

Release for Analysts and Investors

New Delhi, Oct 25, 2005

HCL Technologies announces results for the Quarter ended Sep 30, 2005

REVENUES UP 30% YOY, EBITDA GROWS 25%

Big deals strategy begins to pay off with multi-year, multi-service client wins

HIGHLIGHTS FOR THE QUARTER

- ❑ Revenues at US \$220.57 million, up by 29.8% YoY
- ❑ EBITDA at US \$49.04 million up by 24.6% YoY
- ❑ Net income
 - Net Income excluding income from treasury operation at US \$34.5 million up by 76.1% YoY
 - Income from treasury operations at US \$3.5 million from US \$15.5 million same period last year
 - Net income including income from treasury operations grows to US\$ 38.05 million up by 8.2 % YoY
 - Unrealized gains on Treasury Investments as of Sep 30, 2005 stood at US \$ 11.5 million
- ❑ Focus on large deals strategy shows early results with three multi-year, multi-service transformational wins of over US \$50 million each
- ❑ 11th consecutive quarterly dividend; declares interim dividend of 200%
- ❑ Total employee strength crosses 25,000; 2,195 employees added in HCL; largest ever addition by HCL BPO in a quarter

"Our transformation initiatives have reached an inflection point and are beginning to show results with major client wins substantiating our growth strategy. Our balanced portfolio of services and leadership within them, are being recognized by clients, who are partnering with us to transform their businesses. We remain on track in meeting our goal to become a truly global Technology & IT services major", said Shiv Nadar, Chairman and CEO, HCL Technologies.

"Our focus on emerging services as a growth driver continues. We continue to gain larger market share in these growth businesses and use them as a core strategy to drive mega deal wins. We see this focused differentiated strategy would result into high growth in the coming years as these emerging services become significantly large in our portfolio of services. Key indicators to this trend are our revenues from our Infrastructure Service have grown 67.2% YOY and Revenues from other emerging services like SAP and Oracle Practice, Testing and Concept to Manufacturing have all grown in excess of 50% YOY, said Vineet Nayar, President, HCL Technologies.

"This has been an exciting quarter where the BPO business grew by 44% YoY with sharply improved profitability and 900 people added in the quarter. We plan to add a record 1500 people in the next quarter to ramp up our business across India, Northern Ireland (UK), and Malaysia transforming us into a truly global BPO player", said Ranjit Narasimhan, Head of HCL's BPO operations.

Commenting on the financial results, SL Narayanan, Corporate Vice President, Finance said, " Our liquidity is comfortable to meet investment needs, as we continue with the policy of quarterly dividends consistent with an intent of improving our return on stockholder equity".

Business Highlights

Large deal strategy pays off

HCL signs three large multi-year, multi-service, transformational deals each in excess of US \$50 million:

- A business transformational deal with a large Global Bank to help them in the process of application consolidation and application performance optimisation to drive higher performance at lower operational costs across their IT infrastructure. This reinforces HCL's increasing market share in the Financial services market place and its high domain base in this space
- A \$100 million+ long term contract with a leading global telecom major, further strengthening HCL's position as a dominant player in Telecom Support Services
- A deal with a large global software product company which chose HCL as its strategic partner to bring about significant transformation in their Infrastructure management, Application consolidation operations and drive decisions on new technology adoption

This reaffirms HCL's faith in customers desiring breadth and depth in services from large, integrated, and financially solid partners, who are willing to invest in transforming their businesses.

Software Services

- **HCL is the first Indian IT company** to launch an innovative **easy Labelling Solution** which would enable pharmaceutical companies to reduce complexity and smartly use product information. This solution would address the US FDA's SPL (Structured Product Labelling) regulatory compliance standard for pharmaceutical companies doing filings in U.S. SPL or Structured Product Labelling is an XML-based, ANSI approved standard, which will be mandatory for all pharmaceutical companies doing filings in US from end-2005
- **HCL set up a dedicated design center** for product engineering services in Bangalore (India) for **Hamilton Sundstrand (HS)**, one of the leading worldwide suppliers of technologically advanced aerospace and industrial products, to cost effectively provide high-end solutions to support their civil aircraft programs. Reinforcing HCL's leadership in the aerospace

domain, the company has taken their three-year relationship with HS to the next level. HCL will serve HS locations in US and Europe

BPO

- HCL's **BPO Services, the largest Indian IT employer in UK**, announced creation of 600 new jobs for Armagh and Belfast contact centre operations. The British Prime Minister, Tony Blair, made the announcement in India during the launch of the 2006 UK Trade and Investment India Business Awards in New Delhi while felicitating Shiv Nadar
- Global footprint of HCL BPO business got consolidated with the second unit at Armagh (Northern Ireland, UK) scaling up to full capacity
- HCL BPO is one of the very few BPO companies which has obtained **SAS 70 certification**

Infrastructure Management Services

- HCL's Infrastructure Management Services division and Trend Micro, a global leading provider of network antivirus and Internet content security software and services, introduced **India's first remote antivirus management solution** called Expert Service Offering (ESO). This is **the first such end-to-end expert service** delivered remotely which proactively fortifies enterprises from malicious virus attacks that have a potential to bring operations to a halt.

Major Landmarks

- **Total employee strength crossed 25,000**, growing to 26,285 in Q1 (2006), up from 24,090 at the end of Q4 (2005), with a net increase of 2,195. This is the highest addition ever by HCL Technologies in a quarter
- **HCL's Insurance Practice has been rated as "Mature"** in its capability to support Life and Property & Casualty (P&C) Insurance IT Outsourcing (ITO) projects by Gartner. **HCL features amongst the top two companies**, which are present across all insurance product segments
- **HCL** is the first Indian IT-Enterprise to receive the **ISO 13485:2003** certification for the manufacturing of medical and electronic products by **TUV Germany**. TUV Germany is a reputed certification body engaged in certifying Quality Management Systems and Quality Product Services

200% INTERIM DIVIDEND DECLARED

The company has declared an interim dividend of 200% of the face value of each share for the quarter ended Sept 30, 2005. This is in line with the company's policy of considering quarterly dividends, subject to adequacy of profits and compliance with all applicable legal requirements.

HCL TECHNOLOGIES METRICS : CONSOLIDATED				
BUSINESS DETAILS		MANPOWER DETAILS	As on	
			Sept 30 '05	June 30 '05
REVENUE BREAK UP (%)				
Geography		TOTAL	26,285	24,090
US	61.9			
Europe	22.3	Software Services	17,708	16,619
Asia Pacific	15.8	Technical	16,116	15,170
Service Offerings		Offshore & Off-On	14,287	13,456
Technology Led Services	24.1	Pure Onsite	1,829	1,714
Enterprise Consulting Services	18.2	Support	1,592	1,449
Applications Consulting Services	34.3	Offshore	1,316	1,183
Infrastructure Services	10.0	Onsite	276	266
BPO Services	13.4	BPO	6,772	5,872
Repeat Business (%)		Technical	6,228	5,437
	96	Offshore	5,428	4,778
CLIENT CONCENTRATION		Onsite	800	659
No. of Million \$ Clients	140	Support	544	435
No. of 5 Million \$ Clients	29	Offshore	480	386
No. of 10 Million \$ Clients	16	Onsite	64	49
No. of 20 Million \$ Clients	5	Infrastructure services	1,805	1,599
No. of Fortune 500 Clients	66	Technical	1,403	1,222
% Contribution from:		Support	402	377
Top 5 clients	29.9			
Top 10 clients	39.0			
Top 20 clients	50.2			
DETAILS OF SOFTWARE SERVICES				
REVENUE BREAKUP (%)				
Offshore & Off-On	67.0			
Onsite	33.0			
Efforts billed (manmonths)				
Offshore & Off-On	29,334			
Pure Onsite	5,541			
Capacity Utilisation (%)				
Offshore Centric	67.9			
Onsite	95.8			

FINANCIALS

(First Quarter Results Analysis based on the unaudited US GAAP financial results for Q1FY 2005-06)

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

	Quarterly details			Growth	
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	169.99	213.18	220.57	3.5%	29.8%
Direct Costs	107.36	132.32	138.39		
Gross Profits	62.63	80.86	82.18	1.6%	31.2%
SG & A	23.27	32.34	33.14		
EBITDA	39.36	48.52	49.04	1.1%	24.6%
Depreciation & Amortisation	6.87	10.64	10.17		
EBIT	32.49	37.88	38.87	2.6%	19.7%
Foreign Exchange Gains/ (Loss)	(3.09)	1.21	(0.68)		
Other Income, net	15.54	1.98	3.51		
EBT	44.94	41.07	41.70	1.5%	-7.2%
Provision for Tax	4.57	3.22	3.85		
EAT	40.36	37.85	37.85	0.0%	-6.2%
Share from equity investments	(1.01)	(0.25)	0		
Share of (income) / loss of minority shareholders	(4.20)	(0.37)	0.20		
Net Income	35.16	37.23	38.05	2.2%	8.2%

Note:

Statement of Financial Accounting Standard ("SFAS") 123R, Share-Based Payments, has become applicable to Public Companies from fiscal periods beginning after June 15, 2005 and accordingly, SFAS 123R applies to the Company from the quarter beginning July'05. The Company is in the process of evaluating appropriate method for computing fair value of options and other implication of this standard. Compensation charge for current year arising out of SFAS 123R will be considered in the annual accounts for the year ending June 30 2006.

Key ratios

	Quarterly details		
	Q1FY'05	Q4FY'05	Q1FY'06
Gross Margin	36.8%	37.9%	37.3%
Opex/Gross revenue	13.7%	15.2%	15.0%
EBIDTA	23.2%	22.8%	22.2%
Net income/Gross revenue	20.7%	17.5%	17.3%



Consolidated Balance Sheet (as per US GAAP)

In USD mn

	As On		
	Sept 30'04	Jun 30'05	Sept 30'05
ASSETS			
a. Cash and cash equivalents	31.6	53.0	32.5
b. Accounts receivable, net	126.0	147.3	174.2
c. Treasury Investments	441.3	404.3	394.7
d. Other current assets	63.7	77.0	80.7
A. Total current assets (a+b+c+d)	662.6	681.6	682.1
B. Property and equipment, net	108.5	151.6	163.0
C. Intangible assets, net	60.0	193.6	190.9
D. Investments in Venture Funds / Equity investees	22.6	20.1	19.6
E. Other Assets	10.1	15.9	17.2
Total assets (A+B+C+D+E)	863.8	1062.8	1072.8
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	124.7	152.5	149.8
f. Long -term debt	30.0	30.1	10.0
g. Other liabilities	2.6	7.3	6.4
E. Total liabilities (e+f+g)	157.3	189.9	166.2
F. Minority Interest	28.5	2.5	1.8
G. Total Stockholders equity	678.0	870.4	904.8
Total liabilities and stockholders equity (E+F+G)	863.8	1062.8	1072.8

Note: Unrealized gains on Treasury Investments as of Sept 30, 2005 stood at \$ 11.5mn.

Revenue breakup between business categories
in USD mn

	Software Services				
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	138.01	162.55	168.93	3.9%	22.4%
Direct Costs	87.09	101.16	105.47		
Gross Profits	50.92	61.39	63.46	3.4%	24.6%
SG & A	17.80	23.83	25.00		
EBITDA	33.11	37.56	38.46	2.4%	16.1%
Depreciation & Amortisation	4.35	6.84	6.38		
EBIT	28.76	30.72	32.08	4.5%	11.6%

	BPO Services				
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	20.61	29.67	29.69	0.1%	44.0%
Direct Costs	13.48	17.28	18.26		
Gross Profits	7.13	12.39	11.43	-7.8%	60.2%
SG & A	2.28	3.88	3.60		
EBITDA	4.86	8.52	7.83	-8.1%	61.2%
Depreciation & Amortisation	1.90	2.61	2.47		
EBIT	2.95	5.90	5.36	-9.3%	81.4%

	Infrastructure Mgt				
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	13.17	21.85	22.02	0.8%	67.2%
Direct Costs	8.58	14.76	14.73		
Gross Profits	4.58	7.09	7.29	2.9%	59.1%
SG & A	3.19	4.63	4.53		
EBITDA	1.40	2.46	2.76	12.3%	97.7%
Depreciation & Amortisation	0.62	1.19	1.32		
EBIT	0.78	1.26	1.44	13.6%	84.3%

	Inter Co Adjustment		
	Q1FY'05	Q4FY'05	Q1FY'06
Gross Revenues	(1.80)	(0.88)	(0.07)
Direct Costs	(1.80)	(0.88)	(0.07)

Financials in INR as per convenience translation

(The financials are based on a convenience translation using the closing US\$ rates for the last day of the quarter: US\$1 = Rs.44.01 for Q1FY'06; US\$1 = Rs.43.51 for Q4FY'05; US\$1 = Rs.46.00 for Q1FY'05)

First Quarter Results Analysis based on the unaudited US GAAP financial results for Q1FY 2004-05

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

	Quarterly details			Growth	
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	782.0	927.6	970.7	4.7%	24.1%
Direct Costs	493.9	575.7	609.1		
Gross Profits	288.1	351.9	361.6	2.8%	25.5%
SG & A	107.0	140.7	145.8		
EBITDA	181.1	211.2	215.8	2.2%	19.2%
Depreciation & Amortisation	31.6	46.3	44.7		
EBIT	149.5	164.9	171.1	3.8%	14.5%
Foreign Exchange Gains/ (Loss)	(14.2)	5.2	(3.0)		
Other Income, net	71.5	8.6	15.4		
EBT	206.8	178.7	183.5	2.7%	-11.2%
Provision for Tax	21.0	14.0	16.9		
EAT	185.8	164.7	166.6	1.2%	-10.3%
Share from equity investments	(4.6)	(1.1)	0.0		
Share of (income) / loss of minority shareholders	(19.3)	(1.6)	0.9		
Net Income	161.9	162.0	167.5	3.4%	3.5%

Note:

Statement of Financial Accounting Standard ("SFAS") 123R, Share-Based Payments, has become applicable to Public Companies from fiscal periods beginning after June 15, 2005 and accordingly, SFAS 123R applies to the Company from the quarter beginning July'05. The Company is in the process of evaluating appropriate method for computing fair value of options and other implication of this standard. Compensation charge for current year arising out of SFAS 123R will be considered in the annual accounts for the year ending June 30 2006.

Key ratios

	Quarterly details		
	Q1FY'05	Q4FY'05	Q1FY'06
Gross Margin	36.8%	37.9%	37.3%
Opex/Gross revenue	13.7%	15.2%	15.0%
EBIDTA Margin	23.2%	22.8%	22.2%
Net income/Gross revenue	20.7%	17.5%	17.3%

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

	As On		
	Sept 30'04	Jun 30'05	Sept 30'05
ASSETS			
a. Cash and cash equivalents	145.3	230.4	143.1
b. Accounts receivable, net	579.7	640.8	766.5
c. Treasury Investments	2,030.0	1,759.5	1,737.0
d. Other current assets	293.0	335.1	355.4
A. Total current assets (a+b+c+d)	3,048.0	2,965.8	3,002.0
B. Property and equipment, net	499.1	659.6	717.2
C. Intangible assets, net	275.8	842.3	840.3
D. Investments in Venture Funds / Equity investees	104.2	87.4	86.1
E. Other Assets	46.1	69.1	75.6
Total assets (A+B+C+D+E)	3,973.2	4,624.2	4,721.2
LIABILITIES AND STOCKHOLDERS' EQUITY			
e. Total current liabilities	573.4	663.3	659.4
f. Long -term debt	138.0	130.8	44.0
g. Other liabilities	11.9	31.9	28.0
E. Total liabilities (e+f+g)	723.3	826.0	731.4
F. Minority Interest	131.2	11.1	7.8
G. Total Stockholders equity	3,118.7	3,787.1	3,982.0
Total liabilities and stockholders equity (E+F+G)	3,973.2	4,624.2	4,721.2

Note: Unrealized gains on Treasury Investments as of Sept 30, 2005 stood at Rs.50.6 crores.

Revenue breakup between various business categories in Rs.Crores

	Software Services				
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	634.8	707.2	743.4	5.1%	17.1%
Direct Costs	400.6	440.1	464.2		
Gross Profits	234.2	267.1	279.2	4.6%	19.2%
SG & A	81.9	103.7	110.0		
EBITDA	152.3	163.4	169.2	3.6%	11.1%
Depreciation & Amortisation	20.0	29.8	28.0		
EBIT	132.3	133.6	141.2	5.7%	6.7%

	BPO Services				
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	94.8	129.1	130.7	1.2%	37.8%
Direct Costs	62.0	75.2	80.4		
Gross Profits	32.8	53.9	50.3	-6.7%	53.3%
SG & A	10.5	16.9	15.9		
EBITDA	22.3	37.0	34.4	-7.0%	54.2%
Depreciation & Amortisation	8.8	11.4	10.9		
EBIT	13.5	25.6	23.5	-8.2%	73.6%

	Infrastructure Mgt				
	Q1FY'05	Q4FY'05	Q1FY'06	QoQ	YoY
Gross Revenues	60.6	95.1	96.9	1.9%	60.0%
Direct Costs	39.5	64.2	64.8		
Gross Profits	21.1	30.89	32.1	4.1%	52.2%
SG & A	14.7	20.1	19.9		
EBITDA	6.4	10.8	12.2	13.6%	89.2%
Depreciation & Amortisation	2.8	5.2	5.8		
EBIT	3.6	5.6	6.4	14.9%	76.3%

	Inter Co Adjustment		
	Q1FY'05	Q4FY'05	Q1FY'06
Gross Revenues	(8.3)	(3.8)	(0.3)
Direct Costs	(8.3)	(3.8)	(0.3)



About HCL Technologies

HCL Technologies is one of India’s leading global IT Services Company, providing software- led IT solutions, BPO and Remote Infrastructure Management services. Making a foray into the services domain in 1997-98, HCL Technologies focuses on technology and R&D outsourcing, working with clients in areas at the core of their business. The company leverages an extensive offshore infrastructure and its global network of 26 offices in 15 countries to deliver solutions across select verticals including Banking, Insurance, Retail & Consumer, Aerospace, Automotive, Semiconductors, Telecom and Life Sciences. For the twelve month period ended 30th September 2005, HCL Technologies along with its subsidiaries had revenues of US \$ 814 million (Rs.3,584cr) and employed 26,285 professionals. For more information, please visit www.hcltech.com

About HCL Enterprise

HCL Enterprise is a leading Global Technology and IT enterprise with annual revenues of US \$2.7 billion (Rs.12,000 cr). The HCL Enterprise comprises two companies listed in India - HCL Technologies & HCL Infosystems. The 3-decade-old enterprise, founded in 1976, is one of India’s original IT garage start-ups. Its range of offerings span Product Engineering, Technology and Application Services, BPO, Infrastructure Services, IT Hardware, Systems Integration, and distribution of technology and telecom products. The HCL team comprises 30,000 professionals of diverse nationalities, who operate from 15 countries including 300 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms. For more information please visit www.hcl.in

FORWARD LOOKING STATEMENTS

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

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