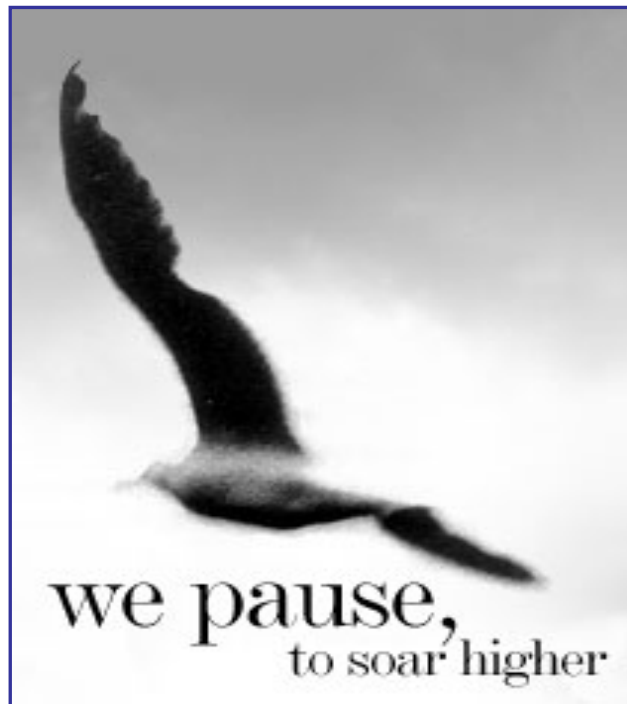


HCL Technologies Limited

Quarterly Results Update

Quarter ended September 30, 2002



HCL TECHNOLOGIES | **HCL**

powering imagination

21st October, 2002

Q1 FY2003 – Key Highlights

Financial Highlights

Revenues at Rs 4.4bn up 2.3% sequentially

Software services grew 7.4% sequentially. Organic software business continues to improve with a 2.3% sequential revenue growth

Non-organic revenues at Rs990.6mn, up 37.0% sequentially

Net income (before extraordinary provision) at Rs762.5mn, down 26.9% sequentially

Volumes up by 4.7% sequentially, effective dollar bill rates down by 1.4% (for organic software business)

Revenue from Europe at Rs 682.9mn, up 21.4% sequentially

Revenue from end user application up 39.9% sequentially, contributing 38.1% to revenues

Strong sequential revenue growth of 18.3% in DSL Software

HCL Jones, the JV in the retail vertical, off to a flying start. Run rate of \$2.4mn in the first quarter

Business Highlights

Total clients at 349, including 43 Global 500 clients

Total clients having a run rate of more than \$1mn stood at 64

Net addition of 693 employees during the quarter taking the total manpower strength to 7,156

The current top 10 clients of the company grew by 22.5% sequentially; contribute 43.5% to total revenues

3 new non-organic initiatives

Message from the CEO

Dear Shareholder,

Two of our non-organic initiatives, DSL Software and HCL Jones have performed very well this quarter.

The DSL experience indicates a lead time of at least two quarters before the revenues ramp up. Our intent will be to replicate this approach consistently with respect to other acquisitions as well.



Shiv Nadar

Contents inside

Performance review	3
Update on subs / JVs	4
Other business details	5
Operational metrics	7
Financials	8

Performance Review

Healthy performance of organic software business

Organic software business continues to improve with a 2.3% sequential revenue growth, despite a conscious move towards eliminating some onsite engagements with low growth potential.

Rs. mn	Q1FY02	Q2FY02	Q3FY02	Q4FY02	Q1FY03
Core software business	3166.9	3072.4	2918.0	3122.3	3195.2
Δ QoQ		-3.0%	-5.0%	5.7%	2.3%

... complemented by good performance of non-organic ventures

The non-organic entities continue to show good growth with QoQ growth of 37.0%. These contributed to 22.4% of this quarter's revenues.

Rs. mn	Q1FY02	Q2FY02	Q3FY02	Q4FY02	Q1FY03
HCLT non-organic	150.5	457.3	548.3	723.1	990.6
Δ QoQ		204.9%	19.9%	31.9%	37.0%
As % of revenues	4.0	11.4	13.4	16.1	22.4

Strong growth from top clients

The company's top clients continue to do well. The current top 10 clients of the company have grown by 22.5% sequentially and made up 43.5% of this quarter's revenues. The top 20 clients have grown by 22.8% sequentially and made up 56.0% of this quarter's revenues.

Rs. Mn	Q1FY02	Q2FY02	Q3FY02	Q4FY02	Q1FY03
Revenue % from top 10	29.2	35.9	38.2	39.3	43.5
Revenue % from top 20	40.1	46.3	50.1	51.8	56.0

Portfolio rebalancing exercise continue to yield good results...

The company's efforts to reduce dependence on technology R&D business continue. Applications made up 38.1% of this quarter's revenues as compared to 25.3% in Q1FY2002.

Rs. Mn	Q1FY02	Q2FY02	Q3FY02	Q4FY02	Q1FY03
Applications	942.2	1078.8	1142.1	1203.8	1683.7
Δ QoQ		14.5%	5.9%	5.4%	39.9%
As % of revenues	25.3	26.9	27.9	27.9	38.1

...which is also reflected in the increased contribution from Europe

HCL Tech has focused on increasing the revenues from Europe to reduce dependence on the North American geography. Revenues from Europe made up 15.4% of this quarter's revenues compared to 5.5% in Q1FY2002.

Rs. Mn	Q1FY02	Q2FY02	Q3FY02	Q4FY02	Q1FY03
Europe	205.2	369.2	453.1	562.7	682.9
Δ QoQ		79.9%	22.7%	24.2%	21.4%
As % of revenues	5.5	9.2	11.1	13.0	15.4

Update on subsidiaries/JVs

Performance of key existing entities

DSL Software	Robust performance. Revenue and EAT growth of 18% QoQ, gross margin at 50%, up from 43% last quarter. Healthy headcount addition, total manpower at 620, up from 534 last quarter. Annualised revenue run rate at Rs 1.4bn as compared to Rs 860mn, up by 63%, when JV was formed.
HCL Jones	Healthy run rate of Rs 115.9mn per quarter with EAT margin of 21%. Total manpower at 35. Currently targeting JAG, poised to emerge as a leading player in the retail IT services space.
HES	QoQ revenue growth of 13%. Headcount stands at 112, up from 100 last quarter.
HCL Technologies (Mass.) Inc <i>(formerly Gulf Computers)</i>	Revenues of Rs. 115.3mn in. Total headcount at 247. Certified at CMM level 5 for India delivery centres. Drop in run-rate attributable to the cyclical nature of business flows in Government projects.
HCLT NI	QoQ revenue growth of 16%. Number of call agents stand at 355. Has started targeting non-BT clients.
HCL E-Serve	Key clients include FACS and Sento Corporation. Headcount at 274. Adverse gross margins on outcome of high upfront investments in pilot projects, related training and travel costs.
HCL Comnet	Restructuring the business model with an objective of increasing focus on IT Infrastructure Management Services to Global clients based on successful domestic track record. Investing in infrastructure and people in expanding its Network Operations Centre (NOC) in India and setting up a NOC in NJ, US. Also investing rapidly on ITIL-based quality processes and tools for global service delivery. Current headcount of 462.

Key new initiatives

HCL ma	51:49 JV with m.a. partners formed in Aug '02 to strengthen presence in financial services. m.a. is a niche consulting firm working for prominent investment bankers. JV will target m.a. partners' client base, whilst enabling m.a. partners to provide end-to-end solutions.
Aquila Technologies	Acquisition of 35.5% stake in Aquila Technologies Pvt. Ltd, India, a software solutions provider in the areas of CAD/CAE PDM/CPC, Virtual-engineering frameworks, Visualisation, Image Processing and Computer Game Development. The alliance augments HCL Tech's engineering software and services expertise while providing new skills in the area of image processing and computer game development.
Sento Corporation	Strategic alliance with Sento Corporation, a US-based customer contact solutions company. The partnership will pioneer the effective delivery of blended-shore contact services to joint clients, utilizing Sento's domestic workforce and HCL Tech's workforce in India and Northern Ireland.

Other business details

New clients and projects

During the quarter, HCL Tech added 20 new clients, including 2 global 500 clients. As a part of the client rationalization programme, 33 clients were dropped taking the current tally of active clients to 349. The revenues of the company are diversified across its client base with very little dependence on a particular set of clients as can be seen from the table.

Revenue contribution for the quarter

From	%
Top 5	29
Top 10	44
Top20	56

The blue-chip clients added in this quarter include:

National Foods Ltd; Australia, GERS Retail Systems; US, a leading European automotive company, one of the largest retail groups in Australia, one of the world’s largest tobacco companies amongst others.

Select projects undertaken during the quarter

Maintenance of telecom applications for a global provider of products, technologies, solutions and services

HCL Tech is involved in maintenance of two telecom applications - service mediator and DAS for a global provider of product, technologies, solutions and services.

Optimisation of global vehicle development program for one of the world’s largest automobile manufacturers

HCL Tech is involved in development of Global Workload Manager that provides global access to product plans from multi-facility locations and facilitates allocation of budget and manpower needed to optimize the global vehicle development program.

Project for a Leading provider of multi-channel contact center solutions

HCL Tech is involved in feature enhancements to a contact center based application, Call Center porting and migration of Call Center architecture to an open systems based hardware platform for reduced cost and enhanced features for a leading provider of multi-channel contact centre solutions.

Application management and maintenance for one of USA’s top retail product companies

HCL Tech is involved in application management and maintenance for this client.

Benchmarking for a leading EDA tool vendor

HCL Tech is involved in benchmarking of client’s tool with industry standard ASIC synthesis tool for this leading EDA tool vendor.

Technology alliances formed:

- **A strategic alliance with Alventive** to deploy Alventive's Collaboration Solution worldwide. This alliance synergistically combines HCL Technologies' Outsourcing Services with Alventive's Collaborative Product Lifecycle Management (CPLM) software to provide a single source for creating, implementing, customizing and supporting CPLM solutions globally.

Marketing Initiatives

HCL Tech has created various reusable components while working on live projects. These reusable components have been packaged as HCL Tech IPs. Some of the IPs are:

- RIMS (Retail Infrastructure Management System)
- POS .Net Framework
- Generic XFS Framework
- Automotive hands free speaker phone

Human Resource Initiatives

In the current quarter company added 693 people on a net basis. The current headcount of the company (including subsidiaries) stands at 7,156. The current attrition rate is 7.9%.

Infrastructure

During the current quarter the company spent an amount of Rs208.4mn on capital expenditure. The total seat capacity (for HCL Tech standalone) at the end of the quarter stood at 5,141.

Current infrastructure

Location	Space sqft
Noida	1,66,812
Gurgaon	88,000
Chennai	419,163

Key operational metrics

HCL TECHNOLOGIES - ORGANIC S / W BUSINESS	JAS '02
REVENUE BREAKUP	
Gross Revenues (US\$K)	65,921
Offshore Centric	70%
Onsite	30%
BILLING RATES METRICS	
Billable Manpower - End of the Period	4578
Efforts billed (manmonths)	
Offshore Centric	9494
Onsite	1963
Total Efforts Billed	11457
less Subcontracted Efforts	509
Net Efforts	10,948
Capacity Utilisation	
Offshore Centric	83%
Onsite	92%
Average Billing Rates (\$'000/Manmonth)	
Offshore Centric	4.87
Onsite	10.02

HCL TECHNOLOGIES - CONSOLIDATED	JAS'02
FINANCIAL DETAILS	
Gross Revenues (US\$K)	91,281
Offshore Centric	77%
Onsite	23%
REVENUE BREAK UP	
Service Offerings	
Technology Development Services	33%
Networking Services	7%
Software Product Engineering Services	17%
Applications Engineering	38%
IT Enabled Services	5%
Geography	
US	70%
Europe	15%
India	7%
Rest of the world	8%
Repeat Business	83%
CLIENT CONCENTRATION	
Total no. of clients	349
No. of Million \$ Clients	64
No. of Global 500 clients	43
Contribution from:	
Top 5 clients	29%
Top 10 clients	44%
Top 20 clients	56%

MANPOWER DETAILS (END OF PERIOD)			
HCL Technologies (Organic software business)	5,243	HCL Comnet Systems and Services	462
Technical	4,578	Technical	261
Offshore	4,022	Support	201
Onsite	556	HCL Enterprise Solutions Inc.	112
Support	665	Technical	93
Sales and Marketing	106	Support	19
Others	559	DSL Software Ltd.	620
Offshore	480	Technical	565
Onsite	185	Support	55
Annualised Attrition (> 1 yr.)	7.9%	Shipara Technologies Ltd.	122
		HCL Jones	35
		HCLT (M)	244
		HCL E Serve Technologies Ltd.	274
		HCL Technologies NI Ltd.	44

Financials

(First Quarter analysis based on the unaudited US GAAP financial results for Q1FY 2002-03)

Consolidated Income Statement (as per US GAAP)

in Rs.mn

	Quarterly details				
	JAS'01	AMJ'02	JAS'02	ΔQoQ	ΔYoY
Gross Revenues	3723.9	4323.0	4424.4	2%	19%
Direct Costs	2011.5	2371.2	2408.7		
Gross Profits	1712.4	1951.8	2015.7	3%	18%
SG & A	754.6	901.2	1001.0		
Foreign Exchange Gains/ (Loss)	56.6	70.2	(13.7)		
EBIDTA	1014.5	1120.8	1001.0	-11%	-1%
Depreciation & Amortisation	103.5	176.6	204.9		
EBIT	911.0	944.2	796.1	-16%	-13%
Other Income, net	329.0	124.7	80.8		
EBT	1239.9	1068.9	876.9	-18%	-29%
Provision for Tax	118.7	58.4	128.5		
EAT	1121.3	1010.5	748.4	-26%	-33%
Share from equity investments	81.9	73.9	63.6		
Share of income / (loss) of minority shareholders	(5.0)	(41.4)	(49.5)		
Net Income	1198.1	1043.0	762.5	-27%	-36%
Stock based sales incentive (Non Cash)	(20.2)	(14.2)	2.2		
Extraordinary Provision	239.6	367.3	0.0		
Net Income (after sales incentive and provisions)	978.6	690.0	760.3	10%	-22%

Key ratios

	Quarterly details		
	JAS'01	AMJ'02	JAS'02
Gross Margin	46%	45%	46%
Opex/Gross revenue	20%	21%	23%
EBIDTA Margin	27%	26%	23%
Net income/Gross revenue	26%	16%	17%

Consolidated Balance Sheet (as per US GAAP)

in Rs.mn

	As On		
	Sep 30'01	June 30'02	Sep 30'02
ASSETS			
a. Cash and cash equivalents	3957.8	1710.5	1662.7
b. Accounts receivable, net	2693.9	3528.0	3975.4
c. Treasury Investments	9105.4	11156.3	11032.5
d. Other current assets	1436.5	1595.0	2059.7
A. Total current assets (a+b+c+d)	17193.6	17989.7	18730.4
B. Property and equipment, net	1681.9	2517.6	2497.9
C. Intangible assets, net	623.2	2201.7	2177.1
D. Investments in Venture Funds / Equity investees	3108.4	2324.6	2506.3
E. Other Assets	350.7	537.8	327.6
Total assets (A+B+C+D+E)	22957.8	25571.4	26239.2
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	3633.2	3312.2	3249.5
f. Other liabilities	4.9	141.1	141.0
E. Total liabilities (e+f)	3638.2	3453.3	3390.5
F. Minority Interest	138.8	332.3	379.1
G. Total Stockholders equity	19180.8	21785.8	22469.6
Total liabilities and stockholders equity (E+F+G)	22957.8	25571.4	26239.2

Revenue breakup between various business categories in Rs.mn

	Software Services			IT Enabled Services			Networking		
	AMJ'02	JAS'02	ΔQoQ	AMJ'02	JAS'02	ΔQoQ	AMJ'02	JAS'02	ΔQoQ
Gross Revenues	3642.0	3910.1	7%	199.1	221.5	11%	493.5	311.5	-37%
Direct Costs	1906.0	2070.6		128.0	155.3		348.8	201.5	
Gross Profits	1736.0	1839.5	6%	71.0	66.2	-7%	144.7	110.0	-24%
SG & A	730.1	837.3		74.6	84.9		96.4	78.8	
Foreign Exchange Gains/ (Loss)	43.8	(20.2)		26.8	6.4		(0.5)	0.1	
EBIDTA	1049.8	982.0	-6%	23.2	(12.3)		47.8	31.3	-34%
Depreciation & Amortisation	142.7	145.3		16.2	36.2		17.7	23.4	
EBIT	907.1	836.7	-8%	7.0	(48.5)		30.1	7.9	-74%
Interest & Other Income, net	119.9	87.7		(5.4)	(6.9)		10.2	(0.1)	
EBT	1027.0	924.5	-10%	1.7	(55.4)		40.2	7.8	-81%
Provision for Tax	48.3	134.1		(1.4)	(5.6)		11.5	0.0	
EAT	978.7	790.4	-19%	3.1	(49.8)		28.7	7.8	-73%

	Inter Category Adjustment	
	AMJ'02	JAS'02
Gross Revenues	-11.3	-18.7
Direct Costs	-11.3	-18.7

Key ratios

	Software Services		IT Enabled Services		Networking	
	AMJ'02	JAS'02	AMJ'02	JAS'02	AMJ'02	JAS'02
Gross Margin	48%	47%	36%	30%	29%	35%
Opex/Gross revenue	20%	21%	37%	38%	20%	25%
EBIDTA Margin	29%	25%	12%	-6%	10%	10%
EAT/Gross revenue	27%	20%	2%	-22%	6%	3%

Details of software services business

in Rs.mn

	HCL Technologies			DSL Software			HES		
	AMJ'02	JAS'02	ΔQoQ	AMJ'02	JAS'02	ΔQoQ	AMJ'02	JAS'02	ΔQoQ
Gross Revenues	3122.8	3195.2	2%	293.8	347.6	18%	185.7	208.9	13%
Direct Costs	1593.6	1639.7		167.5	172.2		134.1	161.1	
Gross Profits	1529.2	1555.4	2%	126.3	175.4	39%	51.6	47.8	-7%
SG & A	636.6	692.1		39.0	56.6		38.7	44.9	
Foreign Exchange Gains/ (Loss)	27.1	(19.3)		16.9	(0.9)		0.0	0.0	
EBIDTA	919.7	844.1	-8%	104.2	117.9	13%	12.9	3.0	-77%
Depreciation & Amortisation	118.0	122.7		20.1	11.2		1.2	1.0	
EBIT	801.7	721.4	-10%	84.1	106.7	27%	11.8	2.0	-83%
Interest & Other Income, net	121.6	85.3		(0.7)	3.2		(1.3)	(0.9)	
EBT	923.4	806.7	-13%	83.5	109.8	32%	10.5	1.1	-90%
Provision for Tax	29.4	105.8		16.8	31.1		(2.1)	0.4	
EAT	894.0	700.8	-22%	66.7	78.7	18%	12.6	0.7	-95%

	HCL Jones		HCLT (M)	
	AMJ'02	JAS'02	AMJ'02	JAS'02
Gross Revenues	10.6	115.9	57.3	115.3
Direct Costs	8.1	78.9	30.9	91.4
Gross Profits	2.4	37.0	26.3	23.9
SG & A	0.9	9.7	14.7	34.1
Foreign Exchange Gains/ (Loss)	0.0	0.0	0.0	0.0
EBIDTA	1.5	27.3	11.6	(10.2)
Depreciation & Amortisation	0.1	0.7	3.3	9.6
EBIT	1.4	26.6	8.3	(19.8)
Interest & Other Income, net	0.0	0.0	0.0	0.2
EBT	1.4	26.6	8.3	(19.6)
Provision for Tax	0.9	2.0	3.3	(5.2)
EAT	0.5	24.6	5.0	(14.4)

Note: For AMJ'02 HCLT (M) has been consolidated since 1st June, 02 & HCL Jones has been consolidated since 13th June, 02

Key ratios

	HCLT		DSL Software		HES		HCL Jones		HCLT (M)	
	AMJ'02	JAS'02	AMJ'02	JAS'02	AMJ'02	JAS'02	AMJ'02	JAS'02	AMJ'02	JAS'02
Gross Margin	49%	49%	43%	50%	28%	23%	23%	32%	46%	21%
Opex/Gross revenue	20%	22%	13%	16%	21%	21%	9%	8%	26%	30%
EBIDTA Margin	29%	26%	35%	34%	7%	1%	14%	24%	20%	-9%
EAT/Gross revenue	29%	22%	23%	23%	7%	0%	4%	21%	9%	-12%

Details of IT-enabled services

in Rs.mn

	HCL E-Serve			HCLT NI		
	AMJ'02	JAS'02	ΔQoQ	AMJ'02	JAS'02	ΔQoQ
Gross Revenues	23.5	20.2	-14%	175.6	202.8	16%
Direct Costs	15.3	22.4		112.7	134.4	
Gross Profits	8.2	(2.2)		62.9	68.4	9%
SG & A	20.8	27.1		53.9	57.8	
Foreign Exchange Gains/ (Loss)	0.0	0.1		26.6	6.3	
EBIDTA	(12.6)	(29.2)		35.6	16.9	-53%
Depreciation & Amortisation	7.6	9.6		8.6	26.5	
EBIT	(20.2)	(38.8)		27.0	(9.6)	
Interest & Other Income, net	0.3	(0.1)		(5.5)	(6.8)	
EBT	(19.9)	(38.9)		21.5	(16.5)	
Provision for Tax	(0.0)	0.0		(1.4)	(5.6)	
EAT	(19.9)	(38.9)		23.0	(10.9)	

Key ratios

	HCL E-Serve		HCLT NI	
	AMJ'02	JAS'02	AMJ'02	JAS'02
Gross Margin	35%	-11%	36%	34%
Opex/Gross revenue	89%		31%	28%
EBIDTA Margin			20%	8%
EAT/Gross revenue			13%	-5%

Details of networking services in Rs.mn

	HCL Comnet		Growth
	AMJ'02	JAS'02	ΔOoO
Gross Revenues	493.5	311.5	-37%
Direct Costs	348.8	201.5	
Gross Profits	144.7	110.0	-24%
SG & A	96.4	78.8	
Foreign Exchange Gains/ (Loss)	(0.5)	0.1	
EBIDTA	47.8	31.3	-34%
Depreciation & Amortisation	17.7	23.4	
EBIT	30.1	7.9	-74%
Interest & Other Income, net	10.2	(0.1)	
EBT	40.1	7.9	-80%
Provision for Tax	11.5	-	
EAT	28.6	7.9	-72%

Key ratios

	HCL Comnet	
	AMJ'02	JAS'02
Gross Margin	29%	35%
Opex/Gross revenue	20%	25%
EBIDTA Margin	10%	10%
EAT/Gross revenue	6%	3%

\$ Assumptions

The financials are based on the closing US\$ rates for the last day of the quarter:

US\$1 = Rs.48.47 for JAS'02

US\$1 = Rs.48.95 for AMJ'02

US\$1 = Rs.47.925 for JAS'01

About HCL Technologies

HCL Technologies is one of India's leading global IT services and product engineering companies, providing value-added, software-led IT solutions and services to large and medium-scale organisations. Founded in 1991, HCL Technologies focuses on technology as well as R&D outsourcing, with the objective of working with clients in areas at the core of their business. HCL Technologies delivers these services through an extensive offshore software development infrastructure and a vast global marketing network that enables scalable, flexible and cost-effective delivery. The company's well defined business strategy has enabled it to build domain expertise across a host of chosen verticals including among others banking, funds management, insurance, petrochemicals, pharmaceuticals, aerospace, automotives, semi-conductors and retail. As of 30 September 2002, HCL Technologies Limited, along with its subsidiaries, had 7156 employees. The HCL Technologies team today has operations spanning 25 locations in 14 countries — covering over 80% of the world IT market. Together with its knowledge of embedded systems, core technologies and application development expertise, HCL Technologies is positioned, as a composite solutions provider equipped to cater to the entire gamut of IT needs. For more information, visit HCL Technologies at www.hcltech.com

Forward Looking Statements

Certain statements in this release are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies/ entities in which we have made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

For any further details / clarifications please contact:

Investor Relations Team

Abhijit Mukherjee	abhijitm@corp.hcltech.com
Ashish Nayyar	ashish@corp.hcltech.com
Sujoy Ghosh	sujoyg@corp.hcltech.com

HCL Technologies Ltd.

A 10-11, Sector – III
NOIDA - 201301
Phone: (91-120) 451 8185
Fax: (91-120) 452 6907