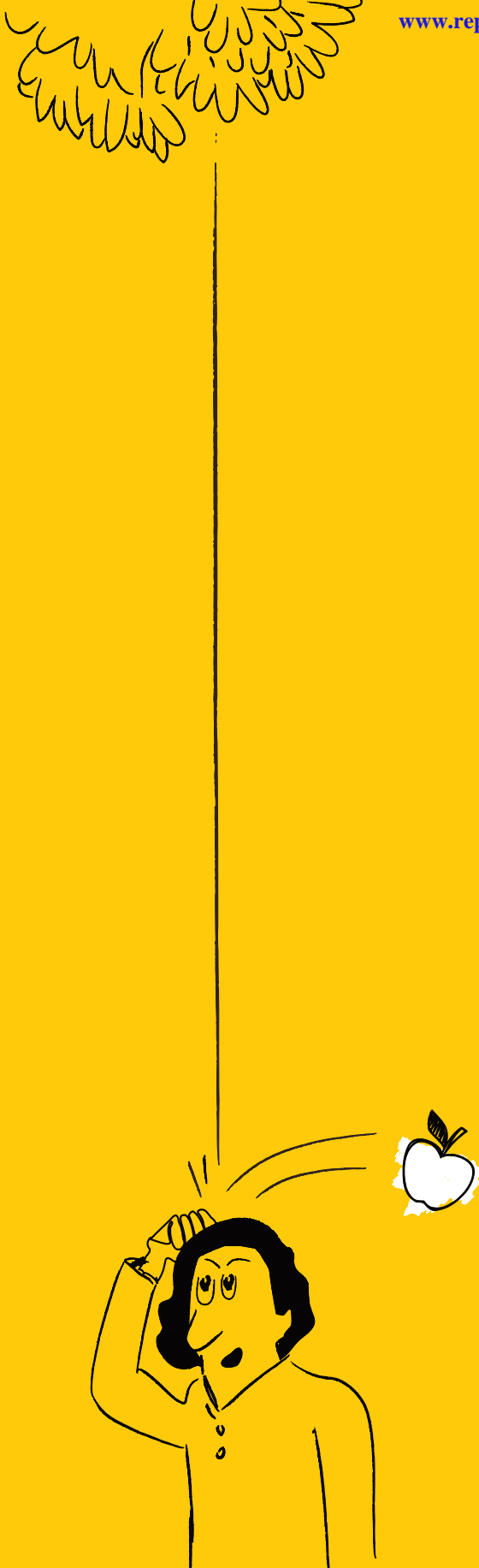




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HCL TECHNOLOGIES LIMITED ANNUAL REPORT 2011-12



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BOARD OF DIRECTORS

MR. SHIV NADAR

Chairman & Chief Strategy Officer

MR. VINEET NAYAR

Vice Chairman & CEO

MS. ROBIN ABRAMS

Non- Executive Director

MR. SUBROTO BHATTACHARYA

Non- Executive Director

MR. AMAL GANGULI

Non- Executive Director

MR. R. SRINIVASAN

Non- Executive Director

MR. SUDHINDAR KRISHAN KHANNA

Non- Executive Director

MR. SRIKANT MADHAV DATAR

Non- Executive Director

MR. SOSALE SHANKARA SASTRY

Non- Executive Director

Auditors

S. R. Batliboi & Co.
Chartered Accountants
Gurgaon

Bankers**Citibank, N.A.**

Global Corporate & Investment Banking
DLF Centre, 5th Floor
Parliament Street
New Delhi-110001

Deutsche Bank AG

Corp. Office - DLF Square
4th floor, Jacaranda Marg,
DLF City, Phase - II
Gurgaon-122002

Standard Chartered Bank

Corporate & Institutional Banking
Credit Operations, India
H -2, Connaught Circus
New Delhi-110001

State Bank of India

Corporate Accounts Group Branch
11th /12th Floor, Jawahar Vyapar Bhawan
1, Tolstoy Marg
New Delhi-110001

MANAGEMENT DISCUSSION AND ANALYSIS

Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When words like 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions are used in this discussion, they relate to the Company or its business and are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading 'Risk Factors' in the Prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as of their dates. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

Current State of the Indian IT Industry

FY 2012 has been a good year for the Indian IT-BPO industry, keeping in view the slowdown in global economic environment and corporate IT spending budgets. As per NASSCOM estimates, aggregate revenues of IT-BPO industry for the FY12 crossed USD 100 Billion. Aggregate IT software and services revenues (excluding hardware) reached USD 88 Billion. Export revenue (excluding hardware) reached USD 69 Billion. As a proportion of India's GDP, aggregate sector revenues have grown from 1.2 % in FY 1998 to an estimated 7.5 % in FY 2012.

The Indian IT Industry can be broadly analyzed from the dimensions of Verticals, Service Lines and Geographies.

- Verticals: As per NASSCOM estimates, amongst the matured verticals such as BFSI, Manufacturing and Telecom, BFSI still remains dominant with a share of 41.2 % in total IT-BPO exports. The share of Telecom segment has declined to 19 % in FY12 from 20% in FY11. Emerging verticals like Retail, Healthcare, Media and Utilities continue to record fast growth.
- Service Lines: Within exports, IT services segment is fastest growing at 19% over FY 2011 with export revenue of USD 40 Billion, accounting for 58% of total exports. The BPO segment is expected to grow by 12% to reach USD 16 Billion in FY 2012.
- Geographies: USA continues to drive growth in IT-BPO exports with export revenue of 17% in FY 2012. APAC region exhibited fastest growth at nearly 18%.

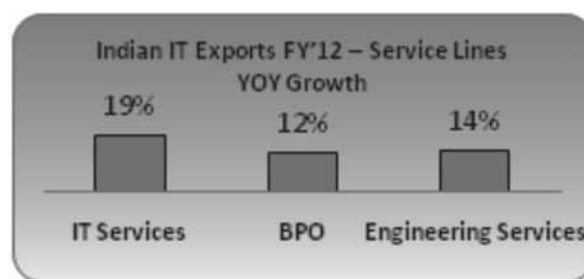
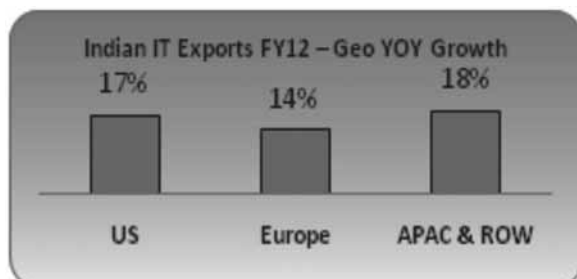
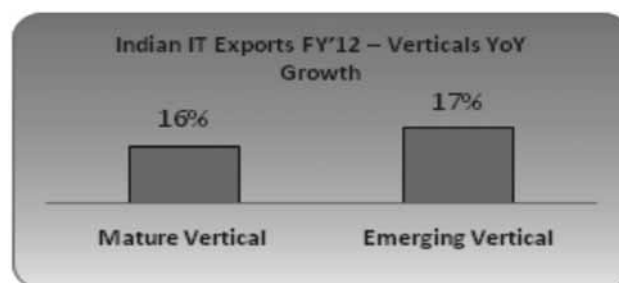
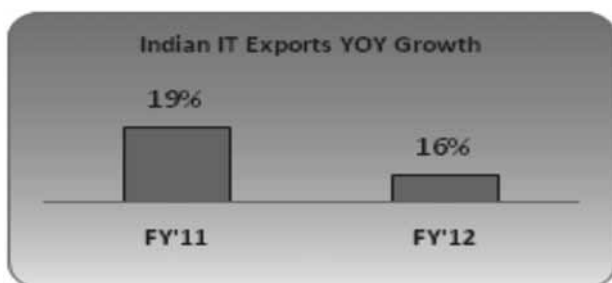
QUICK FACTS

[NASSCOM on the Indian IT Industry]

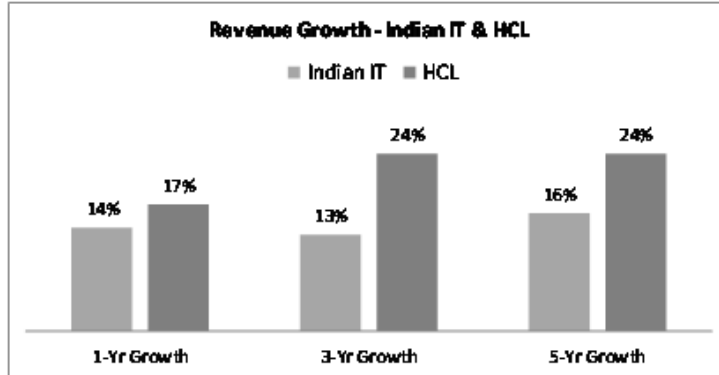
- Milestone year for Indian IT-BPO industry- aggregate revenues crossing USD 100 Billion, exports at USD 69 Billion. IT services exports is one of the fastest growing industry segments, growing by 19% in FY2012 and accounting for exports of USD 40 Billion.
- Domestic revenues (including Hardware) reached USD 31.7 Billion, growing by over 9%.

[On Verticals and Service Lines]

- BFSI remains dominant with a share of 41.2%. Share of Telecom declined from 20% in FY 2011 to 19% in FY 2012.
- IT services exports revenue grew by 17% for US, 14 % for Europe and 18% for APAC.



HCL Technologies (HCLT) continues to outperform the Indian IT-BPO industry. During the year ending June' 2012, HCLT's revenues grew by 17% YoY compared to revenue growth of 14% YoY for Indian IT-BPO industry. On a three year CAGR basis, HCLT's revenue grew by 24% whereas the Indian IT-BPO industry revenues grew by 13% during the same period. On a five year CAGR, HCLT's revenue grew by 24.4% as compared to the Indian IT-BPO industry revenue growth of 16%.



HCL revenue numbers based on FY ending June & Indian IT numbers based on FY ending March

Industry Outlook

The IT-BPO industry has been the frontrunner of the Indian technology sector by driving growth for the economy in terms of generating employment, increasing revenues through service exports and enhancing social lifestyles of the burgeoning middle class due to increased disposable income. The Indian IT-BPO industry continues to play a major role in transforming India into a global force to be reckoned with, and is influencing some of the key technology trends that are shaping the future of the industry. Some of these trends are:

- Enterprise Mobility
- Cloud Computing
- Business Intelligence
- Analytics
- Social Networking
- Virtualization

Market Trends

- Private Cloud adoption and cluster based Cloud implementations.
- Social media & networking to be the new age tools for communication.
- Business Intelligence & Analytics to become key strategic initiatives for organizations.

Investment in new technologies will be the key to success for organizations. IT spending on enterprise and mobility will be a huge market. The market for enterprise mobility solutions alone is expected to grow to USD 17 Billion by 2015. Spending on Public Cloud Services is likely to surpass growth of overall IT spends by almost four times between 2012 and 2015. These emerging technology trends are expected to increase industry revenues to an estimated USD 225 Billion by 2020, as per NASSCOM.

Drivers for future growth

The Indian IT industry will continue to redefine and transform itself by establishing new business and global delivery models and partnerships. Global sourcing will be a key growth driver, with organizations trying to reduce operational costs, entering new markets and focusing on innovation.

In the competitive business environment, outsourcing is poised to be a strategic initiative, with many organizations focusing on leveraging existing technology investments. In addition, innovation and operational efficiencies will gain considerable prominence as key competitive differentiators.

Future Outlook

- Indian Government's expected push of USD 1 Trillion during 2013 - 2017 towards infrastructure development will be a key growth driver for the Indian IT Industry.
- Evolution of mobility and its rapid adoption is going to drive IT spending worldwide.
- Enterprise Mobility Solutions alone is expected to reach USD 17 Billion by 2015.
- Emerging markets will be a key growth area for Global IT Outsourcing.

HCLT Strategy and opportunities for growth

HCLT's strategy of focusing on growth, service innovation and value proposition has led to an unmatched competitive standing in the marketplace. The company has acquired new capabilities while adapting to changing market dynamics and competition. With celebrated management philosophy of 'Employees First, Customers Second' at the heart of innovation in organization culture and the first mover advantage in service lines like Engineering and R&D Services, Infrastructure Services, the company has recorded unmatched growth. HCL AXON, the EAS division of HCLT offers world class consulting and solution capabilities. HCL acquired AXON in 2008 which is the biggest acquisition in the Indian IT industry so far. Through Dual-GTM (Go-To-Market), HCLT presented its horizontal and vertical depth to potential customers. With new value offerings, domain depth and consulting capabilities HCLT is a provider of end-to-end services.

HCLT is well positioned to tap the full IT outsourcing market, involving the entire portfolio of applications and infrastructure services. Having strengthened capabilities in this space over the years, HCLT now has a balanced portfolio to target large opportunities in F500 and G2000 organizations. A balanced run-the-business and change-the-business portfolio of services has made HCLT a strategic partner of some of the biggest brands in the world. Going forward HCLT will continue to focus on enthusing, encouraging & enabling employees to deliver unmatched value to customers and maintain momentum of growth through high levels of customer satisfaction.

About HCL Technologies Ltd.

A USD 4.2 Billion global IT services company, HCLT is a leading provider of business transformation, enterprise and custom applications, infrastructure management, business process outsourcing and engineering services.

HCLT brings IT and engineering services expertise under one roof to solve complex business problems for its clients. Leveraging HCLT's extensive global offshore infrastructure and network of offices in 26 countries, it provides holistic, multi-service delivery across industries like financial services, manufacturing, consumer services, public services and healthcare.

A micro-vertical strategy, built on strong domain expertise, ensures that no matter how complex is a company's business problem, HCLT can offer a solution that is sustainable and innovation-driven.

The source of HCLT's success and its ability to deliver high value to clients even during a turbulent economic environment has been a combination of technical expertise and a unique management philosophy that unleashed the innovative thinking of employees called 'Employees First Customers Second' (EFCS). This philosophy was the foundation of HCLT's transformation journey in 2005. Today, the impact of this unique management philosophy which empowers employees to drive growth has made HCLT into one of the fastest growing IT services companies and is being recognized worldwide.

Through EFCS, HCLT empowers employees to innovate and deliver business value by turning technology into a distinct competitive advantage for its customers.

Increasing customer impact

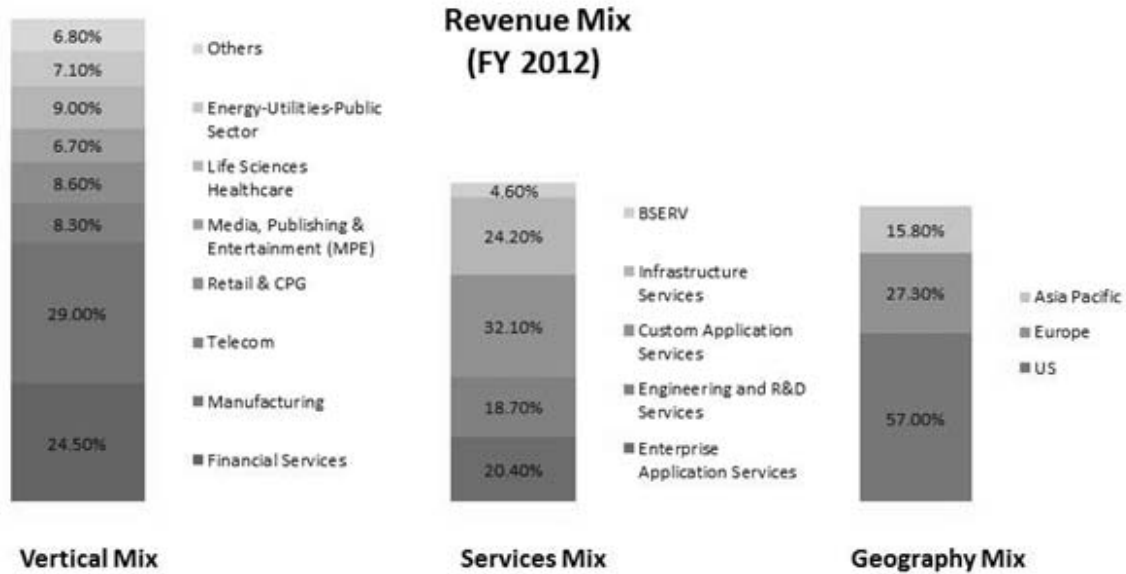
- HCLT crossed USD 4 billion in revenue in FY'12
- HCL exceeds USD 1 billion in revenue in Infrastructure Services in FY'12
- Customer addition of USD 100 million+ quintupled in last one year

QUICK FACTS**[About HCLT]**

- USD 4.2 billion global IT services company
- Leading provider of business transformation, enterprise & custom applications, infrastructure management, BPO, and engineering services
- Of more than 3,000 technology companies in the Bloomberg database, there are only seven companies with revenue of more than USD 2.5 billion, a market capitalization of more than USD 5 billion, and a compounded annual growth rate greater than 25 per cent during the past five years. HCL Technologies is one of those seven companies
- Offices in 26 countries and operations across 35 countries

Service Offerings

HCLT believes in the practice of regularly re-structuring and re-energizing its diversified portfolio of service offerings. By re-evaluating and realigning this portfolio from time to time, HCLT is able to develop a robust business model.



Infrastructure Services Division

HCLT's Infrastructure Services Division (ISD) is the fastest growing service offering business line and contributes 24.2% to HCLT's total revenues. The division manages mission-critical IT environments for global organizations.

HCLT ISD is increasingly recognized by global organizations as a leader for managing and transforming enterprises' mission critical IT Infrastructure. HCLT ISD's engagements are multi-year long term relationships and the renewal rate for existing engagements which come up for rebid is very high. This division has successfully delivered 70+ complex IT infrastructure architecture and operations transformations for its customers. HCLT ISD is positioned to address IT infrastructure requirements through its Cloud Aggregation services for enterprises to consume hybrid cloud environments. It is also transforming enterprises through New Generation Enterprise Architecture which includes HCLT ISD's Next Generation Data Center, Next Generation End User Computing and Next Generation Networking Security Architecture blueprints for Enterprise IT.

HCLT ISD's key service offerings include End User Computing, Data Center & Mainframe Services, Integrated Operations Management, Cross Functional Services, Security & Network and Cloud Computing Services.

HCLT ISD's solutions span major industries including Manufacturing (Process, Discrete and Hi-Tech), Automotive, Life Sciences, Healthcare & Pharmaceuticals, Energy (Oil & Gas) and Utilities, Financial Services, Insurance, Banking, Retail, Travel, Tourism & Logistics, Media, and Publishing & Entertainment & Telecom.

HCLT ISD provides infrastructure management services to customers through a robust delivery network of several service centers across the globe. Infrastructure operations include the standardized management of globally distributed assets of over 3 million mission critical IT devices; resolving numerous helpdesk contacts while supporting over 1.2 million business users' needs.

SNAPSHOT

- Fastest growing business line, constituting 24.2% of HCLT's revenues.
- IT infrastructure operations and transformation leader, managing mission-critical environments for global organizations.
- Offerings: End User Computing, Data Center & Mainframe Services, Integrated Operations Management, Cross Functional Services, Security & Network and Cloud Computing Services.
- Industries served: Manufacturing, Hi-Tech, Automotive, Energy (Oil & Gas) and Utilities, Financial Services, Banking, Insurance, Life Sciences, Healthcare & Pharmaceuticals, Retail, Travel, Tourism & Logistics, Media, Publishing & Entertainment and Telecom.
- Scale of operations: centralized management of globally distributed assets of over 3 million devices; resolving over 15 million helpdesk contacts while supporting over 1.2 million business users' needs.
- Numerous industry recognitions and awards.

This division has received its share of accolades:

- One of the leaders in Magic Quadrant for Desktop Outsourcing Services, North America and Help Desk Outsourcing Services, North America.
- Outsourcing Center Awards "HCLT and Teradyne" with Outsourcing Excellence Award for Best Transition Project.
- Information Week conferred ValueHonors™ Awards to eight HCLT customers including Avago Technologies, Cathay Pacific Airways, Cummins Inc., Electrolux, Old Mutual Wealth Management, Purdue Pharma, Xerox and a Fortune 500 pharmaceutical company.
- HCLT has been recognized as a Leader in Gartner's Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, North America, authored by William Maurer, David Edward Ackerman, Bryan Britz and Helen Huntley, published on 20 July 2011.
- ISD has earned Microsoft's Gold Desktop Competency and has become a services delivery leader for the Windows operating system and Microsoft Office suites.
- HP recognized HCLT as the "Alliance ONE Partner of the Year" in the "HP Cloud Computing Service Provider of the Year" category (2010-2011).
- The company's fast growth has prompted several bestselling authors to include the HCLT ISD case study in their books and research.
- HCLT has been rated Positive in Gartner's MarketScope for Managed Security Services in Asia/Pacific, authored by Andrew Walls and Rob McMillan, published on 30 September 2011. Cisco Honored HCL with the Data Center & Virtualization Partner Award in 2012.

Custom Application Services

Business differentiation through IT by creating visibility, reducing IT intensity, operational excellence and distinct focus on transformation makes Custom Application Services division a game changer at HCLT. Today HCLT's customers look at IT not just as a percentage cost to overall spends but more on how it can help increase revenues, reduce overall costs and also enable new business models. The Custom Application Services division boasts of many examples where the teams have enabled customers to achieve strategic control while releasing internal IT bandwidth to focus on strategic initiatives with a partnering approach. This division contributes 32.1% of HCLT's revenues and provides services across verticals like financial services, retail & consumer products, healthcare, insurance, media & publishing, manufacturing, and public services.

This division uses IPs, tools, frameworks and industry best practices to provide differentiated 'change-the-business', 'run-the-business', and 'cross functional IT' services to customers. By focusing on these three aspects of customer IT ecosystem, this division has been successful in providing committed savings on Application Management and increased agility and adoption on Application Build engagements. In some instances the division has successfully re-engineered applications to develop platforms to enable customers to grow faster. Other services within this division include application modernization, migration, independent verification and validation.

With a modular approach to design, development, testing, and roll-out, HCLT's ADeX Practice (Application Development Excellence) leverages best in class development processes and methodologies along with benchmark tools and reference architectures, to ensure that client requirements are met with high productivity and process compliance. The suite of "HCLT Assess-Smart" services uses a variety of automated tools for measuring quality of applications at source code level and generates an analysis of existing size and state of application performance, reliability, maintainability, and security. This helps architects provide solutions to meet the desired "To Be" state in an objective manner with enhanced service levels.

The division's run-the-business approach follows the MASCOT Framework (Managed Appl. Services leading to Continuous Improvement & Transformation) which is also being implemented across all key Application Support & Maintenance engagements by the HCLT's Application Support & Maintenance [ASM] practice. With 42 key service elements, it aims to deliver predictable services at a predictable price for large customers and includes a structured set of key service elements that

SNAPSHOT

- Constitutes 32.1% of HCLT's revenues.
- Offerings: Application development, management, support, re-engineering, modernization, migration, and independent verification & validation.
- Industries served: Retail, banking, insurance, capital markets, media & publishing, manufacturing, and public & healthcare services.
- Investment in the 'Domain Academy' to nurture/ strengthen industry knowledge across verticals.
- ADeX Practice launches "HCLT Assess-Smart" suite of services - leverages a variety of automated tools for measuring quality of applications at source code level.
- MASCOT Framework (Managed Appl. Services leading to Continuous Improvement & Transformation) being implemented across key ASM engagements as a comprehensive 'run the-business' framework.
- Significant investments in niche technologies - eCommerce, Mobility, Cloud and Analytics.

inter-operates to ensure the delivery of managed services. Holistically, MASCOT can help unlock customer's capital which can be deployed into new build projects using ADeX. This approach is very useful at a time when there is no new spend being put into build or Change the Business Projects.

To align IT with business needs, this division provides cross functional services through collaborative governance, flexible commercial models and certain tools which provide customers business differentiation through IT. Our flexible commercial models like onsite, near-shore, offshore facilities, shared delivery centers assist us to define, realize and sustain business change.

HCLT's value-centric focus keeps it continuously investing in and inventing robust methodologies, tools and processes and best-of-breed partnerships. Skills are continuously upgraded within the practice and customers continue to enjoy faster time-to-market as they leverage HCLT's extensive research and development on reusable components and frameworks. Currently, HCLT is investing significantly in niche technologies in areas like eCommerce, Mobility, Cloud and Analytics. HCLT firmly believes that employees, along with customers, bring in the maximum value. In order to continuously empower employees, HCLT has invested in the 'Domain Academy' to nurture and strengthen industry knowledge across verticals.

Engineering and R&D Services

One of the largest global engineering services providers in the world, HCLT's Engineering and R&D Services (ERS) business unit constitutes 18.7% of the company's overall revenues. HCLT ERS works with some of the most innovative and successful organizations in the world. With over two decades of experience operating in complex multi-vendor environments and customer value chains, HCLT ERS is able to seamlessly integrate into a customer's existing R&D ecosystem.

HCLT ERS offers end-to-end engineering services and solutions in hardware, embedded, mechanical and software product engineering to industry leaders across industry verticals like - Aerospace & Defense, Automotive, Consumer Electronics, Industrial Manufacturing, Medical Devices, Networking & Telecom, Office Automation, Semiconductor, Servers & Storage, and Software Products. It successfully collaborates with other innovation partners, captive centers, universities, industry bodies, and manufacturing partners.

HCLT's ERS division believes that the product landscape is undergoing a major and fast paced transformation driven by ever-changing customer needs. User experience and value-centricity are becoming key differentiators for product companies. Market leadership is also no longer associated with only patents and product features but with ecosystem creation and leveraging the right platforms. The division not only provides core product development services but also aids customers in creating ecosystem advantages around their products, either through collaborative strategic services or through HCLT Productized Solutions. This helps in creating impact which can redefine the core of a client's business called "Engineering Out-of-the-Box" or EOOTB. This is core to the division's underlying philosophy.

This division helps customers reduce time to market by leveraging the Global R&D network. It also offers output based business models that are aligned to the R&D goals of the customer. ERS today leverages engineering talent and development capabilities across North America, EMEA and APAC to deliver complex engineering solutions.

HCLT's ERS division not only delivers customer-specific innovation through engineering excellence, but also offers unique risk-reward models such as joint IP development. For example, HCLT has partnered with Cisco, and filed multiple patents in the field of Mobility, Banking and others. Today, HCLT is a strategic partner to key projects at Cisco. The division has executed Faster Product Development with automated testing processes for world's largest anti-virus company. ERS has partnered with one of the world's largest IT management software company to deliver total product development, management and support. It has also developed two applications "Late Arrival Notification" and "Safe Arrival Notification" on OpenXC platform for an American automotive giant.

SNAPSHOT

- Constitutes 18.7% of HCLT's revenues.
- One of the largest independent Engineering and R&D Services organizations in the world.
- Offerings: End-to-end engineering services & solutions in hardware, embedded, mechanical and software product engineering.
- Key differentiator: "Engineering Out-of-the- Box" [EOOTB].
- Industries served: Aerospace & defense, automotive, consumer electronics, industrial manufacturing, medical devices, networking & telecom, office automation, semiconductor, servers & storage, and software products.
- Developed two applications "Late Arrival Notification" and "Safe Arrival Notification" on OpenXC platform for an American automotive giant.
- Executed Faster Product Development with automated testing processes for world's largest anti-virus company.
- Filed multiple patents in Mobility and Banking.
- Key IPs: AEGIS, Agora, Cirrus 2.0, ARGOS, Device Mobility Interface Framework, Website Analyzer.

Clients today prefer outsourcing to companies that share their long-term vision, have a risk and rewards business model in place, and have the ability to develop product-based ecosystems. Towards this, HCLT is investing heavily in developing its own IPs and solutions to help clients impact the overall product ecosystem faster and better. Solutions include a unified communication platform, a remote diagnostic reusable module, and telematics & test platforms in multiple verticals. Some key IPs today are: AEGIS (M2M Platform), Agora (HCLT's SaaS platform), Cirrus 2.0 (Microsoft Azure enablement solution), ARGOS (IPv4 to IPv6 migration framework), Device Mobility Interface Framework, Website Analyzer amongst others.

Business Services Division

HCLT pioneered third party Business Process Outsourcing industry in India by launching HCLT Business Services (formerly HCL BPO Services) in 2001. HCLT Business Services provides 24X7, multi-channel and multi-lingual support in eight European languages. HCLT Business Services focuses on key industry segments such as Financial Services, Health Care Services, Telecom, Energy & Utility, Public Services, Manufacturing, Retail & CPG, Media and Publishing, and Logistics. In addition to providing vertical industry specific solutions, HCLT Business Services provides the following cross industry horizontal solutions: Finance & Accounting Outsourcing, Human Resources Outsourcing, Customer Relationship Management, Knowledge Process Outsourcing, Technical Support Services and Supply Chain Management (SCM).

HCLT Business Services pioneered the multi-country delivery and the platform business model. One of the most successful global models is IGDM (Integrated Global Delivery Model) for BPO which reinforces HCLT's commitment to delivering a homogenous experience and single service standards across all its delivery centers. With centers across the world offering uniform international standards of quality & service delivery capability, it transcends time zones and ensures location advantage along with language & cultural alignment. IGDM offers the flexibility to scale up, manage redundancy, and ensure 24/7 optimized operations process standardization, process knowledge and technology assets.

With over a decade of industry experience, HCLT's Business Service Division today pursues a revolutionary maturity level where a new form of BPO called 'Transformational BPO' is evolving, which involves Full Process and Multi-Process outsourcing. HCLT leverages its strengths in IT industry to provide customers the benefits of a complete outsourced experience.

HCLT's Next Generation Business Services

- Vertically aligned strategy with horizontal Centers Of Excellence.
- Innovation and improvement-led solutions with transformation as the 'arrow head'.
- End to end service offering bringing together people, technology and process.
- Delivering through Integrated global delivery centers.
- Flexible business models and value based pricing.
- Collaborative business partnership approach.
- Delivering from Employees First Customers Second (EFCS) platform.

This division has received its share of accolades;

- HCLT ranks in the 'Leaders Category' of IAOP's 2012 Global Outsourcing 100 Service Providers List.
- HCLT won the award for 'Market Facing Innovation' at the NASSCOM Innovation Awards 2012.
- HCLT was conferred with the following recognitions at the Contact Centre World's Top Performers Conference 2011.
 - Best in Customer Service.
 - Best Incentive Scheme.

SNAPSHOT

- 'Transformational BPO' - Full Process and Multiple Process outsourcing.
- Providing over 200 domain specific and quality driven processes for global 500 customers.
- Industries served: Banking & Financial Services, Insurance, Healthcare, Media, Publishing & Entertainment, Telecom, Retail, Utilities & Public Services, Hi-tech & Manufacturing.