feasibility is achieved are expensed off as incurred. Product development costs are amortized in the ratio that current gross revenues for the product bear to the total current and future gross revenues for that product, or the straight line method over the remaining estimated economic life of the product, whichever is greater.

*(o) Warranty*

Provision for warranty is calculated on the basis of unexpired warranty period of equipment installed during the year and annual maintenance cost of equipment.

*(p) Income taxes*

Income tax expenses comprise current tax (i.e. the amount of tax for the period determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rate that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written up or down to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. The deferred tax liabilities/assets and tax expense are determined separately for parent, each subsidiary and joint venture and then aggregated.

*(q) Earnings per share*

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding at the year-end, except where the results are anti-dilutive.

*(r) Retirement benefits to employees*

*India*

Contributions to provident fund are deposited with a recognized provident fund. The Company contributes to a scheme administered by the Life Insurance Corporation of India in respect of superannuation. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

*Subsidiaries in the US*

The Company has a saving and investment plan under section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to income in the period in which they accrue. Leave encashment is provided in accordance with Company policy on full liability basis.

*Subsidiaries in Europe*

The Company has established pension plans for its employees of the subsidiaries in United Kingdom, Sweden, Netherlands and Northern Ireland.

*Subsidiaries in Australia*

As per local laws of Australia, the Company contributes to a fund approved by Government of Australia.

*(s) Employee stock based compensation*

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, is recognized as deferred stock compensation cost and amortized over the vesting period on a straight line basis.

Market price of a share on a given date means the price of the Company's share preceding the date of grant of option, on the stock exchange where there is highest trading volume.

**2.** During the year ended 30 June 2003, the Company adopted Accounting Standard 11 (revised) on "The Effects of Changes in Foreign Exchange Rates", issued by the Institute of Chartered Accountants of India. Consequently, the Company has recognized exchange difference on forward contracts in the Profit and Loss Account. The Company does not have any liabilities in respect of purchase of fixed assets. As a result of change in the accounting policy, the sundry debtors are lower by Rs. 3.21 crores, foreign currency translation reserve is lower by Rs. 2.31 crores and the profit for the year is lower by Rs. 5.52 crores.

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

**3.** During the year ended 30 June 2003, the Company became aware of certain potential accounting discrepancies in HCL Technologies America Inc., a wholly owned subsidiary, relating to recognition of revenues and related accounts receivable. The Company promptly conducted an enquiry into these accounting issues and internal control processes that led to this deficiency. This resulted in the overstatement of revenues and net profit for the year ended 30 June 2002 by Rs. 46.39 crores in the consolidated financial statements. Necessary corrections have been incorporated in the current year's financial statements of HCL Technologies America Inc. and this has been disclosed as prior period item in the consolidated financial statements.

**4. ACQUISITIONS**

During the year ended 30 June 2003, the Company has completed business acquisitions, which were accounted for under the purchase method. The consolidated financial statements include the operating results of each business from the dates of the respective acquisitions.

*Acquisition of an additional 16.33% in the ERP business of Computech Corporation and Systech Inc.*

In July 2001, the Company acquired a 51% equity interest in the Enterprise Resource Planning business of Computech Corporation and Systech Inc. through its subsidiary HES Enterprise Solutions Ltd., Mauritius, for cash. As per the shareholders agreement the Company has acquired an additional stake of 16.33% on 2 September 2002 for a cash consideration.

The additional purchase consideration has been allocated to the acquired assets and assumed liabilities as follows:

| | **Amount** |
|---|---:|
| Purchase consideration | **5.15** |
| Allocated to: | |
| Current assets | - |
| Fixed assets | - |
| Liabilities assumed | - |
| Goodwill | 5.15 |
| | **5.15** |

The balance 32.67% shares in the business are held by the shareholders of Computech Corporation and Systech Inc. (collectively referred to as the minority shareholders). As per the shareholders' agreement, the Company is required to acquire and the minority shareholders are required to sell the balance 32.67% interest in another two equal tranches which are due on 31 October 2003 and 31 January 2005.

The consideration for the acquisition of the balance 32.67% interest is payable in cash and is determinable based on future earnings and revenue.

*Software business of HCL Infosystems Limited (HCLIS)*

During the year, the Company entered into a Scheme of Arrangement with HCLIS, a fellow subsidiary, to acquire the software business of the latter, in accordance with the provisions of sections 391 to 394 of the Companies Act, 1956. The acquisition of the software services business of HCLIS is expected to consolidate the Company's practice in the area of end-user application and further expand its suite of offerings in the fast growing enterprise solution space. The Company had filed the Scheme of Arrangement with the Hon'ble High Court of Delhi, which accorded its approval on 8 July 2003. The appointed date of the scheme is 1 January 2003.

The Scheme of Arrangement envisages a share entitlement ratio of 2 equity shares of the Company for every 9 equity shares of HCLIS in consideration for the proposed business transfer. The Company has fixed 24 July 2003 as the record date for the transaction.

The Company has given effect to the approved Scheme of Arrangement from the appointed date in the current financial statements. The Company has recorded the assets and liabilities of the software business unit at the values appearing in the books of HCLIS as on the appointed date. The amount representing the surplus of net assets over the aggregate face value of the shares issued to the members of HCLIS has been credited to the general reserve in the books of account, in accordance with Scheme of Arrangement approved by the Hon'ble High Court of Delhi.

The Company has intimated the Registrar of Companies regarding the Scheme of Arrangement. The registration of Software Technology Parks acquired with the software business of HCLIS have been transferred to the name of the Company. The Company has filed an application with the Reserve Bank of India for transfer of investments in its name in respect of investments in Infosystems Bermuda Limited [holding company for Infosystems (America) Inc., Insys Inc., Canada, Infosystems Australia Pty Ltd. and Infosystems Europe Limited] and FEC Singapore Pte Ltd. [holding company for HCL Infosystems (Malaysia) Sdn. Bhd.], acquired pursuant to Scheme of Arrangement with HCLIS for purchase of its software division.

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

The purchase consideration was allocated to the assets taken over and the liabilities assumed in accordance with the Scheme of Arrangement as follows:

| | Amount |
|---|---|
| 7,090,990 shares to be allotted to the members of HCLIS at a par value of Rs. 2 per share as at 24 July 2003 (reflected in the financial statements as equity shares to be issued as per approved merger Scheme) | 1.42 |
| General reserve | 34.68 |
| | **36.10** |
| **Assets** | |
| Fixed assets | 3.20 |
| Cash and bank balances | 23.44 |
| Sundry debtors | 34.78 |
| Other current assets | 8.73 |
| | **70.15** |
| **Liabilities** | |
| Unsecured loan | 6.35 |
| Accounts payable | 21.13 |
| Deferred revenue | 1.71 |
| Other liabilities | 4.84 |
| Taxes payable | 0.02 |
| | **34.05** |
| Net assets taken over | **36.10** |

If the Company had accounted for the transaction in accordance with AS-14 on "Accounting for Amalgamations" ("AS-14"), the Company would have considered the fair value of the shares at the appointed date of the Scheme, for the purposes of determining the purchase consideration. Consequently, the Company would have recorded a goodwill amounting to Rs. 70.97 crores instead of the credit to the general reserve amounting to Rs. 34.68 crores. Accordingly, the amortisation of goodwill and profit for the year would have been lower by Rs. 7.10 crores.

*Business Process Outsourcing Division of HCL Infinet Ltd.*

On 21 January 2003, the Company through its subsidiary, HCL Technologies BPO Services Limited, acquired the BPO division of HCL Infinet Ltd. for a cash consideration of Rs. 2 crores. This acquisition would allow the Company to leverage the capabilities of the BPO division in the technical help desk area. The results of the operations of the business are consolidated in the Company's financial statements with effect from 1 January 2003.

The total purchase consideration for the above acquisition has been allocated to the acquired assets and assumed liabilities as follows:

| | Amount |
|---|---|
| Purchase consideration | **2.00** |
| Allocated to: | |
| Current assets | 0.13 |
| Fixed assets | 0.62 |
| Liabilities assumed | - |
| Goodwill | 1.25 |
| | **2.00** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees, except share data and unless otherwise stated)

### 5. COMPONENT OF DEFERRED TAX ASSETS / LIABILITIES

Components of deferred tax assets / liabilities are:

| | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Deferred tax assets:** | | |
| Business losses | 11.76 | - |
| Capital losses | - | 0.18 |
| Provision for diminution in value of investments | 0.07 | 1.57 |
| Provision for debtors | 2.13 | 1.48 |
| Accrued employee costs | 1.08 | 0.69 |
| Warranties | - | 0.37 |
| Excess of depreciation provided in books over depreciation allowable under the Income tax laws | 11.35 | 1.54 |
| Others | 1.30 | 0.17 |
| | **27.69** | **6.00** |
| **Deferred tax liabilities:** | | |
| Intangibles | 0.40 | - |
| On revenue contracts | - | 5.12 |
| | **0.40** | **5.12** |
| **Net deferred tax asset** | **27.29** | **0.88** |

Deferred tax asset in respect of business losses is recognized only if there is virtual certainty of realisation of such asset, which is dependent upon the generation of future taxable income. Management considers the projected future taxable income and tax strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is virtually certain that the Company will realize the benefits of these differences.

### 6. EMPLOYEE STOCK OPTION PLANS

**Employees Stock Option Plan 1999 (ESOP 1999)**

The shareholders of the Company in the extra-ordinary general meeting of the Company held on 13 September 1999 established the Employee Stock Option Plan 1999 of the Company, which provides for grant of options for 40,000,000 equity shares to employees of the Company and its subsidiaries. The plan is administered by a compensation committee comprising 3 directors, of which 2 are independent directors. Under the plan, stock options have been issued to the employees of the Company and its subsidiaries. Options granted to the employees of the Company and the subsidiaries prior to the period when the Company was listed were determined by the compensation committee and approved by the members in the general meeting.

Under the plan, options are issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the fair value of the share. Fair value of the shares means value determined by the management during the period the Company was unlisted. Subsequent to listing, fair value of shares means closing price of the Company's shares in the stock exchange with the highest trading volume on a given date in case the shares were not traded on that day, the closing price on the previous trading date.

Options granted to the employee of the Company and its subsidiaries after the Company was listed, have been determined by the compensation committee. Each option granted under the ESOP 1999 plan, entitles the holder to two equity shares of the Company. These options vest over a maximum period of 110 months from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

As at 30 June 2003, 10,927,381 (previous year 12,331,619) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999 plan.

| | Year ended 30 June | |
|---|---|---|
| | 2003 | 2002 |
| Options outstanding at the beginning of the year | 12,331,619 | 14,362,200 |
| Less: Forfeited during the year | (390,959) | (481,996) |
| Exercised during the year | (669,421) | (1,437,516) |
| Expired during the year | (343,858) | (111,069) |
| Options outstanding at the end of the year | **10,927,381** | **12,331,619** |

## SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees, except share data and unless otherwise stated)

**Employees Stock Option Plan 2000 (ESOP 2000)**

The shareholders' of the Company in the annual general meeting of the Company held on 20 October 2000 established the Employee Stock Option Plan 2000 of the Company, which provides for grant of options for 30,000,000 equity shares to employees of Company and its subsidiaries. The plan is administered by a compensation committee comprising 3 directors, of which 2 are independent directors.

Under the plan, options have been issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the market price on the date of grant of the shares, i.e. closing price of the Company's shares in the stock exchange with the highest trading volume on a given date and in case shares were not traded on that day, the closing price on the previous trading day. Each option granted under this plan entitles the holder to two equity shares of the company. These options vest over a maximum period of 104 months from the date of grant and are to be exercised within a period of five years from the date of vesting.

As at 30 June 2003, 8,814,611 (previous year 8,891,381) options were outstanding with the employees of the Company and its subsidiaries in respect of the ESOP 2000 plan.

| | Year ended 30 June | |
|---|---|---|
| | **2003** | **2002** |
| Options outstanding at the beginning of the year | 8,891,381 | 5,982,604 |
| Add: Granted during the year | 820,025 | 3,436,277 |
| Less: Forfeited during the year | (757,595) | (525,575) |
| Exercised during the year | (225) | - |
| Expired during the year | (138,975) | (1,925) |
| Options outstanding at the end of the year | **8,814,611** | **8,891,381** |

**HCL Technologies Limited Employee Trust**

During the year ended 30 June 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust (Trust). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issues these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

| | Year ended 30 June | |
|---|---|---|
| | **2003** | **2002** |
| Shares held at the beginning of the year | 4,768,301 | - |
| Add: Shares purchased during the year | 170,000 | 4,768,301 |
| Less: Shares issued to employees | (839,414) | - |
| Shares held at the end of the year | **4,098,887** | **4,768,301** |

**7.** Deferred employee stock compensation liability represents the future liability attributable to unvested stock options issued by HCL Perot Systems NV (HPS) to its employees under its stock option plans.

**8.** During the year ended 30 June 2000, the Company entered into software consulting and engineering service agreements with certain customers wherein these customers committed certain revenues. On achievement of the revenues and on fulfillment of the necessary conditions, stock options shall be granted by the promoter shareholder.

**9. SEGMENT REPORTING**

The Company operations predominately relate to providing software services, delivered to customers located globally. Further, subsidiaries are also engaged in the business of rendering networking services including sale of networking equipment, software and business processing outsourcing services, which is in the nature of customer contact centres and technical help desk. The Chairman of the Company, who is Chief Executive Officer evaluates the Company's performance and allocated resources based on an analysis of various performance indicators by services of the Company and geographic segmentation of customers.

Accordingly, revenue from services segment comprises the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

Revenue in relation to service segments is categorised based on items that are individually identifiable to that segment, while expenditure is categorised in relation to the associated turnover of the segment. Assets and liabilities are also identified to service segments.

Geographic segmentation is driven based on the location of the respective client. The principal geographical segments have been classified as America, Europe, India and others. Europe comprises business operations conducted by the Company in United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Northern Ireland and Switzerland. Since services provided by the Company within these European entities are subject to similar risks and returns, their operating results have been reported as one segment, namely Europe. India has been identified as a separate segment. All other customers, mainly in Japan, Australia, New Zealand, Singapore, Malaysia and Hong Kong are included in others. The Company is presenting only revenue for geographic segments. Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Hence, the Company believes that it is not practicable to provide segment disclosures relating to fixed assets and liabilities for geographic segments.

Financial information about the business segments for the year ended 30 June 2003 is as follows:

| | Software services | Networking services | Business process outsourcing services | Segment total | Inter segment trans-actions | Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| - External revenue | 1,869.10 | 156.57 | 117.83 | 2,143.50 | | 2,143.50 |
| - Internal revenue | - | 4.24 | 21.41 | 25.65 | (25.65) | - |
| **Total** | **1,869.10** | **160.81** | **139.24** | **2,169.15** | **(25.65)** | **2,143.50** |
| Identifiable operating expenses (net) | 1,428.79 | 138.75 | 142.77 | 1,710.31 | (25.65) | 1,684.66 |
| Depreciation and amortisation | 116.64 | 12.26 | 23.44 | 152.34 | | 152.34 |
| Foreign exchange (gain)/loss | 6.30 | (0.35) | (2.42) | 3.53 | | 3.53 |
| **Segment results** | **317.37** | **10.15** | **(24.55)** | **302.97** | | **302.97** |
| Unallocated corporate expenses | | | | | | (66.55) |
| Other income (net) | | | | | | 110.09 |
| **Profit before taxes** | **317.37** | **10.15** | **(24.55)** | **302.97** | | **346.51** |
| Prior period item | 46.39 | - | - | 46.39 | | 46.39 |
| Income tax expenses | | | | | | 28.03 |
| Minority interest | | | | | | 23.73 |
| Share of loss of equity investees | | | | | | 0.43 |
| **Net profit after taxes** | **270.98** | **10.15** | **(24.55)** | **256.58** | | **247.93** |
| Segment assets | 1,142.03 | 143.48 | 161.49 | 1,447.00 | (88.29) | 1,358.71 |
| Unallocated assets | | | | | | 1,457.55 |
| **Total assets** | | | | | | **2,816.26** |
| Segment liabilities | 265.73 | 62.29 | 153.04 | 481.06 | (88.29) | 392.77 |
| Unallocated liabilities | | | | | | 57.46 |
| **Total liabilities** | | | | | | **450.23** |
| **Other information** | | | | | | |
| Capital expenditure including capital work in progress | 173.24 | 8.42 | 40.68 | 222.34 | | 222.34 |
| Unallocated corporate capital expenditure | | | | | | 5.36 |
| **Total capital expenditure** | | | | | | **227.70** |
| **Significant non cash adjustments affecting segment results** | | | | | | |
| Provision for doubtful debts and bad debts written off | 5.43 | 2.98 | 0.27 | 8.69 | | **8.68** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

Financial information about the business segments for the year ended 30 June 2002 is as follows:

| | Software services | Networking services | Business process outsourcing services | Segment total | Inter segment trans- actions | Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| - External revenue | 1,374.21 | 195.22 | 40.43 | 1,609.86 | | 1,609.86 |
| - Internal revenue | | 1.94 | 0.90 | 2.84 | (2.84) | - |
| **Total** | **1,374.21** | **197.16** | **41.33** | **1,612.70** | **(2.84)** | **1,609.86** |
| Identifiable operating expenses (net) | 1,004.45 | 171.94 | 44.52 | 1,220.90 | (2.84) | **1,218.06** |
| Depreciation and amortisation | 71.61 | 7.97 | 9.14 | 88.73 | | **88.73** |
| Foreign exchange gain/(loss) | 13.23 | (0.31) | 2.04 | 14.96 | | **14.96** |
| **Segment results** | **311.38** | **16.94** | **(10.29)** | **318.03** | **-** | **318.03** |
| Unallocated corporate expenses | | | | | | 67.98 |
| Other income (net) | | | | | | 113.59 |
| **Profit before taxes** | **311.38** | **16.94** | **(10.29)** | **318.03** | | **363.64** |
| Income tax expenses | | | | | | 26.00 |
| Minority interest | | | | | | 2.47 |
| **Net profit after taxes** | **311.38** | **16.94** | **(10.29)** | **318.03** | | **335.17** |
| Segment assets | 935.28 | 132.35 | 93.23 | 1,160.86 | (18.04) | **1,142.82** |
| Unallocated assets | | | | | | 1,205.03 |
| **Total assets** | | | | | | **2,347.85** |
| Segment liabilities | 143.50 | 56.61 | 66.22 | 266.33 | (18.04) | 248.29 |
| Unallocated liabilities | | | | | | 97.64 |
| **Total liabilities** | | | | | | **345.93** |
| **Other information** | | | | | | |
| Capital expenditure including capital work in progress | 263.92 | 13.57 | 72.91 | 350.40 | | **350.40** |
| Unallocated corporate capital expenditure | | | | | | 11.49 |
| **Total capital expenditure** | | | | | | **361.89** |
| **Significant non cash adjustments affecting segment results** | | | | | | |
| Provision for doubtful debts and bad debts written off | 41.58 | 3.30 | - | 44.88 | | **44.88** |

The Company has four geographic segments: America, Europe, India and Others. Revenue from the geographic segments on domicile of the customer is as follows:

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| America | 1,356.35 | 1,108.46 |
| Europe | 420.08 | 165.43 |
| India | 159.42 | 211.06 |
| Others | 207.65 | 124.91 |
| | **2,143.50** | **1,609.86** |

**Other Information:**

No client individually accounted for more than 10% of the revenues during the year ended 30 June 2003.

**Segment accounting policies**

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

a) **Segment assets and liabilities**

All segment assets and liabilities have been allocated to the various segments on the basis of specific identification.

Segment assets consist principally of fixed assets, sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not however include unallocated corporate and treasury assets and net deferred tax assets.

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan in respect of leased vehicles. Segment liabilities do not include share capital, reserves and provision for income tax.

b) **Segment revenue and expenses**

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include miscellaneous income, income from investments and other income. Segment expenses do not include premium amortized on bonds and diminution allowance in respect of current and trade investments.

**10. RELATED PARTIES**

*a) Related parties where control exists*

HCL Corporation Limited, India, holding company (formerly Slocum Investments Private Limited)

*b) Related parties with whom transactions have taken place during the year*

**Fellow subsidiaries**
HCL Infosystems Limited
HCL Infinet Limited
HCL Office Automation Limited

**Joint ventures**
HCL Perot Systems N.V., Netherlands – 50% interest
Aquila Technologies Private Limited – 24.85% interest
HCL Answerthink Inc, United States of America – 50% interest
Shipara Technologies Limited, India – 70.54% interest

**Key Management Personnel**
Shiv Nadar – President, Chairman and Chief Executive Officer.
S. Raman – Chief Operating Officer and whole-time director.

**Others**
Sri Sivasubramaniya Nadar Educational & Charitable Trust
HCL Technologies Limited Employees Trust

*c) Transactions with related parties during the year*

| Particulars | Fellow subsidiaries | | Jointly controlled entities | | Others | | Key management personnel | |
|---|---|---|---|---|---|---|---|---|
| | Year ended 30 June | | Year ended 30 June | | Year ended 30 June | | Year ended 30 June | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Sale of materials and services | 4.61 | 39.25 | 2.12 | 0.16 | - | - | - | - |
| Purchase of materials and services | 14.23 | 16.83 | 5.35 | 1.35 | - | - | - | - |
| Payment for use of facilities | - | 0.78 | - | - | - | - | - | - |
| Receipt for use of facilities | - | - | 0.15 | 0.19 | - | - | - | - |
| Loans and advances (net of repayments) | 0.09 | 0.01 | - | - | (9.07) | - | - | - |
| Donations | - | - | - | - | 0.83 | 0.60 | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Purchase of capital equipments | 25.68 | 9.34 | - | 0.08 | - | - | - | - |
| Remuneration | - | - | - | - | - | - | 1.03 | 0.59 |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

d) *Outstanding balances as at 30 June 2003*

| Particulars | Fellow subsidiaries Year ended 30 June 2003 | Fellow subsidiaries Year ended 30 June 2002 | Jointly controlled entities Year ended 30 June 2003 | Jointly controlled entities Year ended 30 June 2002 | Others Year ended 30 June 2003 | Others Year ended 30 June 2002 | Key management personnel Year ended 30 June 2003 | Key management personnel Year ended 30 June 2002 |
|---|---|---|---|---|---|---|---|---|
| Debtors | 0.27 | 0.49 | 0.40 | 0.06 | - | - | - | - |
| Other receivables | 2.37 | 0.43 | 3.19 | 1.41 | - | - | - | - |
| Creditors | 12.11 | 1.04 | 1.11 | 0.55 | - | - | - | - |
| Other payables | - | 2.17 | - | 0.35 | - | - | - | - |

## 11. LEASES

ii) The future lease obligations in respect of assets taken on finance lease on or after 1 April 2001 are as follows:

| | Total minimum lease payments outstanding as on 30 June 2003 | Interest included in minimum lease payments | Present value of minimum lease payments |
|---|---|---|---|
| Not later than one year | 2.65 | 0.77 | 1.88 |
| Later than one year but not later than 5 years | 5.86 | 0.93 | 4.93 |
| | **8.51** | **1.70** | **6.81** |

ii) The Company leases office space and accommodation for its employees under operating leases cancelable at the option of the lessee for a period ranging between three to five years. The lease rental expense recognized in the profit and loss account for the year in respect of such leases entered into after 1 July 2001 is Rs. 39.88 crores (previous year Rs. 25.80 crores). The future minimum lease payments under such operating leases are as follows:

| | Amount |
|---|---|
| 2003-04 | 31.14 |
| 2004-08 | 179.18 |
| Thereafter | 21.83 |

iii) The Company has given networking equipment to its customers on operating lease, cancelable at the option of lessee for a maximum period of three years. The lease rental income recognized in the profit and loss account for the year in respect of such leases entered into after 1 July 2001 is Rs. 4.02 crores (previous year Rs. 1.37 crores). The future minimum lease receivables under such operating leases are as follows:

| | Amount |
|---|---|
| 2003-04 | 1.50 |
| 2004-08 | 0.65 |
| Thereafter | - |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

### 12. EARNINGS PER SHARE (EPS)

The computation of earnings per share is as follows:

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Net profit as per Profit and Loss Account for computation of EPS | 247.93 | 335.16 |
| Weighted average number of equity shares outstanding in computation of basic EPS | 288,135,933 | 286,106,626 |
| Dilutive effect of stock options outstanding | 3,119,600 | 7,149,522 |
| Dilutive effect of shares to be issued in accordance with the scheme of arrangement between the Company and HCLIS | 2,682,010 | - |
| Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS | 293,937,543 | 293,256,148 |
| Nominal value of equity shares | 2 | 2 |
| **Earnings per equity share** | | |
| Basic | 8.60 | 11.71 |
| Diluted | 8.43 | 11.43 |

### 13. COMMITMENTS AND CONTINGENT LIABILITIES

| | As at 30 June 2003 | As at 30 June 2002 |
|---|---|---|
| **Capital commitments** | | |
| Estimated amount of unexecuted capital contracts (net of advances and deposits) | **41.70** | **10.47** |
| **Other commitments** | | |
| Commitment to contribute to venture capital funds over the next two / three years | **43.64** | **58.94** |
| **Contingent liabilities** | | |
| Outstanding guarantees to various banks, in respect of the guarantees gives by those banks in favour of various subsidiaries. | 131.40 | - |
| Outstanding letters of credit | 1.34 | 0.11 |
| | **132.74** | **0.11** |

### 14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into forward foreign exchange contracts where the counter party is a bank. The forward foreign exchange contracts mature between one to six months. The Company considers the risk of non-performance by the counter party as negligible. The value of the forward foreign exchange contracts outstanding as on 30 June 2003 amounted to Rs 237.42 crores (previous year – nil).

**15.** The Company develops software for HCL Technologies Japan Limited, Japan ("HCLT Japan"), a subsidiary of HCL Technologies (Bermuda) Limited, Bermuda. During the year ended 30 June 1999, the tax authorities in Japan raised a demand on HCLT Japan for not withholding tax on payments to the Company during the period February 1998 to September 1998 amounting to Rs. 0.44 crores. In accordance with the terms of agreement between the Company and HCLT Japan, the withholding tax liability, if any, is payable by the Company. During the year ended 30 June 2000, the Company recovered all amounts due from HCLT Japan, on which, withholding tax was payable on remittance to India. However, the Company does not agree with the stance of the tax authorities in Japan. HCLT Japan has deposited Rs 0.44 crores with the tax authorities in Japan, under protest and has not deducted any tax from the remittance during the year ended 30 June 2000. The Company also invoked the mutual agreement provision under section 25 of the Convention between the Government of India and Government of Japan for the avoidance of double taxation and prevention of fiscal evasion in respect of taxes on income. The matter is now under the consideration of the competent authorities of India and Japan. If the competent authorities do not uphold the contention of the Company, there could be an additional tax liability amounting to Rs. 0.65 crores in respect of transactions between HCL and HCLT Japan. The management, based on legal advice, does not believe that any liability in this regard will crystallize and therefore, no provision has been made in the accounts in respect of this amount.

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

### 16. JOINT VENTURES

The Company has interest in the following jointly controlled entities:

| | Name of the Company | Shareholding | | Incorporated in |
|---|---|---|---|---|
| 1. | HCL Perot Systems, NV | 50% | | Netherlands |
| 2. | HCL Answerthink, Inc. | 50% | | United States of America |
| 3. | Aquila Technologies Private Limited | 24.85% | | India |
| 4. | Shipara Technologies Limited | 70.54% | | India |

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Company in the above jointly controlled entities (as per audited results made available) are given hereunder:

| | Year ended 30 June 2003 |
|---|---|
| Revenue from software services | 238.95 |
| Other income | 0.32 |
| **Total** | **239.27** |
| Personnel expenses | 135.97 |
| Other expenses | 68.85 |
| Finance charges | 0.11 |
| Depreciation | 16.93 |
| **Total** | **221.86** |
| **Net profit** | **17.41** |

| | As at 30 June 2003 |
|---|---|
| **Assets** | |
| Fixed assets (including goodwill of Rs. 14.15 crores) | 52.03 |
| Sundry Debtors | 55.90 |
| Cash and Bank Balances | 23.72 |
| Loans and Advances | 87.66 |
| Deferred tax asset | 3.99 |
| **Liabilities** | |
| Secured loans | 0.17 |
| Current liabilities and provisions | 42.30 |

### 17. MANAGERIAL REMUNERATION

| | Year ended 30 June 2003 | | Year ended 30 June 2002 |
|---|---|---|---|
| Salary | 7.74 | | 5.08 |
| Contribution to provident and other funds | 0.30 | | 0.22 |
| Other perquisites | 0.25 | | 0.37 |
| | **8.29** | | **5.67** |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

**18. AUDITOR'S REMUNERATION**

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Statutory audit | 3.13 | 1.35 |
| Tax audit fee | 0.34 | 0.12 |
| Other services | 0.85 | 0.22 |
| | **4.32** | **1.69** |

**19.** Maximum balances outstanding with non scheduled banks are as follows:

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Non-scheduled banks | | |
| -On Current account | | |
| ABN Amro Bank, N.V., Germany | 2.13 | - |
| ABN Amro Bank, N.V., Netherlands | 1.13 | - |
| Bana Popolare di Sondrio, Italy | 0.03 | 0.03 |
| Credit Suisse, Switzerland | - | - |
| Australia and New Zealand Banking Groups Ltd., Sydney, Australia | 3.73 | 1.46 |
| Australia and New Zealand Banking Groups Ltd., Wellington, New Zealand | 1.94 | 0.19 |
| Bank of America, United States of Ameria | 21.07 | - |
| Bank of America, Boston, United States of America | 0.02 | 0.03 |
| Bermuda, Bermuda | 0.17 | 0.24 |
| Bank of Butterfield, Bermuda | 0.40 | - |
| Bank of Ireland - collection account, Belfast, Ireland | 18.95 | 11.00 |
| Bank of Ireland, Ireland | 7.37 | - |
| Bank of Ireland - payment account, Belfast, Ireland | 8.66 | 3.23 |
| Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan | 5.12 | 4.88 |
| Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan | 0.37 | 0.80 |
| Bankers Trust, New York, United States of America | - | 1.58 |
| Bank Brussels Lambert, Brussels, Belgium | 1.50 | 0.67 |
| Banque St. Generale, France | 0.04 | - |
| Barclays Bank Plc, United Kingdom | 22.63 | - |
| Chevy Chase Bank, Virginia, United States of America | 0.14 | - |
| Citi Bank N.A. Singapore-SGD | 0.23 | - |
| Citi Bank N.A. Singapore-USD | 0.56 | - |
| Citi National Bank, United States of America | 0.02 | 0.09 |
| Creditanstalt AG, Vienna, Austria | 0.52 | 0.52 |
| Deutsch Bank, Hungary | 0.26 | - |
| Deutsche Bank, New York, United States of America | 0.08 | - |
| Deutsche Bank, Singapore | - | 1.66 |
| Deutsche Bank, Singapore (2nd account) | 0.06 | 1.67 |
| Deutsche Bank, London, United Kingdom | 4.38 | 0.04 |
| Dresdner Bank, Frankfurt, Germany | 1.33 | 0.69 |
| DSL Bank, Frankfurt, Germany | 4.22 | 1.52 |
| First National Bank, Sandten | - | - |
| First National Bank, Delaware, United States of America | - | - |
| First Union National Bank, Delaware, United States of America | - | 6.18 |
| Fleet Bank, Boston, United States of America | 0.06 | 0.03 |
| Hong Kong & Shanghai Banking Corporation Limited, Hong Kong | 2.62 | 1.93 |
| Hong Kong & Shanghai Banking Corporation Limited, Mauritius | 0.75 | - |
| Hong Kong & Shanghai Banking Corporation Limited, Malaysia | 4.31 | - |

**SCHEDULES FORMING PART OF THE ACCOUNTS** (All amounts in crores of rupees, except share data and unless otherwise stated)

| | Year ended 30 June 2003 | Year ended 30 June 2002 |
|---|---|---|
| Hong Kong & Shanghai Banking Corporation Limited, United States of America | 0.52 | - |
| Hong Kong & Shanghai Banking Corporation Limited, Sydney | 0.89 | - |
| Indian Overseas Bank, Singapore, SGD Account | 10.65 | - |
| Indian Overseas Bank, Singapore, USD Account | 0.45 | - |
| Industrial and Commercial Bank, Singapore, SGD Account | 1.33 | - |
| Lloyds TSB, London, United Kingdom | 21.52 | 7.42 |
| May Bank, Malaysia | 0.88 | - |
| National Bank of Dubai, Dubai | 1.56 | - |
| PNC Bank | 9.77 | - |
| Public Bank Bhd, Malaysia | 10.38 | - |
| SBI International (Mauritius) Ltd., Mauritius | 0.07 | 46.80 |
| Scotia Bank, Winnipeg, Canada | 0.33 | - |
| South Shore Saving Bank, MA,USA | 0.70 | - |
| Skandinaviska Enskilda Banken AB, Stockholm, Sweden | 0.79 | 28.18 |
| Skandinaviska Enskilda Banken AB, Stockholm, Sweden (USD account) | 0.18 | 0.67 |
| Silicon Valley Bank, CA, USA, United States of America | 68.14 | 56.58 |
| Standard Chartered Bank, Malaysia | 0.02 | - |
| Standard Chartered Bank, Singapore | 9.63 | - |
| Sumitomo Bank limited, Tokyo, Japan | 2.76 | 3.19 |
| Sumitomo Bank limited, Tokyo, Japan - USD account | 0.23 | 0.11 |
| Suntrust Bank, | 4.49 | - |
| UBS, AG Switzerland | 9.04 | - |
| Wells Fargo Bank, CA, United States of America | 6.14 | 2.56 |
| Wells Fargo Bank, CA, United States of America | 1.03 | 1.02 |

**20.** The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by October 2003 as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**21.** This is the first year of adoption of AS 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" and AS 27 – "Financial Reporting of Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India. Current year figures are not comparable to that extent.

**22.** Previous year figures have been re-classified/re-grouped and recast to conform to current year's classifications.

**For HCL Technologies Limited**

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**S L Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Noida (UP), India
Date: September 12, 2003

# Statement regarding Subsidiary Companies pursuant to section 212(3) and 212(5) of the Companies Act, 1956 As on June 30, 2003

| S. No. | Name of the Subsidiary Company | Financial year to which accounts relate | Holding Company's interest as at close of financial year of the Subsidiary Company | | Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far it concerns members of Holding Company which are not dealt with in the Company's accounts (*All amounts in Rupees thousands*) | | Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns Members of Holding Company which are dealt with in the Company's accounts | | Holding Company's interest as at June 30, 2003 incorporating changes since close of financial year of the subsidiary Company |
|---|---|---|---|---|---|---|---|---|---|
| | | | Shareholding (No. of Shares) | Extent of Holding (%) | For the year ended June 30, 2003 | For previous financial years | For the year ended June 30, 2003 | For the year ended June 30, 2002 | |
| 1 | HCL Technologies (Bermuda) Ltd., Bermuda | 30-Jun-03 | 109,170,638 | 100 | (261,453) | (300,760) | Nil | Nil | N.A. |
| 2 | HCL Technologies America Inc., USA* | 30-Jun-03 | 5,500,101 | 100 | (241,893) | (198,199) | Nil | Nil | N.A. |
| 3 | HCL Technologies Europe Ltd., UK* | 30-Jun-03 | 10,568,000 | 100 | 18,097 | (239,958) | Nil | Nil | N.A. |
| 4 | HCL Technologies Sweden AB* | 30-Jun-03 | 1,000 | 100 | (10,811) | (22,932) | Nil | Nil | N.A. |
| 5 | HCL Technologies (Netherlands) BV* | 30-Jun-03 | 400 | 100 | (29,685) | (33,227) | Nil | Nil | N.A. |
| 6 | HCL Technologies GmbH, Germany* | 30-Jun-03 | 1 | 100 | (19,750) | (29,047) | Nil | Nil | N.A. |
| 7 | HCL Technologies Italy SLR* | 30-Jun-03 | 19,800,000 | 99 | (501) | (212) | Nil | Nil | N.A. |
| 8 | HCL Technologies Belgium NV* | 30-Jun-03 | 2,750 | 100 | (4,122) | (456) | Nil | Nil | N.A. |
| 9 | HCL Technologies Australia (Pty.) Ltd.* | 30-Jun-03 | 1,979,393 | 100 | 13,950 | (4,149) | Nil | Nil | N.A. |
| 10 | HCL Technologies (New Zealand) Ltd.* | 30-Jun-03 | 10 | 100 | 5,513 | 5,416 | Nil | Nil | N.A. |
| 11 | HCL Technologies (Hongkong) Ltd.* | 30-Jun-03 | 193,167 | 100 | 6,832 | 7,324 | Nil | Nil | N.A. |
| 12 | HCL Technologies Japan Ltd.* | 30-Jun-03 | 4,400 | 100 | (27,403) | (8,225) | Nil | Nil | N.A. |
| 13 | HCL Technologies South Africa (Proprietary) Ltd.* | 30-Jun-03 | 896,100 | 100 | (185) | 6,381 | Nil | Nil | N.A. |
| 14 | HCL Holdings GmbH, Austria* | 31-Dec-02 | 6,500,000 | 100 | 2,969 | (336) | Nil | Nil | No Change |
| 15 | HCL Venture Capital Ltd., Bermuda* | 30-Jun-03 | 12,000 | 100 | (345) | (260) | Nil | Nil | N.A. |
| 16 | Intelicent India Ltd., India* | 30-Jun-03 | 106,070 | 99.93 | 32,550 | 17,522 | Nil | Nil | N.A. |
| 17 | HCL Comnet Systems and Services Ltd., India # | 30-Jun-03 | 12,793,904 | 99.88 | 101,516 | 123,602 | Nil | Nil | N.A. |
| 18 | Shipara Technologies Limited | 30-Jun-03 | 9,820,000 | 70.54 | (45,008) | 7,979 | Nil | Nil | N.A. |
| 19 | E-Serve Holding Limited* | 30-Jun-03 | 1,000,002 | 100 | (346) | (354) | Nil | Nil | N.A. |
| 20 | HCL Technologies BPO Services Ltd.* | 30-Jun-03 | 4,680,700 | 100 | (144,965) | (73,275) | Nil | Nil | N.A. |
| 21 | HCL Enterprise Solutions Ltd., Mauritius * | 30-Jun-03 | 40,400 | 67.33 | (172) | (212) | Nil | Nil | N.A. |
| 22 | HCL Technologies (Illinois) Inc. USA * | 30-Jun-03 | 337 | 67.33 | 738 | 21,682 | Nil | Nil | N.A. |
| 23 | HCL Enterprise Solutions (India) Ltd. * | 30-Jun-03 | 100,547 | 67.33 | 1 | (29) | Nil | Nil | N.A. |
| 24 | DSI Financial Solutions Pte Limited , Singapore* | 30-Jun-03 | 5,100 | 51 | (386) | 10,899 | Nil | Nil | N.A. |
| 25 | DSL Software Ltd., India * | 30-Jun-03 | 25,510 | 51 | 301,626 | 124,825 | Nil | Nil | N.A. |
| 26 | DSL GmbH, Germany * | 30-Jun-03 | 1 | 51 | 11,066 | 5,055 | Nil | Nil | N.A. |
| 27 | HCL Technologies NI Ltd.* | 30-Jun-03 | 4,000,001 | 90 | 4,551 | (3,580) | Nil | Nil | N.A. |
| 28 | HCL Technologies (Mass) Inc., USA * | 30-Jun-03 | 200 | 100 | (109,611) | 94,683 | Nil | Nil | N.A. |
| 29 | HCL Comnet Ltd. # | 30-Jun-03 | 499,840 | 99.88 | 18,226 | 36,274 | Nil | Nil | N.A. |
| 30 | HCL Jones Technologies LLC* | 30-Jun-03 | 1,000,000 | 51 | 21,986 | 1,955 | Nil | Nil | N.A. |
| 31 | HCL Jones Technologies (Bermuda) Limited* | 30-Jun-03 | 510 | 51 | 32,541 | (474) | Nil | Nil | N.A. |
| 32 | HCL m.a. Limited* | 30-Jun-03 | 102,000 | 51 | (11,182) | - | Nil | Nil | N.A |
| 33 | HCL Technologies (Mumbai) Limited. | 30-Jun-03 | 4,950,060 | 100 | 8,031 | - | Nil | Nil | N.A |

**Note:**

a) Subsidiaries marked with asterix ( * ) are held indirectly through HCL Technologies Bermuda Ltd.

b) # HCL Comnet Ltd. is held indirectly through HCL Comnet Systems & Services Limited.

**For HCL Technologies Limited**

**Shiv Nadar**
Chairman, President and CEO

**T S R Subramanian**
Director

**SL Narayanan**
Corporate Vice President - Finance

**Allwyn Noronha**
General Manager and Company Secretary

Place: Noida, UP(India)
Date: September 12, 2003

*The Department of Company Affairs, Ministry of Finance, Government of India, vide its approval letter no. 47/20/2003-CL-III dated 31st October, 2003 has granted exemption to the Company from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under Section 212 of the Companies Act, 1956 for the year ending June30, 2003. The Company would provide accounts/other information on the subsidiaries on specific requests made to it in this regard by investors.*

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