

**HCL TECHNOLOGIES REPORTS 16 % REVENUE GROWTH
IN FY 2001-02**

Core organic business shows a rebound in Q4

Non-linear initiatives start delivering

30th August 2002

Fourth Quarter & Annual Results analysis based on audited financial results for FY 2001-02 (US GAAP consolidated)

Executive Summary

Financial Performance Review

The highlights of financial performance for **Year ended June 30, 2002** as compared to the previous year are:

- Gross Revenues up by 16% to aggregate Rs.16.3 bn
- Gross profits up by 6% at Rs.7.3 bn
- Net Income (before provisions) at Rs.4.9 billion
- Extraordinary provisions of Rs.612 million towards doubtful debts and markdown of investments
- Non-linear initiatives contribute 11.4% to revenues

The highlights of financial performance for **Quarter ended June 30, 2002** are:

- **Core organic business** shows sequential quarter growth of 5.7% to reach Rs. 3.1 bn, reversing downtrend of three consecutive quarters
- **DSL Software Ltd.** (formerly Deutsche Software Ltd.) gets into stride with a robust 17% sequential growth in revenues
- **HCL Tech Northern Ireland**, the BPO JV with British telecom, also records a similar sequential revenue growth
- HCL Tech Gross revenues grow 5.7% sequentially, to aggregate Rs 4.3 bn.
- Gross profits up 10% QoQ, to reach Rs.1.95 bn
- Net income (before provisions) at Rs. 1 bn.
- Non-linear initiatives QoQ contribution up 26.7%; contributes 16% to revenues

Operational Review for FY 2001-'02

- Offshore centric revenues constitute 71% of revenues, up from 63% last year
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions at 23%, 34% and 44% respectively.
- Net addition of 22 customers after rationalization taking the total to 362 as on June 30, 2002.
- Total employees, including JVs and subsidiaries, up by 1811 over the previous year, aggregating to 6,463
- Total number of ODCs (Offshore development Centres) increase to 49 from 35 in the last year

Operational Review for quarter ending June 2001- 02

- Offshore centric business steady - contributes 73% to revenues.
- Well balanced client concentration - Top 5, Top 10 and Top 20 customer contributions to revenues at 26%, 39 % and 52% respectively
- 37 new customers added during the quarter taking the total to 362. Includes 37 Fortune 500 clients and 63 clients with a run rate in excess of \$ 1 million
- Revenues from Europe continue to grow; up to 13% this quarter
- Net 518 employees added this quarter; includes 42 graduates from premier business schools
- Two new dedicated ODCs (Offshore development Centres) set up
- Two new Software Development Centres added at Chennai taking total seat capacity to 5030
- Acquisition of Gulf Computers Inc - renamed HCL Technologies(Mass) Inc. w.e.f 23/8/02 to access IT services opportunities in US Govt.
- Formation of HCL Jones Technologies, a JV with Jones Apparel Group, a Fortune 500 company in retailing.

Highlights for the quarter ended June 30, 2002

- Signs of turnaround in core software business, resulting from growing stability in end client businesses, increased initiatives towards outsourcing alongwith HCL Tech's enhanced sales and marketing efforts. Sequential quarter growth of 5.7% after three consecutive quarters of downtrend.
- Initiatives towards rebalancing of services portfolio started yielding results with end -user applications contributing 28% to revenues.
- 37 new customers added during the quarter including Macy's, Sovereign Insurance, several large semi-conductor equipment manufacturers, one of the largest US based commercial banks, one of the largest global providers of computerized transaction processing data communication & information services, a leading provider of broad range storage solutions for digitized data, one of the top healthcare providers in the US, amongst others.

- Some of the new cutting edge projects undertaken during the quarter include:
 - **Development of software components to create a Windows CE based product data terminal for a leading provider of handheld data collection terminals** - HCL Tech is engaged in the development of software components to create a Windows CE based Product Data Terminal (PDT) that functions with the client's product family of hand-held terminals.
 - **Life Cycle Maintenance (LCM) of Client/Server software for one of the world's leading suppliers of semiconductor equipment** - HCL Tech is involved in LCM of the Client/Server software that is part of their tool for wire bonding
 - **ERP implementation at a leading commercial bank** - HCL Tech is involved in the implementation of Clarify CRM and Genesys modules for a leading commercial bank based out of California. The Modules that are being implemented include Clarify ClearSupport, Clarify ClearCallCenter, Clarify eResponse Manager, Genesys Basic Framework, Genesys Enterprise Routing and Genesys CTI.
 - **Cost control system for a US based retail chain** - HCL Tech is involved in the development of a cost control system for the visualization department of a leading US based retail chain.
- The company continued to pursue its non-linear growth strategy to strengthen its offerings:
 - A 100% acquisition of Gulf Computers Inc, USA (GCI) will enable HCL Tech to increase penetration within the high potential US government IT sector.
 - A 51:49 JV with Jones Apparel Group, Inc. (JAG), a Fortune 500 company, will significantly augment HCL Tech's expertise in the retail vertical, leveraging the domain knowledge of JAG and HCL Tech's high-quality offshore delivery capability.
- Other alliances start delivering results and contributing to revenues:
 - DSL registers strong QoQ growth of 17%;manpower increased by 27 to aggregate 534; secured CMM Level 4 certification
 - HCL T NI records 17% QoQ growth
 - HES at 10% revenue growth; headcount 100
- HCL eServe notches 92% QoQ growth; manpower increased to 239; currently working with 12 clients

- Several technology alliances formed:
 - Founding partner of the SuperH Partner Program
 - Member of the WEP (Windows Embedded Partnership) partnership program of Microsoft Corporation.
 - Joined Mercury Interactive's "Open Architecture Program"
 - Became a consultant on the Altera Consultants Alliance program (ACAP)
- Change in the provisioning norms related to accounts receivables and marking down of investment holdings in venture capital funds in line with a more conservative Accounting Policy.
- Restructuring of treasury investment portfolio undertaken in this quarter. A substantial part of investments in debt mutual funds moved from dividend to growth plan. Income from these investments would primarily be in the form of long-term capital gains, to be recognized as per US GAAP, only when gains are realized in cash. As a result, other income for HCL Tech significantly lower compared to previous quarter, impacting net income as well.

Highlights for the Year ended June 30, 2002

- Formed a joint venture with Deutsche Bank AG by acquiring 51 % stake in the holding company of Deutsche Software Ltd., Deutsche Bank's IT services subsidiary in India
- HCL Enterprise Solutions Ltd (HES) a 51:49 JV with CompuTech Corporation Inc. of the US formed. Headquartered in Chicago, HES focuses on the fast-growing Enterprise Application Integration (EAI) market
- Strategic alliance forged with British Telecom by acquiring 90% equity stake in Apollo Contact Centre in Belfast, Northern Ireland
- Entered into a long-term alliance with Exult Inc, the market leader in HR business process outsourcing for Global 500 corporations
- Entered into a five-year partnership with Mapics Inc to provide product development in the area of extended enterprise applications
- Entered into an alliance with Motorola Inc. to provide design services in support of the recently announced C-5e Network Processor (NP) and the Q-5 Traffic Management Coprocessor (TMC)
- Joint venture formed with Answerthink Inc., a 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

- 100% acquisition of Gulf Computers Inc to broaden HCLT's client base in the Govt sector in US
- Entered into a JV with Jones Apparel Group, a fortune 500 company headquartered in the US to boost HCLT's presence in the retail vertical
- In continuation of strategy to forge long-term alliances with customers, 14 new Offshore Development Centers (ODCs) set up during the year
- Client rationalization undertaken to improve client mix; focus on large, stable organizations with higher potential to scale up, for better predictability and visibility.
- New clients added during the year include several globally renowned names including General Motors, Motorola, Zurich Capital Markets, Exult Inc, Lear Corporation, Mitsubishi, Mapics Inc, United Technologies Corporation, Parker Hannifin, Visteon, Metapack, Macy's amongst others
- Renewed thrust on 9 high-potential verticals spanning Automotive, Aerospace, Petrochemicals, Pharmaceuticals, Semiconductor, Manufacturing, Retail, Banking, Insurance and Funds Management
- Implemented SAP companywide to further streamline operations and functioning
- Total manpower added – 1811

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

"HCL Technologies has weathered these challenging times well and efforts towards rebalancing the portfolio and repositioning the company, to exploit emerging opportunities are underway. Investments made this year have provided us additional platforms of growth. Early signs augur well for the future."

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

\$ Assumptions

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

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

US\$1 = Rs.47.09 for FY'01 and AMJ'01

US\$1 = Rs.48.795 for JFM'02.

Key operational metrics

HCL TECHNOLOGIES - ORGANIC S / W BUSINESS	AMJ '02
REVENUE BREAKUP	
Gross Revenues (US\$K)	63,764
○	68%
○	32%
Billable Manpower - End of the Period	4,104
Efforts billed (manmonths)	
○	8,871
○	2,068
Total Efforts Billed	10,941
less Subcontracted Efforts	741
Net Efforts	10,201
Capacity Utilisation	
○	83.5%
○	91.0%
Average Billing Rates (\$'000/Manmonth)	
○	4.89
○	9.87

HCL TECHNOLOGIES - CONSOLIDATED	AMJ'02
FINANCIAL DETAILS	
Gross Revenues (US\$K)	88,315
○	73%
○	27%
REVENUE BREAK UP	
Service Offerings	
Tech Services	37%
Netw	12%
Soft Services	18%
App	28%
IT Enabled Services	5%
Geography	
US	67%
Europe	13%
India	11%
Rest of the world	9%
Repeat Business	70%
CLIENT CONCENTRATION	
Total no. of clients	362
No. of Million \$ Clients	63
No. of Global 500 clients	37
Contribution from:	
Top 5 clients	26%
Top 10 clients	39%
Top 20 clients	52%

MANPOWER DETAILS (END OF PERIOD)			
HCL Technologies Ltd.	4,722		462
Technical	4,104	T	266
	3,611	S	196
	493		
Support	618	HCL Enterprise Solutions Inc.	100
	107	T	83
	511	S	17
	439	DSL Software Ltd.	534
	179	T	477
		S	57
Annualised Attrition (>1 yr.)	8.2%	HCL E Serve Technologies Ltd.	239
		Shipara Technologies Ltd.	116
		Gulf Computers Inc.	247
		HCL Technologies NI Ltd.	43

Financials

(Fourth Quarter and Annual Results analysis based on the audited US GAAP financial results for FY 2001-02)

Consolidated Income Statement (as per US GAAP)

in Rs.mn

	Quarterly details					Annual details		
	AMJ'01	JFM'02	AMJ'02	Δ YoY	Δ QoQ	FY '01	FY'02	Δ YoY
Gross Revenues	3691.7	4089.9	4323.0	17%	6%	14050.9	16292.7	16%
Direct Costs	1868.1	2309.2	2371.3			7124.9	8953.4	
Gross Profits	1823.6	1780.7	1951.7	7%	10%	6926.0	7339.3	6%
SG&A	637.9	738.0	901.2			2628.6	3185.5	
Foreign Exchange Gains / (Loss)	17.2	12.6	70.2			121.2	151.2	
EBDITA	1202.9	1055.3	1120.7	-7%	6%	4418.6	4304.9	-3%
Depreciation & Amortisation	118.9	152.1	176.7			421.2	580.7	
EBIT	1084.0	903.1	944.0	-13%	5%	3997.4	3724.2	-7%
Other income, net	264.4	413.7	124.7			820.2	1183.0	
EBT	1348.4	1316.8	1068.7	-21%	-19%	4817.6	4907.2	2%
Provision for income taxes	106.7	60.6	58.4			388.5	279.3	
EAT	1241.7	1256.2	1010.3	-19%	-20%	4429.1	4627.9	4%
Share from equity investment	82.4	94.1	73.8			453.4	341.5	
Share of income(loss) of minority shareholders	0.0	32.9	-41.3			-0.2	-108.4	
Net Income	1324.0	1317.4	1043.0	-21%	-21%	4882.8	4861.2	0%
Stock based sales incentive (Non Cash)	-0.3	5.7	-14.3			81.6	-4.0	
Extraordinary Provisions	0.0	0.0	367.3			0.0	612.0	
Net Income (after Sales Incentive and Provisions)	1324.3	1311.8	689.8	-48%	-47%	4801.2	4253.2	-11%

Key ratios

	Quarterly details			Annual details	
	AMJ'01	JFM'02	AMJ'02	FY '01	FY'02
Gross margin	49%	44%	45%	49%	45%
Opex / Gross revenue	17%	18%	21%	19%	20%
EBITDA margin	33%	26%	26%	31%	26%
Net income (before provisions)/ Gross revenue	36%	32%	24%	35%	30%

Consolidated Balance Sheet (as per US GAAP)

in Rs.mn

	As on		
	June 30 '01	March 31 '02	June 30 '02
ASSETS			
<u>a. Cash and Cash Equivalents</u>	4303.2	1994.6	1710.5
b. Accounts receivables	2523.6	3060.3	3528.0
c. Treasury Investments	8644.2	11083.1	11156.3
d. Other current assets	1257.3	1962.5	1594.9
A. Total current assets (a+b+c+d)	16728.3	18100.5	17989.7
B. Property and equipment, net	1515.4	2340.1	2517.6
C. Intangible assets, net	338.8	1835.6	2201.7
D. Investments in Venture Funds / Equity Investees	1,789.3	2419.2	2324.6
E. Other Assets	345.1	367.8	537.8
Total Assets (A+B+C+D+E)	20716.9	25063.1	25571.4
e. Total current liabilities	2500.3	2752.1	3312.2
f. Short term loans	-	976.2	-
g. Other liabilities	4.6	25.0	141.1
F. Total liabilities (e+f+g)	2504.9	3753.3	3453.3
G. Minority interest	0.7	320.0	332.3
H. Total stockholders' equity	18211.4	20989.8	21785.9
Total liabilities & stockholder's equity (F+G+H)	20716.9	25063.1	25571.4

Revenue breakup between various business categories in Rs.mn

	Software Services			IT-enabled services		
	JFM'02	AMJ'02	Δ QoQ	JFM'02	AMJ'02	Δ QoQ
External revenues	3,348.6	3,642.0		162.2	190.0	
Group revenues	(10.1)	(11.6)		-	9.0	
Total Revenues	3,338.6	3,630.4	9%	162.2	199.1	23%
Direct Costs	1,751.4	1,894.5		94.9	128.0	
Gross Profits	1,587.1	1,735.9	9%	67.3	71.0	6%
SG&A	599.4	730.1		71.6	74.6	
Foreign Exchange Gains / (Loss)	20.3	44.0		(6.5)	26.6	
EBDITA	1,008.0	1,049.9	4%	(10.8)	23.0	
Depreciation & Amortisation	105.1	142.8		27.5	16.2	
EBIT	903.0	907.1		(38.3)	6.8	
Interest & Other Income, net	411.5	119.7		(1.6)	(5.2)	
EBT	1,314.4	1,026.9	-22%	(40.0)	1.7	
Provision for income taxes	50.3	48.3			(1.4)	
EAT	1,264.1	978.5	-23%	(40.0)	3.1	

Key ratios

	Software Service		IT-Enabled Services	
	JFM'02	AMJ'02	JFM'02	AMJ'02
Gross margin	48%	48%	41%	36%
Opex / Gross revenue	18%	20%	44%	37%
EBITDA margin	30%	29%	-7%	12%
EAT / Gross revenue	38%	27%	-25%	2%

Networking services in Rs.mn

	HCL Comnet		
	JFM'02	AMJ'02	Δ QoQ
External Revenues	579.1	490.9	
Group revenues	10.1	2.5	
Total Revenues	589.2	493.5	-16%
Direct Costs	462.9	348.8	
Gross Profits	126.3	144.7	15%
SG&A	67.0	96.4	
Foreign Exchange Gains (loss)	(1.2)	(0.5)	
EBDITA	58.1	47.8	-18%
Depreciation & Amortisation	19.6	17.7	
EBIT	38.5	30.1	
Other income, net	3.8	10.2	
EBT	42.3	40.2	-5%
Provision for income taxes	10.2	11.5	
EAT	32.1	28.7	-11%

Key ratios

	Networking	
	JFM'02	AMJ'02
Gross Margin	21%	29%
Opex/ revenue	11%	20%
EBIDTA Margin	10%	9%
EAT/ revenue	5%	6%

Details of software services business

in Rs.mn

	HCL Technologies			DSL Software		
	JFM'02	AMJ'02	ΔQoQ	JFM'02	AMJ'02	ΔQoQ
External revenue	2950.4	3122.8		252.0	293.8	
Group revenue	(32.4)	(39.9)				
Total Revenues	2918.0	3082.9	6%	252.0	293.8	17%
Direct Costs	1501.6	1552.8		131.9	167.5	
Gross Profits	1416.4	1530.1	8%	120.1	126.3	5%
SG & A	517.5	636.6		51.3	39.0	
Foreign Exchange Gains / (Loss)	16.9	27.1		3.4	16.9	
EBIDTA	915.8	920.6	1%	72.2	104.2	44%
Depreciation & Amortisation	101.3	118.1		7.9	20.1	
EBIT	814.5	802.5		64.3	84.1	
Interest & Other Income, net	406.4	121.6		5.9	-0.7	
EBT	1220.9	924.2	-24%	70.2	83.4	19%
Provision for Tax	28.6	29.4		13.8	16.8	
EAT	1192.3	894.8	-25%	56.4	66.6	18%

	HES			Gulf	HCL Jones
	JFM'02	AMJ'02	ΔQoQ	AMJ'02	AMJ'02
External revenue	146.3	157.4			
Group revenue	22.2	28.3			
Total Revenues	168.5	185.7	10%	57.5	10.6
Direct Costs	117.9	135.0		31.0	8.1
Gross Profits	50.6	50.7	0%	26.4	2.4
SG & A	30.6	38.7		14.8	0.9
Foreign Exchange Gains / (Loss)	0.0	0.0		0.0	0.0
EBIDTA	20.0	12.0	-40%	11.7	1.5
Depreciation & Amortisation	(4.1)	1.2		3.4	0.1
EBIT	24.2	10.8		8.3	1.4
Interest & Other Income, net	(0.8)	(1.3)		0.0	0.0
EBT	23.3	9.5	-60%	8.3	1.4
Provision for Tax	7.9	-2.1		3.3	0.9
EAT	15.4	11.6	-25%	5.0	0.5

Note: Gulf Computers has been consolidated since 1st June, 02
HCL Jones has been consolidated since 13th June, 02

Key ratios

	HCLT		DSL Software		HES		Gulf	HCL Jones
	JFM'02	AMJ'02	JFM'02	AMJ'02	JFM'02	AMJ'02	AMJ'02	AMJ'02
Gross Margin	49%	50%	48%	43%	30%	27%	58%	23%
Opex/ revenue	18%	21%	20%	13%	18%	21%	26%	9%
EBIDTA Margin	31%	29%	29%	35%	12%	5%	32%	14%
EAT/ revenue	40%	29%	22%	23%	9%	6%	21%	4%

Details of IT-enabled services

in Rs.mn

	HCL E-Serve			HCLT NI		
	JFM'02	AMJ'02	ΔQoQ	JFM'02	AMJ'02	ΔQoQ
External revenue	12.2	14.4				
Group revenue		9.0				
Total Revenues	12.2	23.4	92%	150.0	175.6	17%
Direct Costs	8.7	15.3		86.2	112.7	
Gross Profits	3.5	8.2		63.8	62.9	
SG & A	18.9	20.8		52.8	53.9	
Foreign Exchange Gains / (Loss)	-	-		(6.5)	26.6	
EBIDTA	(15.4)	(12.6)		4.5	35.6	
Depreciation & Amortisation	6.2	7.6		21.4	8.6	
EBIT	(21.5)	(20.2)		(16.8)	27.0	
Interest & Other Income, net	0.2	0.3		(1.9)	(5.5)	
EBT	(21.3)	(19.9)		(18.7)	21.5	
Provision for Tax	(0.0)	-		-	(1.4)	
EAT	(21.3)	(19.9)		(18.7)	22.9	

Key ratios

	HCL E-Serve		HCLT NI	
	JFM'02	AMJ'02	JFM'02	AMJ'02
Gross Margin	29%	35%	43%	36%
Opex/ revenue	154%	89%	35%	31%
EBIDTA Margin	-126%	-54%	3%	20%
EAT/ revenue	-174%	-85%	-12%	13%

Details of networking services in Rs.mn

	HCL Comnet		
	JFM'02	AMJ'02	Δ QoQ
External Revenues	579.1	490.9	
Group revenues	10.1	2.5	
Total Revenues	589.2	493.5	-16%
Direct Costs	462.9	348.8	
Gross Profits	126.3	144.7	15%
SG&A	67.0	96.4	
Foreign Exchange Gains (loss)	(1.2)	(0.5)	
EBDITA	58.1	47.8	-18%
Depreciation & Amortisation	19.6	17.7	
EBIT	38.5	30.1	
Other income, net	3.8	10.2	
EBT	42.3	40.2	-5%
Provision for income taxes	10.2	11.5	
EAT	32.1	28.7	-11%

Key ratios

	HCL Comnet	
	JFM'02	AMJ'02
Gross Margin	21%	29%
Opex/ revenue	11%	20%
EBIDTA Margin	10%	9%
EAT/ revenue	5%	6%

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.

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 2002, HCL Technologies Limited, along with its joint ventures and subsidiaries, had 6.463 employees. The HCL Technologies team today has operations spanning 25 locations in 15 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

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