

HCL TECHNOLOGIES REPORTS REVENUE GROWTH
OF 13% (YOY) IN Q3-2001-02

Forges New Strategic Alliances for enhanced Applications offerings

For immediate release
22nd April 2002

Third Quarter analysis based on the unaudited financial results for Q3 FY'2001-02

Executive Summary

The highlights of the financial performance for **Q3 ended March 31, 2002** compared with the corresponding quarter of the previous year are:

- Gross revenue increased by 13 % to aggregate Rs 4.1 bn.
- Net income (after non cash charge) grew by 2% to reach Rs 1.3 bn.
- Acquisitions and Alliances contributed around 13 % to total revenues during the quarter.
- 2 new alliances, in pursuance of the non-linear growth strategy, to strengthen offerings in the Applications space

Operational Review

- Offshore centric business steady - contributed 71% to revenues.
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions to revenues at 25 %, 38 % and 50 % respectively.
- Revenue from Europe continued to grow ; up to 11% in Q3
- 21 new customers added during this quarter

Some of the prestigious new clients acquired during the quarter include **United Technologies Corporation, Parker Hannifin, Visteon and Metapack** amongst others

Key Developments in Q3 2001-02:

- Non-linear growth strategy continued to yield results, with fresh acquisitions and alliances.
- Joint venture formed with Answerthink Inc., leading U.S.-based provider of technology-enabled business transformation solutions.
- Strengthened presence in the CRM domain, by entering into a strategic alliance with Zamba Solutions, a US based CRM solutions consulting and systems integration company.
- In continuation of strategy to forge long-term alliances with customers, 2 new Offshore Development Centers (ODC) set up during the quarter.
- Renewed thrust on 9 high-potential verticals spanning Automotive, Aerospace, Petrochemicals, Pharmaceuticals, Semiconductor, Manufacturing, Retail, Banking, Insurance and Funds Management
- 311 professionals added to company rolls this quarter

Commenting on the company's performance and future outlook, Mr. Shiv Nadar, Chairman, President and CEO, HCL Technologies, said:

"We have continued with our focus on building long term competitiveness, despite the short term challenges of the last quarter. At HCL Tech we have always believed in making investments for the future. The two new alliances concluded last quarter are manifestations of this strategic intent and I am confident that HCL Technologies is well-equipped to meet new challenges and set new precedents."

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

\$ Assumptions

The financial numbers are based on the quarter closing \$ rates i.e. 1\$ = Rs. 46.66 for quarter ended March 31, 2001, 1\$ = Rs. 48.343 for quarter ended December 31, 2001 and 1\$ = Rs. 48.795 for quarter ended 31 March, 2002

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Update on Business Strategies in Q3 FY 2001-02 compared to the Q3 FY 2000-01

HCL Tech continued its strategic focus on key operating strategies, and simultaneously fine-tuned its offerings and services for enhanced effectiveness in the emerging global IT environment.

I. EMPHASIS ON QUALITY REVENUE MIX

HCL Tech recorded an increase of 13% in gross revenues for Q3 to reach Rs 4.1 bn and continues to enhance its services repertoire for value-added offerings. The company has achieved a higher quality revenue mix using a **de-risked business model**.

- With technology development at the core of HCL Tech's business, we expanded our portfolio and enhanced focus on application development, domain expertise and IT enabled services. The contribution of end user applications increased significantly to 48% of total revenues, from 38% in Q3 of last year.
- Our client relationships remained broad based with the Top 5, Top 10 and Top 20 clients contributing 25%, 38% and 50% to revenues respectively.
- Offshore centric revenues recorded 23% growth over Q3 of last year to cross Rs 2.9 bn, accounting for 71% of total revenues.
- HCL Tech continued to supplement its client base with several globally renowned names. This quarter the company added 21 new clients including **United Technologies Corporation, Parker Hannifin, Visteon and Metapack amongst others**.
- HCL Tech added two new client dedicated ODCs during the quarter, taking the total number of ODCs to 47.

II. EMPHASIS ON EARNINGS LED GROWTH

1. **Quality revenue mix together with an emphasis on increasing exposure in emerging IT service segments, led to improved earnings growth in JFM'02 as compared to JFM'01.**
 - Gross revenue increased 13% to reach Rs 4.1 bn.
 - Net income (after non cash charge) up by 2% to reach Rs 1.3 bn.
2. Within the new thrust areas of application development, domain expertise and IT enabled services, focus continued on quality earnings. Accordingly initiatives were taken to strengthen HCL Tech's services portfolio around high-potential industry verticals based on the following factors - domain attractiveness as a function of IT services spend, predictability and maturity of outsourcing.

III. FOCUS ON EMPLOYEE DEVELOPMENT AND CONTRIBUTION

HCL Tech places immense focus on Human Resources and recognizes it as the cornerstone of its long-term success. The company has consciously evolved unique strategies to increase employee value-add and is today acknowledged in the industry, as an **'Employer of choice.'**

- Total manpower (including subsidiaries) as on March 31, 2002 stood at 5,945 with 4,850 software professionals.
- Totally 311 employees joined the company (including subsidiaries) in Q3 with 237 of these being software professionals
- Attrition levels in HCL Tech registered a drop to 5.5% in Q3

IV. FRONT RUN EMERGING TECHNOLOGIES

HCL Tech's leadership in the technology space, continued to serve as a beachhead in making rapid gains in the high-growth, high-value new thrust areas encompassing application development, domain expertise and IT enabled services.

Also, HCL Tech continued to provide high value-add solutions to clients in the emerging and high-growth technology areas of internet/ e- commerce, networking and embedded systems.

Significant investments have been made in creating a vast offshore infrastructure to meet the growing demand for offshore services, which reflect a 23 % growth over the previous year. Offshore delivery is carried out through 16 Technology Development Centres (TDC) located across the country, each oriented towards specific horizontal technologies.

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

Development of "Six sigma supply chain" with the world's largest vehicle manufacturer

HCL Tech is involved in development of Six-sigma supply chain. The project will be a big leap for HCL Tech in the automotive domain and an important foray into Process Improvement initiatives.

Making an independent notification component for a leader in integrated voice services and a pioneer in call control markup languages

We have undertaken the development of an independent notification component which allows the clients of Voxeo to customize their notification services and manage them better. This component will be independent and can be used as a separate product. The technology being used is mainly Voice XML along with J2EE.

Development of GSM AMR Test Cases (GSMAMRTC) for a Telecommunication major based in UK

HCL Tech is working on the development of GSM AMR Test Cases (GSMAMRTC). GSMAMRTC is basically the test case development for 8 AMR test cases for GSM 900, DCS 1800, PCS 1900 and GSM 850 standards for MS conformance testing. GSM-AMR is an Adaptive Multi Rate (AMR) speech coder standard introduced by the 3rd Generation Partnership Project (3GPP), for compressing speech and yet maintaining toll quality.

Development of hands free Speakerphone system (including hardware & software) for a Fortune 500 global leader providing integrated communications solutions and embedded electronic solutions.

HCL Tech is involved in the development of a hands free Speakerphone system (including hardware & software) with excellent voice quality and highly suppressed echo and noise. The hands free speakerphone is for applications where an automobile is moving at a speed of 35 Miles/hours with open windows or 55 Miles/hours with closed windows. The project aims at carrying out the development, porting and integration of automotive hands free Speakerphone system algorithm over DSP 56858 EVM board, which is being provided by the client.

Development of QoS Policy Tool, an IP

HCL Tech has developed a QoS Policy Tool an IP. This tool is used for implementing the SLA/QoS (Service Level Agreements / Quality of Service) on a network having multiple Network Elements. This is an Open tool that can interoperate with any Network Element that permits QoS

parameters are set using SNMP. It has a basic discovery subsystem that identifies various network elements and then allows policy actions as required by the SLA, to be performed on the selected network element.

V EMPHASIS ON NON LINEAR GROWTH MODEL

HCL Tech has successfully deployed the concept of multiple growth windows and the company's non-linear growth model, enables HCL Tech to supplement its organic growth through diverse avenues. Integration process of the acquisitions completed in the last six months is well underway and they contributed 13% to the total revenues in this quarter representing a growth of 20% on a quarter on quarter basis. The total manpower strength of the inorganic business as on 31st March 2002 was 632, up from 607 during the previous quarter.

New Joint Ventures

HCL Tech has a successful track record of management of Joint Ventures and Alliances. During the quarter, HCL Tech strengthened presence in the application development space by entering into two major alliances.

Answerthink – HCL Technologies formed a joint venture with Answerthink Inc., a leading US based provider of technology enabled business transformation solutions. Answerthink brings formidable business transformation and technology integration skills along with a prestigious client base to the relationship. The new company will outsource the IT requirements of these clients to HCL Technologies' offshore development centers leveraging its expertise across a host of verticals and domains, thus providing cost-competitive offshore development services.

Zamba Solutions – HCL Technologies entered into an alliance with Zamba solutions, a US based CRM consulting and Systems Integration company to offer joint CRM solutions to its customers. The alliance would bring synergies in terms of Zamba's business strategy, process expertise and CRM implementation experience with the quality, cost efficiencies, breadth-of-technology and time-to-deployment advantages that HCL Technologies brings by virtue of its extensive offshore infrastructure and global scale.

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

Third Quarter analysis based on the unaudited Financial Results for Q3-2001- 02

Income statement as per US GAAP (Amount in Rs. Mn.)

Comparison over preceding quarter and same quarter of previous year

Particulars	HCL Technologies Ltd.				
	JFM'01	OND'01	JFM'02	Growth YOY	Growth QOQ
Gross Revenues	3,632	4,014	4,090	13%	2%
Direct Costs	1,843	2,185	2,308		
Gross Profits	1,789	1,829	1,782	0%	-3%
SG&A	666	764	738		
Foreign Exchange Gains (loss)	2	9	13		
EBDITA	1,125	1,074	1,057	-6%	-2%
Depreciation & Amortisation	110	143	153		
EBIT	1,015	931	904	-11%	-3%
Other income, net	218	304	413		
EBT	1,233	1,235	1,317	7%	7%
Provision for income taxes	89	38	61		
EAT	1,144	1,197	1,256	10%	5%
Share from equity investment	131	88	94		
Share of income(loss) of minority shareholders	-	27	32		
Net Income	1,275	1,258	1,318	3%	5%
Stock based sales incentive (Non Cash)	(15)	26	6		
Net Income after non cash charge	1,290	1,232	1,312	2%	6%

Key Ratios	HCL Technologies Ltd.		
	JFM'01	OND'01	JFM'02
Gross margin/Gross Revenue	49%	46%	44%
Opex/Gross Revenue	18%	19%	18%
EBDITA/Gross Revenue	31%	27%	26%
Net Income/Gross Revenue	36%	31%	32%

Annexure to the Income Statement

Annexure I

Organic and Inorganic Income Statement



Annexure I

Annexure II

Organic Income Statement



Annexure II

Annexure III

Inorganic Income Statement



Annexure III

Consolidated Balance Sheet (Unaudited) under US GAAP**Amount in Rs. Mn.**

Assets	As on Dec'01	As on Mar'02
Cash and Cash Equivalents	3,965	1,995
Accounts receivables	3,006	3,060
Marketable Securities	9,675	11,083
Other current assets	1,838	1,962
Total current assets	18,484	18,100
Property and equipment, net	2,237	2,340
Intangible assets, net	2,913	1,836
Investments in Venture Funds & Equity Investees	2,262	2,419
Other assets	365	368
Total assets	26,261	25,063
Liabilities and Stockholders' Equity	As on Dec'01	As on Mar'02
Total current liabilities	4,935	2,752
Short Term Loans	-	976
Other liabilities	6	25
Total liabilities	4,941	3,753
Minority interest	1,394	320
Total stockholders' equity	19,926	20,990
Total liabilities and stockholders' equity	26,261	25,063

Forward Looking Statements

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