

**HCL TECHNOLOGIES REPORTS STRONG RESULTS FOR FY 2000-01**  
**NET INCOME INCREASES BY 106%**

**For immediate release**  
**August 6, 2001**

**Fourth Quarter & Annual Results analysis based on audited financial results for FY 2000-01.**

**Executive Summary**

**Financial Performance Review**

The highlights of the financial performance (w/o non-cash sales incentive) for **year ended June 30, 2001** compared to previous year are:

- Gross revenue increases 52% to reach Rs. 14.05 billion.
- EBIT increase 101% to reach Rs. 3.99 billion.
- Net income increases 101% to reach Rs. 4.88 billion.
- **Net income increases 106 % (including non-cash sales incentive) to reach Rs. 4.80 billion.**

The highlights of the financial performance (w/o non-cash sales incentive) for **Q4 ended June 30, 2001** compared to the corresponding quarter previous year (YoY) are:

- Gross revenue increases 35% to reach Rs. 3.69 billion.
- EBIT increase 37% to reach Rs. 1.08 billion.
- Net income increases 43% to reach Rs. 1.32 billion.
- **Net income (including non-cash sales incentive) increases 60 % to reach Rs. 1.32 billion.**

**Operational Review for FY 2000-01**

- Offshore centric revenues constitute 63% of revenues - 85% of all HCL Tech employees based in India.
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions at 21%, 31% and 42% respectively.
- Total customers up by 71 to reach 340 as on June 30, 2001. Total employees up 951 over the previous year aggregating to 4,652.
- 14 new Fortune 500 clients added during the year.
- Dot com clients accounted for less than 3% of revenues.
- Debtor days reduce to 66 days as on June 30 2001 compared to 72 days as on June 30, 2000.

### **Operational Review for quarter ending June 2000-01**

- Offshore centric revenues constitute 65% of revenues - 85% of all HCL Tech employees based in India.
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions at 22%, 31% and 42% respectively.
- 23 new customers added during the quarter while net addition was 8 new customers.
- 3 new Fortune 500 clients added during the quarter.
- Dot com clients accounted for less than 2% of revenues.
- Debtor days fell to 62 days for the quarter.

### **Key Developments in Q4 2000-01:**

HCL Technologies continues its strategy of forging long-term alliances with its customers and announced 5 new offshore development centres for strategic customers in Q4 2000-0. These are:

- Matsushita Electric Company
- Denso Corporation
- Nomura Research Institute
- Deloitte Touche Tohmatsu
- Honda Motor Company

Some of the new clients acquired during the quarter include **Panasonic, Honda Motor Company, Deloitte Touche Tohmatsu, Scient Corporation, Denso Corporation, Thomson Financial, Fuji Film, amongst others.**

- New Technology centre started operations in Gurgaon.
- NOC (Network Operations Centre) became operational in Noida.
- Attrition dropped to 9.05 %.
- The company recruited 73 graduates from premier management institutes as "Senior Management Trainees".
- Inducted a renowned management consultant from McKinsey & Co., Mr. Anupam Puri, on its Board of Directors.

### **Outlook for fiscal year ending June 30, 2002**

HCL Tech is closely observing the developments in the US economy and has been in constant touch with its customers and partners. The current developments have a positive impact on the company's offshore centric business, which remains a key focus area for HCL Tech. We remain optimistic about our growth in the coming years.

HCL Tech is positioned to gain from this opportunity because of its focus on the following:

1. High upfront investments in building a strong marketing network
2. Emphasis on offshore centric revenues
3. Focus on annuity contracts for long term visibility
4. Emphasis on moving up the value chain to become significant in the overall business plans of our customers
5. Focus on forging strategic alliances, including Joint Ventures for long term, privileged and strategic access to diverse markets.

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

"Fiscal 2000-2001 has been an excellent year for us and I am proud at HCL Tech's sterling performance. It endorses our business strategies, our ability to convert opportunities as well as the calibre of our people. By focussing on our core competency in the area of technology development, we have been able to post aggressive growth and strengthened our customer relationships this year."

**\$ Assumptions**

The financial numbers are based on the quarter closing \$ rates i.e. 1\$ = Rs. 47.09 for FY 01 and 1 \$ = Rs 44.75 for FY 00.

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

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### ***Corporate Overview***

HCL Technologies is one of India's leading IT services companies, providing a broad range of services to clients worldwide. Services include Technology Development, Software Product Engineering, Networking and Application Services. HCL Tech focuses on technology as well as research & development outsourcing, with the objective of working with clients in areas at the core of their business. The focus on such mission critical projects and the ability to provide services throughout the lifecycle of client products, from conceptualization to ongoing development and maintenance, enables HCL Tech to build long-term relationships with customers. These include software and hardware companies as well as large and medium sized organizations, across diverse industries around the world.

HCL Tech delivers these services through an extensive offshore software development infrastructure in India and a vast global marketing and project network that enables scalable, flexible and cost-effective delivery. The company's offshore model involves delivery of outsourcing services to clients abroad, by technical professionals located at the software development centres in India and may also include onsite work at the client site, on a short-term project-by-project basis. As of June 30, 2001, HCL Tech had 3,975 billable technical professionals, of whom 3,416 were based in India across 14 technology development facilities including 35 client dedicated offshore development centres.

The company is thus able to capitalise on the advantages inherent to the Indian IT sector, including access to a large pool of skilled Indian technical professionals who deliver high-quality, globally competitive services at a significantly lower cost than in the United States. The offshore model fosters strong client relationships because some clients also make substantial capital investments in the dedicated offshore development centres set up exclusively for them. HCL Tech's extensive marketing network comprises 25 marketing offices in 15 countries.

Since inception, HCL Tech has emphasised the importance of building skills in emerging technologies by focusing on research and development activities for clients. The company's R&D heritage stems partly from the early efforts of several key senior personnel who were actively involved in research and development related to the design of computer hardware and systems software products for the Indian market in the 1980s. HCL Tech continues to develop its IT services business by leveraging on the unique skills and know-how of these executives and other employees.

### ***Update on Business Strategies in FY 2000-01 compared to last year***

HCL Tech's consistent and strategic focus on six key operating strategies has led to a significant consolidation of its position in the IT sector.

#### **I. EMPHASIS ON QUALITY REVENUE MIX**

HCL Tech recorded an increase of 52% in gross revenues for FY 2000-01 over the previous FY 1999-2000 to reach Rs. 14.05 billion and continues to move up the value chain. In addition, the company has achieved a higher quality revenue mix using a two-fold approach.

##### **1. Increased contribution from high value add, high margin services -**

- **Offshore** centric revenues grew by 53% over last year to cross Rs. 8.89 billion accounting for 63% of total revenues.
- **Technology Development Services** revenue increased by 101% over last year to cross Rs 6.37 billion, comprising 45% of revenues.
- Contribution from **High Value added services** (Technology Development Services, Software Product Engineering Services and Networking services) rose to 76% of total revenues.

##### **2. De-risked business model**

- Our client relationship remains broad based with the Top 5, Top 10 and Top 20 clients contributing 21%, 31% and 42% respectively, to FY 01 revenues.
- HCL Tech continues to provide services to some of the most renowned names in the world. The company has added 71 new customers this year including Panasonic, Nomura Research, Fuji Film, Westpac Bank, Reef, Outcurve etc.
- HCLT added 14 new client dedicated ODCs during the year, growing from 21 to 35 this year.

#### **II. EMPHASIS ON EARNINGS LED GROWTH**

##### **1. Quality revenue mix together with an emphasis on moving up the value chain resulted in significant margin expansion and earnings growth in FY2001 as compared to FY 2000**

- Gross revenue increases 52 % to reach Rs. 14.05 billion.
- EBIT increase 101% to reach Rs. 3.99 billion.
- Net income increases 101% to reach Rs. 4.88 billion.
- **Net income increases 106 % (including non-cash sales incentive) to reach Rs. 4.80 billion.**

### **III. FOCUS ON EMPLOYEE DEVELOPMENT AND CONTRIBUTION**

HCL Tech places immense focus on Human Resources and recognises 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** as on June 30, 2001 stood at 4,652 with 3,975 billable engineers.
- Total manpower addition was 951 for the year.
- 3,946 of HCL Tech's total employees i.e. **85% are based in India.**
- The company's **ESOP coverage spans 98%** of total employees as on June 30, 2001.
- The company recruited 73 graduates from premier management institutes as "Senior Management Trainees" in the last quarter.

### **IV. FRONT RUN EMERGING TECHNOLOGIES**

In line with the focus on emerging and high-growth technology areas, HCL Tech continued to provide high value-add solutions to clients, in the 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 53% growth over the previous year. Offshore delivery is carried out through 14 Technology Development Centres (TDC) located across the country, each oriented towards specific horizontal technologies. HCL Tech now has 35 Offshore Development Centres (ODC) dedicated to specific clients.

HCL Tech continued to move up the value chain by its R&D spend to provide accelerated quality growth. Some of the new cutting edge projects undertaken during the quarter include:

- **Development of FPGA for computer networking equipment manufacturer** – HCL Tech is developing a FPGA (Field Programmable Gate Arrays) to connect the network processor with fabric chips for a leading computer networking equipment manufacturer.
- **Development and enhancement of API for a world leader in financial industry** – HCL Tech is developing an API (Application Programming Interface) for a leading provider of e-information and integrated work solutions to the financial community. The work also entails development of Edgar Direct and Entitlement Server.
- **Software product enhancements for embedded and networking applications** – HCL Tech is enhancing the software product of a leading provider of routing based embedded software and networking applications. The addition of new features and routing protocols will enable communication system vendors to use this software product as a complete switching system or as a routing foundation to design feature rich and cost effective networking solutions.
- **Product development for a leading Japanese securities group** – HCL Tech is developing, enhancing and providing maintenance for a securities management product of a large Japanese provider of value-added products and services

focussed at the capital and securities market. In addition, the company is web enabling the network management product of the firm.

- **Development of high performance Chat subsystem** – HCL Tech is developing and implementing a high performance chat subsystem for a leading German company engaged in creating innovative media solutions for clients by integrating latest digital technologies.
- **Software product development for enterprise project management** – HCL Tech is developing a software product for enterprise project management which will enable large companies to increase efficiency, reduce costs and save project time. The work includes integrating data from back office applications with the client's project management package.
- **Embedded software development for networking industry** – HCL Tech is engaged in embedded software development for a high-end router with optical interfaces. The client is a leading manufacturer of broadband digital integrated access and optical metro internetworking products. The work also includes hardware board development for router and web based Network Management.
- **Testing of security product for a world leader in internet security** – HCL Tech is testing the premier enterprise authentication server for a world leader in e-security which is enabling organisations build a secure foundation for e-business.

## **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.

### **1. Joint Ventures & Strategic Partnerships**

HCL Tech has a successful track record of management of Joint Ventures.

The investment in HCL Perot Systems (HPS), a 50:50 Joint Venture between HCL Technologies and Perot Systems Inc., continues to add value to HCL Tech. With manpower strength of 1,915 as on June 30, 2001, HCL Perot has carved a niche for itself as a leading outsourcing and systems integration company with major clients in the banking, energy, healthcare, insurance, manufacturing and telecommunications industries. In FY 2000-01, HPS recorded an increase in net income of 74% over FY 1999-2000.

### **2. Equity Investments for Value Acquisition**

The success of a large global IT company – depends to a large extent on its annual investments in R&D. Several small companies are engaged in developing cutting edge technologies whose commercialisation will result in value creation for its shareholders. HCL Tech is participating in developing some of these cutting edge technologies for its customers and sees an opportunity for value acquisitions, to enhance value for its own shareholders by participating in the upsides.

HCL Tech's initiative in investing in Technology Funds and strategic customers stood at an investment of \$ 16.55 million as on June 30, 2001.

## **VI. EMPHASIS ON CREATING A STRONG MANAGEMENT TEAM**

HCL Tech has consistently laid great emphasis on developing and nurturing a strong focused management team, in order to leverage the talent available both within and outside the company. Towards this endeavour, the company has recently inducted a renowned management consultant from McKinsey & Co., Mr. Anupam Puri, into its Board of Directors. Mr. Puri brings 30 years of experience in business and governance and has handled diverse assignments related to public policy, governance, reorganisation of multilateral agencies and has also worked with several Indian groups and companies.

Some distinctive initiatives in this direction include:

1. Distinguished global Board of Directors
2. Best of Class corporate governance initiatives
3. Hi-calibre Global Advisory Board & Technology Advisory Council comprising world renowned luminaries from industry and academia.
4. Organisation structure that encourages entrepreneurship
5. Highly experienced and proactive management team

The company also continued its initiatives in the area of Corporate Governance.

- Audit committee headed by T S R Subramanian – guidelines for Insider trading & best practices implemented across the company.
- Related Party Transactions Committee headed by T S R Subramanian – monitoring related party transactions, which were 0.90% revenues for FY 2000-01.
- Compensation Committee headed by Robin Abrams – approves ESOP plan to cover 98% of total employees as on June 30, 2001.

## **VII. CONCLUSION**

Going forward, the company remains optimistic and sees the current global economic scenario as an inflection point and an opportunity. HCL Tech believes it is well positioned to leverage its unique strengths in the global IT marketplace and enhance value for its partners and shareholders.

### **\$ Assumptions**

The financial numbers are based on the quarter closing \$ rates i.e. 1\$ = Rs. 47.09 for FY 01 and 1 \$ = Rs 44.75 for FY 00.

**Attached Financial table (P&L, B/S, Key Parameters. & background on Investments made)**



## HCL Technologies Limited

**Fourth Quarter & Annual Results analysis based on audited financial results for FY 2000-01.**

### Comparison over corresponding period of previous year

*Rs. Million*

	AMJ 01	AMJ 00	Growth YoY	JFM 01	Growth QoQ	FY 2000-01	FY- 1999-00	Growth YoY
<b>Gross Revenues</b>	<b>3692</b>	<b>2745</b>	<b>35%</b>	<b>3632</b>	<b>2%</b>	<b>14051</b>	<b>9256</b>	<b>51.8%</b>
Direct Costs	1868	1338		1844		7125	4772	
<b>Gross Profits</b>	<b>1824</b>	<b>1406</b>	<b>30%</b>	<b>1789</b>	<b>2%</b>	<b>6926</b>	<b>4484</b>	<b>54.5%</b>
SG&A	638	589		666		2629	2254	
Foreign Exchange Gains	17	56		2		121	65	
<b>EBDITA</b>	<b>1203</b>	<b>873</b>	<b>38%</b>	<b>1125</b>	<b>7%</b>	<b>4419</b>	<b>2295</b>	<b>92.5%</b>
Depreciation & Amortization	119	80		110		421	310	
<b>EBIT</b>	<b>1084</b>	<b>793</b>	<b>37%</b>	<b>1015</b>	<b>7%</b>	<b>3997</b>	<b>1985</b>	<b>101.4%</b>
Other income, net	264	142		218		820	439	
<b>EBT</b>	<b>1348</b>	<b>935</b>	<b>44%</b>	<b>1233</b>	<b>9%</b>	<b>4818</b>	<b>2424</b>	<b>98.7%</b>
Provision for income taxes	107	102		89		388	263	
<b>EAT</b>	<b>1242</b>	<b>832</b>	<b>49%</b>	<b>1143</b>	<b>9%</b>	<b>4429</b>	<b>2161</b>	<b>105.0%</b>
Share from equity investment	82	94		131		453	275	
Share of income( loss) of minority shareholders	0	-3		0		0	2	
<b>Net Income</b>	<b>1324</b>	<b>929</b>	<b>43%</b>	<b>1274</b>	<b>4%</b>	<b>4882</b>	<b>2433</b>	<b>100.6%</b>
Stock based sales incentive ( Non Cash)	0	101		-16		82	101	
<b>Net Income after non cash charge</b>	<b>1324</b>	<b>827</b>	<b>60%</b>	<b>1290</b>	<b>3%</b>	<b>4801</b>	<b>2332</b>	<b>105.9%</b>
<i>Exchange Rate ( US \$=Rs)</i>	47.09	44.75		46.66		47.09	44.75	
<b>Key Ratios</b>								
Gross margin/Gross Revenue	49%			49%		49%	48%	
Opex/Gross Revenue	17%			18%		19%	24%	
EBDITA/Gross Revenue	33%			31%		31%	25%	
EBIT/Gross Revenue	29%			28%		28%	21%	
Net Income (w/o non-cash sales incentive)/Gross Revenue	36%			35%		35%	26%	
Net Income (with non-cash sales incentive)/Gross Revenue	36%			36%		34%	25%	
EPS (w/o non-cash sales incentive)-Rs.	4.46	3.31		4.28		16.45	8.66	
EPS (with non-cash sales incentive)-Rs.	4.46	2.94		4.34		16.18	8.30	

*(US \$ assumptions – Rs. 47.09 for FY01 & Rs. 44.75 for FY00. EPS calculation uses diluted number of shares)*

## HCL Technologies Limited

**Fourth Quarter & Annual Results analysis based on audited financial results for FY 2000-01.**

*Rs. million*

	Year ended June 30, 2001	Year ended June 30, 2000
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	4,303	1,781
Accounts receivable, net	2,526	1,844
Marketable securities, available for sale	8,644	7,560
Other Current Assets	1,255	577
Property and equipment, net	1,515	791
Intangible assets, net	339	432
Investments	1,911	1,208
Other Non-current assets	345	128
<b>TOTAL ASSETS</b>	<b>20,838</b>	<b>14,321</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Total Current Liabilities	2,500	1,693
Non current liabilities	5	20
Total Stockholders' equity	18,333	12,608
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>20,838</b>	<b>14,321</b>
Exchange rate used (US \$ = )	47.09	44.75