

# HCL Technologies Limited

## Quarterly Results Update

Quarter ended June 30, 2003

powering imagination

HCL TECHNOLOGIES | **HCL**

**12<sup>th</sup> September 2003**

## **Q4 FY2003 – Key Highlights**

### **Financial Highlights**

- Revenue up 1% QoQ at Rs 4.7bn (landmark quarter with revenues having exceeded US\$100mn)
- Net Income up 59% QoQ at Rs 957.3mn
- Non-organic revenues at Rs1.3bn, up 12% sequentially
- Volumes up 3.2% sequentially, effective dollar bill rates down 2.7% (for organic software business)
- Final dividend at 100% recommended

### **Business Highlights**

- Total clients at 385, including 44 Fortune 500 clients. 22 new clients
- Clients having a run rate of more than \$1mn stood at 71
- Recruited 1,696 employees (on a gross basis), including 599 in the organic software services business. Net addition of 1,293 employees.

## **FY2003 – Key Highlights**

- Revenue at Rs18.0bn up 13% over FY2002
- EBITDA was at Rs3.7bn up 7% over FY2002
- Net income at Rs3.1bn, down 16% over FY2002
- Alliances and acquisitions made up 26% of the revenues for FY2003

**Performance Review**

**Organic software business shows a dip, non-organic software up sharply**

Revenues from organic software business declined by 2% QoQ and is showing signs of bottoming out. The non-organic software portion of the business had a healthy 19% QoQ growth. The organic software business had a strong growth in manpower with a net addition of 355 employees during the quarter (6443 employees at the end of the quarter). 232 employees were added in the non-organic software entities (1350 employees at the end of the quarter).

Rs. Mn	Q2FY03	Q3FY03	Q4FY03
<b>Organic software business</b>	<b>3244.1</b>	<b>3074.4</b>	<b>3008.0</b>
<b>Δ QoQ</b>	<b>1.5%</b>	<b>-5.2%</b>	<b>-2.2%</b>
<b>Non-organic software business</b>	<b>755.1</b>	<b>813.7</b>	<b>972.3</b>
<b>Δ QoQ</b>		<b>7.8%</b>	<b>19.4%</b>

**Strong growth in organic BPO**

The company's BPO revenues had a growth of 4% QoQ - organic revenues grew by 46%. The two BPO entities of HCL Tech contributed 9% to this quarter's revenues.

Rs. Mn	Q2FY03	Q3FY03	Q4FY03
<b>BPO revenues</b>	<b>294.8</b>	<b>401.6</b>	<b>416.7</b>
<b>Δ QoQ</b>	<b>33.1%</b>	<b>36.2%</b>	<b>3.8%</b>
<b>As % of revenues</b>	<b>6.3</b>	<b>8.6</b>	<b>8.8</b>

**Combined performance of non-organic ventures is encouraging**

The non-organic entities maintain their ramp up with a QoQ growth of 12%. These entities contributed 28% to this quarter's revenues.

Rs. Mn	Q2FY03	Q3FY03	Q4FY03
<b>Non-organic revenues</b>	<b>1128.5</b>	<b>1169.5</b>	<b>1305.4</b>
<b>Δ QoQ</b>	<b>13.9%</b>	<b>3.6%</b>	<b>11.6%</b>
<b>As % of revenues</b>	<b>24.1</b>	<b>25.0</b>	<b>27.7</b>

**Employee addition remains strong**

Manpower addition continued to remain strong with a recruitment of 1,696 employees, including 599 people in the organic software business during the quarter. The net employee addition during the quarter stood at 1,293.

Nos	Q2FY03	Q3FY03	Q4FY03
<b>Manpower strength</b>	<b>7,788</b>	<b>8,748</b>	<b>10,041</b>
<b>Net addition</b>	<b>632</b>	<b>960</b>	<b>1,293</b>

**Top clients continue to grow**

The current top 5, top 10 and top 20 clients of the company have grown by 13%, 9% and 10% respectively on a sequential basis. The revenue contribution from top clients is given below:

% Revenue	Q2FY03	Q3FY03	Q4FY03
<b>Top 5</b>	<b>29.3</b>	<b>31.9</b>	<b>34.9</b>
<b>Top 10</b>	<b>42.2</b>	<b>45.6</b>	<b>47.2</b>
<b>Top 20</b>	<b>53.9</b>	<b>56.1</b>	<b>57.9</b>

**Final dividend at 100% recommended**

The Board of Directors has recommended a final dividend of Rs 2.0 per share (100% on a par value of Rs.2.0 per share) taking the total payout in the year to 39%, in line with the company's policy of progressively increasing dividend payouts.

**Update on business categories**

<p><b>Software Services</b></p>	<p>The revenues from software services grew 3% sequentially. Net income from the business increased by 34% driven primarily by the higher treasury income. This business saw a net addition of 587 people during the quarter, taking the total headcount to 7,793.</p> <p>While the organic software business revenues declined by 2% due to a dip in realizations, the combined revenues from the non-organic software entities had a sequential growth of 19%. There was a net addition of 355 to the headcount of the organic software business while the same figure for the non-organic entities was 232.</p> <p>The key clients added in this segment during the quarter were AMD, Airbus, one of the largest retail cooperatives in Europe, one of the largest reinsurers worldwide for both life and non-life segments amongst others.</p>
<p><b>Infrastructure Services</b></p>	<p>The infrastructure services business of the company had a QoQ growth of 2% in revenues. Plans of tapping an international clientele for remote infrastructure management have started yielding results. Infrastructure division of the company works for quite a few international clients including AMD. Manpower in this business witnessed a net addition of 84 taking the total employee strength to 614.</p>
<p><b>BPO Services</b></p>	<p>HCL's BPO revenues had a QoQ growth of 4%. Total manpower witnessed a strong growth of 635 taking the permanent employees in this business to 1,466. The company added 7 clients during the quarter including a Fortune 50 Financial Services company and a Global 500 FMCG company amongst others.</p> <p>HCLT's organic BPO entity is expected to reach cash break even levels in the near future.</p>
<p><b>Government Practice</b></p>	<p>HCLT's entity in the government space continues to perform below its original business plan. However, with the continued efforts to turn around this business, the entity has managed to show a good sequential revenue growth of 25%. It is expected that further ramp-ups in business in the forthcoming quarters will help this entity substantially improve its profitability metrics.</p>

**Other business details**

**New clients and projects**

During the quarter, HCL Tech added 22 new clients in software services. Some of the key clients include AMD, AIRBUS, one of the largest retail cooperatives in Europe, one of the largest reinsurers worldwide for both life and non-life segments amongst others. The company currently has 385 active clients. The distribution of revenues across the company's clients has been indicated in the table.

**Revenue contribution for the quarter**

<b>From</b>	<b>%</b>
Top 5	34.9
Top 10	47.2
Top 20	57.9

**The details of some of the significant new engagements are:**

HCL Tech signed a landmark **multi-year, multi-million dollar collaborative IT co-sourcing contract** with **AMD**, a leading supplier of integrated circuits for the personal and networked computer and communications markets. The strategic co-sourcing deal involves IT infrastructure management, maintenance and support of global IT applications.

HCL Tech has set up an **Offshore Development Centre** for a **world-renowned media organization**. HCL Tech is providing Software development and maintenance activities on the PeopleSoft HR application suite using a combination of offshore and onsite resources.

HCL Tech has set up an **Offshore Development Centre** for one of the **Leading chip manufacturers** for converging voice and data networks. HCL Tech is providing software services like PCB design, chip verification, development and porting of embedded software applications and protocols, supporting the development of tools for clients' evaluation boards.

HCL Tech has entered into a contract with **AIRBUS France** for **development of sophisticated embedded software** for the System Data Acquisition Computer of the AIRBUS A340 Flight Warning System.

HCL Tech has entered into an engagement with one of the **leading providers of IT and related services to North America's railroads** for management, enhancement and development of Internet Technology Applications.

**Technology alliances formed**

HCL Tech has entered into a **partnership with Magma** to Offer Expert Design Services for Leading Edge IC Designs. Magma software is used to design fast, multimillion-gate integrated circuits, providing "The Fastest Path from RTL to Silicon"(TM) and enabling chip designers to reduce the time required to produce complex Ics.

## Q4 FY2003 results

HCL Tech has forged a **strategic partnership with Questa**, an enterprise software company leading the development of intelligent device management solutions to provide implementation support for customer projects. Questa recently launched the Questa Smart Service Certified Engineer program, which trains and certifies development engineers to implement Questa's industry-leading intelligent device management (IDM) software.

HCL Tech joined the **XPERTS Program of Xilinx Inc.**, the worldwide leader of programmable logic solutions. HCLT is recognized as a Xilinx certified design house. As a member of the prestigious Xilinx XPERTS Program, HCL Tech gains access to the latest generation of Xilinx products and exposure to Xilinx's large customer base around the world by participating in joint promotion activities and events with Xilinx.

### Human Resource Initiatives

During the quarter, HCL Tech witnessed a healthy growth in manpower and added 1,696 people (on a gross basis), including 599 people in the organic software services. The net employee addition during the quarter was 1,293 of which 635 people were added in the BPO business. The headcount of the company (including subsidiaries) at the end of the quarter stood at 10,041 up from 8,748 last quarter. The current annualized attrition rate is 8.2%.

### Infrastructure

During the current quarter, the company spent an amount of Rs.465.9mn on capital expenditure. The total seat capacity (for organic software business) at the end of the quarter stood at 6,197.

#### Current infrastructure

Location	Space (sqft)
Noida	166,383
Gurgaon	88,000
Chennai	538,826

#### **Note :**

During the year, an accounting discrepancy in revenue recognition in the financials of one of the overseas subsidiaries, for the year ended 30/06/2002, was detected. The error, which arose from a weakness in internal control, has been corrected and the accounts of that subsidiary have been restated and audited. There is no impact on the India stand-alone accounts of HCL Technologies Ltd (the Indian listed company). On a consolidated basis there is no impact on cash flows as reported last year.

**Key Operational Metrics**

<b>ORGANIC SOFTWARE</b>	
<b><u>REVENUE BREAKUP</u></b>	
Offshore Centric	73%
Onsite	27%
<b><u>BILLING RATES METRICS</u></b>	
<b>Efforts billed (manmonths)</b>	
Offshore Centric	10,462
Onsite	1,798
Subcontracted Efforts	232
<b>Capacity Utilisation</b>	
Offshore Centric	70%
Onsite	92%
<b>BillRates (\$'000/Manmonth)</b>	
Offshore Centric	4.50
Onsite	9.87
<b>CONSOLIDATED</b>	
<b><u>REVENUE BREAK UP</u></b>	
<b>Location</b>	
Offshore Centric	81%
Onsite	19%
<b>Service Offerings</b>	
Technology Development Services	28%
Networking Services	10%
Software Product Engg Services	16%
Applications Services	37%
IT Enabled Services	9%
<b>Geography</b>	
US	64%
Europe	19%
India	9%
Rest of the world	8%
<b>Repeat Business</b>	<b>79%</b>
<b><u>CLIENT CONCENTRATION</u></b>	
Total no. of clients	385
No. of Million \$ Clients	71
No. of 5 Million \$ Clients	13
No. of Fortune 500 clients	44
<b>Contribution from:</b>	
Top 5 clients	35%
Top 10 clients	47%
Top 20 clients	58%

**Manpower Details**

	As on March 31, 2003	As on June 30,2003
<b>Software Services</b>		
<b>Total</b>	<b>7,206</b>	<b>7,793</b>
<b>Organic</b>	<b>6,088</b>	<b>6,443</b>
<b>Technical</b>	<b>5,367</b>	<b>5,677</b>
Offshore	4,837	5,070
Onsite	530	607
<b>Support</b>	<b>721</b>	<b>766</b>
Sales and Marketing	96	107
Others	625	659
Offshore	546	600
Onsite	175	166
<b>Non-organic</b>	<b>1,118</b>	<b>1,350</b>
<b>Technical</b>	971	1,191
<b>Support</b>	147	159
<b>Infrastructure services</b>		
<b>Organic</b>	<b>530</b>	<b>614</b>
Technical	317	383
Support	213	231
<b>BPO</b>		
<b>Total</b>	<b>831</b>	<b>1,466</b>
<b>Organic</b>	783	1,418
<b>Non-organic</b>	48	48
<b>Government</b>		
<b>Non-organic</b>	<b>181</b>	<b>168</b>
Technical	136	124
Support	45	44
<b>Annualised Attrition (&gt;1 yr.)</b>	<b>7.6%</b>	<b>8.2%</b>

**Financials**

**(Fourth Quarter analysis based on the unaudited US GAAP financial results for Q4FY 2002-03)**

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

	Quarterly details					Annual details		
	AMJ'02*	JFM'03	AMJ'03	ΔQoQ	ΔYoY	FY'02*	FY'03	ΔYoY
<b>Gross Revenues</b>	<b>4156.9</b>	<b>4658.1</b>	<b>4709.8</b>	<b>1%</b>	<b>13%</b>	<b>15887.9</b>	<b>18008.9</b>	<b>13%</b>
Direct Costs	2371.2	2574.4	2779.6			9022.1	10129.8	
<b>Gross Profits</b>	<b>1785.7</b>	<b>2083.7</b>	<b>1930.2</b>	<b>-7%</b>	<b>8%</b>	<b>6865.8</b>	<b>7879.1</b>	<b>15%</b>
SG & A	901.2	1121.8	1143.3			3562.4	4183.8	
Foreign Exchange Gains/ (Loss)	70.2	10.6	24.5			151.0	11.7	
<b>EBIDTA</b>	<b>954.7</b>	<b>972.5</b>	<b>811.4</b>	<b>-17%</b>	<b>-15%</b>	<b>3454.4</b>	<b>3707.0</b>	<b>7%</b>
Depreciation & Amortisation	176.6	226.1	233.0			580.7	860.9	
<b>EBIT</b>	<b>778.1</b>	<b>746.3</b>	<b>578.4</b>	<b>-23%</b>	<b>-26%</b>	<b>2873.7</b>	<b>2846.1</b>	<b>-1%</b>
Other Income, net	124.7	150.7	564.0			948.1	884.3	
<b>EBT</b>	<b>902.8</b>	<b>897.0</b>	<b>1142.4</b>	<b>27%</b>	<b>27%</b>	<b>3821.7</b>	<b>3730.4</b>	<b>-2%</b>
Provision for Tax	186.5	63.1	89.6			407.2	346.5	
<b>EAT</b>	<b>716.3</b>	<b>833.9</b>	<b>1052.8</b>	<b>26%</b>	<b>47%</b>	<b>3414.6</b>	<b>3383.9</b>	<b>-1%</b>
Share of income of equity investee	73.9	45.4	60.3			341.5	201.3	
Minority interest	(41.4)	(80.8)	(144.4)			(108.4)	(329.9)	
<b>Net Income</b>	<b>748.9</b>	<b>798.5</b>	<b>968.6</b>	<b>21%</b>	<b>29%</b>	<b>3647.7</b>	<b>3255.3</b>	<b>-11%</b>
Stock based sales incentive (Non Cash)	(14.2)	(4.4)	(11.2)			4.0	(16.8)	
Extraordinary Provision	367.3	190.6	0.0			0.0	185.7	
<b>Net Income (after sales incentive and provisions)</b>	<b>395.8</b>	<b>603.5</b>	<b>957.4</b>	<b>59%</b>	<b>150%</b>	<b>3651.6</b>	<b>3052.8</b>	<b>-16%</b>

**Key ratios**

	Quarterly details			Annual details	
	AMJ'02	JFM'03	AMJ'03	FY'02	FY'03
Gross Margin	43%	45%	41%	43%	44%
SG & A /Gross revenue	22%	24%	24%	22%	23%
EBIDTA Margin	23%	21%	17%	22%	21%
Net income/Gross revenue	9%	13%	20%	23%	17%

**\* The financials for AMJ'02 and FY2002 are after restatement**



**Consolidated Balance Sheet (as per US GAAP)**

in Rs.mn

	As On		
	30 <sup>th</sup> JUNE'02	31 <sup>st</sup> MAR'03	30 <sup>th</sup> JUNE'03
<b>ASSETS</b>			
a. Cash and cash equivalents	1307.3	968.0	1152.8
b. Accounts receivable, net	3054.6	3610.2	2790.1
c. Treasury Investments	11559.4	13490.4	14692.9
d. Other current assets	1467.0	2313.4	2090.7
<b>A. Total current assets (a+b+c+d)</b>	<b>17388.4</b>	<b>20381.9</b>	<b>20726.5</b>
B. Property and equipment, net	2517.6	2617.5	2919.4
C. Intangible assets, net	2201.7	2138.1	2167.9
D. Investments in Venture Funds / Equity investees	2324.6	2445.1	2466.4
E. Other Assets	537.8	467.0	485.7
<b>Total assets (A+B+C+D+E)</b>	<b>24970.1</b>	<b>28049.5</b>	<b>28765.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
e. Total current liabilities	3312.2	3366.7	3640.9
f. Bank Line of Credit	-	64.2	-
g. Long -term debt	-	-	464.3
h. Other liabilities	141.0	147.3	179.3
<b>E. Total liabilities (e+f+g+h)</b>	<b>3453.3</b>	<b>3578.2</b>	<b>4284.5</b>
F. Minority Interest	332.3	525.0	626.6
G. Total Stockholders equity	21184.5	23946.2	23854.8
<b>Total liabilities and stockholders equity (E+F+G)</b>	<b>24970.1</b>	<b>28049.4</b>	<b>28765.9</b>

**Note :**

Unrealised gains on Treasury Investments as of June 30, 2003 stood at Rs.403.3mn

## Q4 FY2003 results

### Revenue breakup between various business categories in Rs.mn

	Software Services			BPO Services			Infrastructure Services		
	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ
<b>Gross Revenues</b>	<b>3775.4</b>	<b>3903.3</b>	<b>3%</b>	<b>401.6</b>	<b>416.7</b>	<b>4%</b>	<b>444.2</b>	<b>455.2</b>	<b>2%</b>
Direct Costs	2003.8	2222.0		236.6	305.6		287.0	296.5	
<b>Gross Profits</b>	<b>1771.6</b>	<b>1681.3</b>	<b>-5%</b>	<b>165.0</b>	<b>111.1</b>	<b>-33%</b>	<b>157.2</b>	<b>158.7</b>	<b>1%</b>
SG & A	837.3	857.4		128.8	161.9		103.6	87.8	
Foreign Exchange Gains/ (Loss)	16.0	9.2		(6.1)	15.0		0.6	1.4	
<b>EBIDTA</b>	<b>950.3</b>	<b>833.1</b>	<b>-12%</b>	<b>30.2</b>	<b>(35.8)</b>		<b>54.2</b>	<b>72.3</b>	<b>33%</b>
Depreciation & Amortisation	144.7	140.7		43.5	53.1		24.4	26.3	
<b>EBIT</b>	<b>805.6</b>	<b>692.4</b>	<b>-14%</b>	<b>(13.3)</b>	<b>(88.9)</b>		<b>29.8</b>	<b>46.0</b>	<b>54%</b>
Interest & Other Income, net	144.3	552.7		(3.4)	2.4		9.7	7.2	
<b>EBT</b>	<b>950.0</b>	<b>1245.1</b>	<b>31%</b>	<b>(16.7)</b>	<b>(86.5)</b>		<b>39.5</b>	<b>53.2</b>	<b>35%</b>
Provision for Tax	85.5	85.1		2.1	1.5		2.6	11.6	
<b>EAT</b>	<b>864.5</b>	<b>1160.0</b>	<b>34%</b>	<b>(18.9)</b>	<b>(88.0)</b>		<b>37.0</b>	<b>41.6</b>	<b>13%</b>

	Govt. Practice		
	JFM'03	AMJ'03	ΔQoQ
<b>Gross Revenues</b>	<b>68.4</b>	<b>85.5</b>	<b>25%</b>
Direct Costs	78.5	106.4	
<b>Gross Profits</b>	<b>(10.1)</b>	<b>(20.9)</b>	
SG & A	52.1	36.3	
Foreign Exchange Gains/ (Loss)	0.0	(1.1)	
<b>EBIDTA</b>	<b>(62.2)</b>	<b>(58.3)</b>	
Depreciation & Amortisation	13.6	13.0	
<b>EBIT</b>	<b>(75.8)</b>	<b>(71.2)</b>	
Interest & Other Income, net	0.0	1.7	
<b>EBT</b>	<b>(75.8)</b>	<b>(69.6)</b>	
Provision for Tax	(27.1)	(8.6)	
<b>EAT</b>	<b>(48.7)</b>	<b>(61.0)</b>	

	Inter Category Adjustment	
	JFM'03	AMJ'03
<b>Gross Revenues</b>	<b>(31.5)</b>	<b>(150.9)</b>
Direct Costs	(31.5)	(150.9)

### Key ratios

	Software Services		BPO Services		Infrastructure Services		Govt. Practice	
	JFM'03	AMJ'03	JFM'03	AMJ'03	JFM'03	AMJ'03	JFM'03	AMJ'03
Gross Margin	47%	43%	41%	27%	35%	35%	-15%	-24%
SG&A/Gross revenue	22%	22%	32%	39%	23%	19%	76%	42%
EBIDTA Margin	25%	21%	8%	-9%	12%	16%	-91%	-68%
EAT/Gross revenue	23%	30%	-5%	-21%	8%	9%	-71%	-71%

**Details of Software Services business**

in Rs.mn

	Software Services - Total			Organic			Non-organic		
	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ
<b>Gross Revenues</b>	<b>3775.4</b>	<b>3903.3</b>	<b>3%</b>	<b>3074.4</b>	<b>3008.0</b>	<b>-2%</b>	<b>813.7</b>	<b>972.3</b>	<b>19%</b>
Direct Costs	2003.8	2222.0		1661.5	1739.0		455.0	560.0	
<b>Gross Profits</b>	<b>1771.6</b>	<b>1681.3</b>	<b>-5%</b>	<b>1412.9</b>	<b>1269.0</b>	<b>-10%</b>	<b>358.8</b>	<b>412.3</b>	<b>15%</b>
SG & A	837.3	857.4		703.7	698.0		133.6	159.4	
Foreign Exchange Gains/ (Loss)	16.0	9.2		12.7	11.8		3.3	(2.6)	
<b>EBIDTA</b>	<b>950.3</b>	<b>833.1</b>	<b>-12%</b>	<b>721.9</b>	<b>582.8</b>	<b>-19%</b>	<b>228.4</b>	<b>250.3</b>	<b>10%</b>
Depreciation & Amortisation	144.7	140.7		127.9	129.8		16.9	10.9	
<b>EBIT</b>	<b>805.6</b>	<b>692.4</b>	<b>-14%</b>	<b>594.0</b>	<b>453.0</b>	<b>-24%</b>	<b>211.6</b>	<b>239.4</b>	<b>13%</b>
Interest & Other Income, net	144.3	552.7		139.8	507.9		4.5	44.8	
<b>EBT</b>	<b>950.0</b>	<b>1245.1</b>	<b>31%</b>	<b>733.8</b>	<b>960.9</b>	<b>31%</b>	<b>216.1</b>	<b>284.2</b>	<b>32%</b>
Provision for Tax	85.5	85.1		38.2	90.0		47.3	(4.9)	
<b>EAT</b>	<b>864.5</b>	<b>1160.0</b>	<b>34%</b>	<b>695.7</b>	<b>871.0</b>	<b>25%</b>	<b>168.8</b>	<b>289.1</b>	<b>71%</b>

	Intra Category Adjustment	
	JFM'03	AMJ'03
<b>Gross Revenues</b>	<b>(112.7)</b>	<b>(77.1)</b>
Direct Costs	(112.7)	(77.1)

**Key ratios**

	Software Services - Total		Organic		Non-organic	
	JFM'03	AMJ'03	JFM'03	AMJ'03	JFM'03	AMJ'03
Gross Margin	47%	43%	46%	42%	44%	42%
SG & A /Gross revenue	22%	22%	23%	23%	16%	16%
EBIDTA Margin	25%	21%	23%	19%	28%	26%
Net income/Gross revenue	23%	30%	23%	29%	21%	30%

## Q4 FY2003 results

### Details of BPO services

in Rs.mn

	BPO - Total			Organic			Non-organic		
	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ	JFM'03	AMJ'03	ΔQoQ
<b>Gross Revenues</b>	<b>401.6</b>	<b>416.7</b>	<b>4%</b>	<b>128.0</b>	<b>186.6</b>	<b>46%</b>	<b>287.4</b>	<b>247.6</b>	<b>-14%</b>
Direct Costs	236.6	305.6		67.6	109.3		182.8	213.8	
<b>Gross Profits</b>	<b>165.0</b>	<b>111.1</b>	<b>-33%</b>	<b>60.4</b>	<b>77.3</b>	<b>28%</b>	<b>104.6</b>	<b>33.8</b>	<b>-68%</b>
SG & A	128.8	161.8		67.0	100.3		61.7	61.5	
Foreign Exchange Gains/ (Loss)	(6.1)	15.0		(1.3)	0.3		(4.7)	14.7	
<b>EBIDTA</b>	<b>30.2</b>	<b>(35.8)</b>		<b>(8.0)</b>	<b>(22.7)</b>		<b>38.2</b>	<b>(13.0)</b>	
Depreciation & Amortisation	43.5	53.1		14.2	20.4		29.2	32.7	
<b>EBIT</b>	<b>(13.3)</b>	<b>(88.9)</b>		<b>(22.3)</b>	<b>(43.1)</b>		<b>9.0</b>	<b>(45.8)</b>	
Interest & Other Income, net	(3.4)	2.4		0.2	(1.0)		(3.7)	3.4	
<b>EBT</b>	<b>(16.7)</b>	<b>(86.4)</b>		<b>(22.0)</b>	<b>(44.1)</b>		<b>5.3</b>	<b>(42.3)</b>	
Provision for Tax	2.1	1.5		0.0	(0.0)		2.1	1.5	
<b>EAT</b>	<b>(18.9)</b>	<b>(88.0)</b>		<b>(22.0)</b>	<b>(44.1)</b>		<b>3.2</b>	<b>(43.9)</b>	

	Intra Category Adjustment	
	JFM'03	AMJ'03
<b>Gross Revenues</b>	<b>(13.8)</b>	<b>(17.5)</b>
Direct Costs	(13.8)	(17.5)

### Key ratios

	BPO - Total		Organic		Inorganic	
	JFM'03	AMJ'03	JFM'03	AMJ'03	JFM'03	AMJ'03
Gross Margin	41%	27%	47%	41%	36%	14%
SG & A /Gross revenue	32%	39%	52%	54%	21%	25%
EBIDTA Margin	8%	-9%			13%	-5%

**Note :**

The financials for organic BPO for the current quarter include the financials of HCL Inifinet for the period July-Dec '02 [Revenues of Rs30.3mn, direct cost of Rs.10.5mn, Rs.17.2mn of SG & A, Rs.0.3mn of net loss]

**Details of Infrastructure Services** in Rs.mn

	Organic		Growth
	JFM'03	AMJ'03	ΔOoO
<b>Gross Revenues</b>	<b>444.2</b>	<b>455.2</b>	<b>2%</b>
Direct Costs	287.0	296.5	
<b>Gross Profits</b>	<b>157.2</b>	<b>158.7</b>	<b>1%</b>
SG & A	103.6	87.8	
Foreign Exchange Gains/ (Loss)	0.6	1.4	
<b>EBIDTA</b>	<b>54.2</b>	<b>72.3</b>	<b>33%</b>
Depreciation & Amortisation	24.4	26.3	
<b>EBIT</b>	<b>29.8</b>	<b>46.0</b>	<b>54%</b>
Interest & Other Income, net	9.7	7.2	
<b>EBT</b>	<b>39.5</b>	<b>53.2</b>	<b>35%</b>
Provision for Tax	2.6	11.6	
<b>EAT</b>	<b>37.0</b>	<b>41.6</b>	<b>13%</b>

**Key ratios**

	Organic	
	JFM'03	AMJ'03
Gross Margin	35%	35%
SG & A / Gross revenue	23%	19%
EBIDTA Margin	12%	16%
EAT/Gross revenue	8%	9%

**Details of Government Practice** in Rs.mn

	Non-Organic		Growth
	JFM'03	AMJ'03	ΔOoO
<b>Gross Revenues</b>	<b>68.4</b>	<b>85.5</b>	<b>25%</b>
Direct Costs	78.5	106.4	
<b>Gross Profits</b>	<b>(10.1)</b>	<b>(20.9)</b>	
SG & A	52.1	36.3	
Foreign Exchange Gains/ (Loss)	0.0	(1.1)	
<b>EBIDTA</b>	<b>(62.2)</b>	<b>(58.3)</b>	
Depreciation & Amortisation	13.6	13.0	
<b>EBIT</b>	<b>(75.8)</b>	<b>(71.2)</b>	
Interest & Other Income, net	0.0	1.7	
<b>EBT</b>	<b>(75.8)</b>	<b>(69.6)</b>	
Provision for Tax	(27.1)	(8.6)	
<b>EAT</b>	<b>(48.7)</b>	<b>(61.0)</b>	

**Key ratios**

	Non-Organic	
	JFM'03	AMJ'03
Gross Margin	-15%	-24%
SG & A/Gross revenue	76%	42%
EBIDTA Margin	-91%	-68%
EAT/Gross revenue	-71%	-71%

**\$ Assumptions**

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

US\$1 = Rs.46.43 for AMJ'03

US\$1 = Rs.47.65 for JFM'03

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

**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 June 2003, HCL Technologies Limited, along with its subsidiaries, had 10,041 employees. The HCL Technologies team today has operations spanning 26 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](http://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.

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