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Mindpower



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Dear Stakeholder,

The path of leadership is for the chosen few. Those who choose to tread it need to be focused, dedicated, agile, innovative and be prepared for the long haul. The result of course is worth the effort.

The year that has gone by saw us achieving even greater heights. We became the first Company to sell more than 100,000 PCs in a single quarter. We kept raising our performance bar every quarter, in the telecom business, to take advantage of a growing customer base. All this while we ensured that we kept our customers happy. We were ranked number 1 in Customer Satisfaction Audit by a leading third party survey.

We at HCL Infosystems Ltd, still continue to chase our dream of taking the power of IT & Telecom to each citizen of this country.

We have to dream of leveraging IT & Telecom to cross over from a “developing nation” to “developed nation”. We do not have a choice, nor do we have the time.

HCL Infosystems Ltd launched a PC for less than Rs. 15,000/-, being the first branded manufacturer to do so. We also have given the country it's first and only convergence device – Beanstalk NEO. A technical marvel, that brings digital entertainment and computing at your finger tips, giving the customer an entirely different experience.

Today we can supply and support world class IT Infrastructure at any location across the country. We believe that IT Infrastructure is crucial for harnessing the true potential of this country.

Going forward, we believe that it is the unique prowess of the Indian mind that will script the success of this country for the years to come. Indian mind is the common cord that unites all of us Indians across the globe irrespective of age, sex, cast or creed. We have named this feeling, this belief as “mindia” (pronounced as mind india). And we know that mindia would get India it's due in the global village.

I take this opportunity to thank you for believing in an Indian Company, and look forward to similar generous support for many more years to come.

Warm regards,

Ajai Chowdhry
Chairman & CEO

Mindia TM

Being an Indian is more than just an acknowledgement of our nationality, our race or color of our skin. Being an Indian is a state of mind.

The Indian mind.

Mindia is a tribute to that single quality that binds all Indians together. Mindia is saluting the prowess of the Indian mind and its great achievements against all odds. Indian mind is all about finding solutions where none seem to exist, and that is what today makes us a strong nation that has risen above its problems and limitations.

We are today one of the fastest growing economies of the world. Today, India is globally recognized as a force to be reckoned with in all fields of technology, from medicine to Information Technology. The remarkable prowess of the Indian Minds has undoubtedly proven that a third world country can have a first rate mind.

It is this great Indian mind that we, at HCL salute today. And it is this Indian mind that has brought us where we are today as a successful Company. We have over the years made our humble contribution in unearthing and developing the great potential of the Indian mind. In fact, HCL is the only Indian Organisation to have successfully straddled and made a mark in all the core areas of IT.

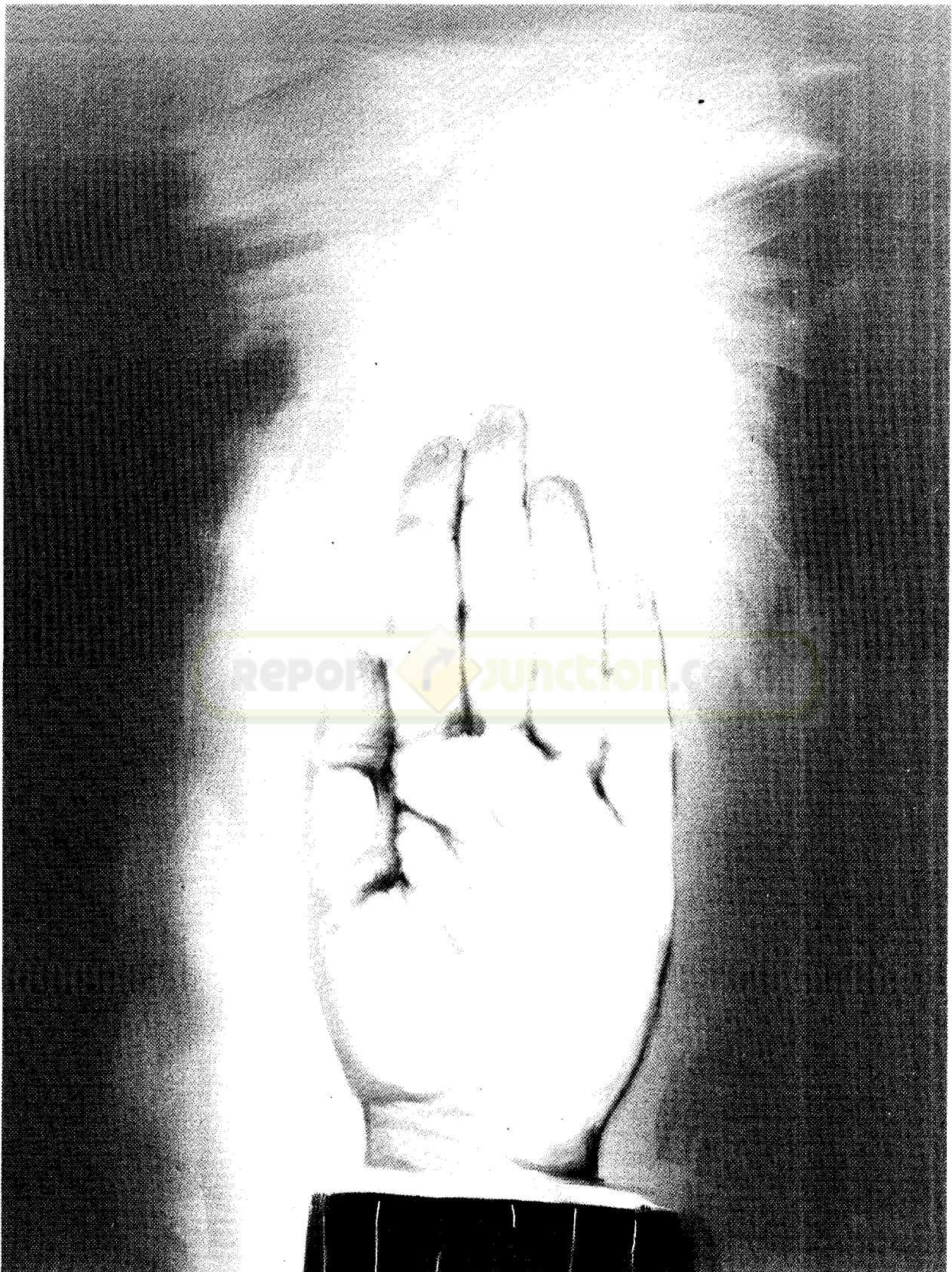
Mindia has taken us to ever greater heights in every field. We have taken on, and bettered, the best in the world, and we certainly believe that the Indian Mind shall continue to script our success in the years to come.

The following pages bear few examples, which illustrate how mindia has the ability to overcome every impediment in its way.

We believe in mindia and are proud to be Indian.







Solution: “Start up” company joins hands with U.P. Government, which had a license, and thus began the exciting journey of HCL

Situation: Year 1976: Prevailing license raj conditions means getting a PC manufacturing license difficult for a start up company



Solution: HCL PCs are thrown, baked, frozen and pass through voltage fluctuations before being shipped from an ISO-9001 certified manufacturing facility.

Situation: Indian conditions for PC deployment are different – rugged, high & low temperatures, difficult terrain, erratic voltage – a tough survival test for any IT product.



Solution: HCL launches Beanstalk NEO, India's first & ultimate convergence product, that is a TV, DVD player, music system, digital album, radio, gaming device and a PC all rolled into one great looking futuristic piece of art. Entertainment redefined forever.

Situation: Year 2004: Entertainment companies are trying to get into computing space. There are different devices for entertainment & computing. Leading to inconvenience and complexity and a jumble of wires.

MANAGEMENT DISCUSSION AND ANALYSIS

The year under review saw HCL Infosystems Limited scaling new heights and setting up fresh benchmarks. The Company registered good growth in all business areas and consolidated its position as the leading player in IT, communications & Imaging space. It has been able to add momentum to the pace, to make most of the opportunities emerging around us.

As our nation moves up on the IT & Communication adaptation curve, the Company is poised to leverage its expertise to install and support cutting edge IT Infrastructure for optimum performance.

Infoprocessing Business

HCL Infosystems is uniquely positioned to offer a wide range of products and services in IT business to a diverse set of customers that include Large Enterprises, Government and PSUs, Banking & Finance industry, Education & research, SME, SoHo & Home. The Company enjoys a large & loyal customer base in each of the above segments.

The PC & server range saw volumes grow. The year saw introduction of several new models. For Enterprise segment, it launched Infiniti Corporate PC, which combined good looks & design with cutting edge technology and great ease of use. Indic PC allows the users to do the work in local Indian languages. The Infiniti range continues to offer Maximum Value Always to the customers irrespective of segment, usage or application.

The Company augmented its support network, which now has 1700+ trained engineers and direct presence at 260+ locations. This means that HCL Direct Support is available at 1000+ towns across the country. The Company has improved processes to ensure faster and accurate deliveries to customers across the country, to meet up with the growing numbers.

The initiative of System Integration that began the year before has started to show encouraging results with the Company, bagging some prestigious SI orders in the country. The SI team today is capable to offer a plethora of solutions to the customers using the strengths of technology familiarity, domain knowledge of customer business and ability to seamlessly integrate various technologies.

On Home & SoHo front, the Company took the decision to get to the "center of digital home" offering a range of products under the aegis of Beanstalk Brand to give customers a unique brand experience. The Company launched Beanstalk NEO, an ultimate convergence device that has TV, TV recorder, DVD player, Music System, Radio, Gaming device and a PC, all rolled into one. All this at the touch of convenient remote control. Beanstalk NEO is a glimpse of the future in present times.

In addition to this, the Company also introduced digital cameras, MP3 players and inkjet printers for its Home/SoHo users. As the lifestyle goes increasingly digital, these products will find acceptance amongst the customers. HCL Ezeabee, the value PC launched last year, notched up good volumes this year, indicating high acceptance at the customer level.

Going forward, the Company would target newer segments like retail to capitalize on the emerging opportunities. It would continue to offer leading edge technology ahead of competition and provide best value for money products & services to its customers. It would continue to grow the volumes by market expansion initiatives and going beyond B&C class towns.

Imaging & Communications Business

The year saw Company rapidly increasing its customer base, offering new products and solutions.

On imaging front, the introduction of Plasma TV met with encouraging response from the customers. With the launch of Electronic white board, the Company has further enhanced its product portfolio that increase productivity and improve ROI. In addition to these, the Company introduced several new models in digital copiers, multi-functional devices as well as LCD projectors.

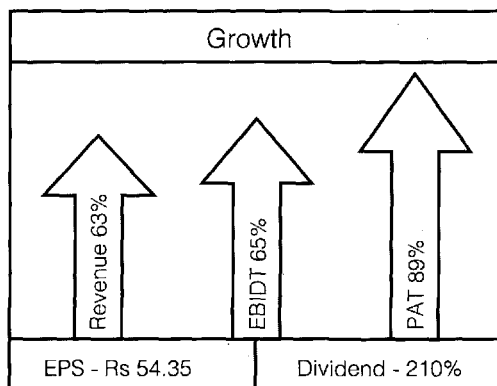
In corporate networking and internet area, the Company continues to add more customers for a range of solutions and services on the managed network. The Company services some prestigious clients from different business verticals and ensures same level of customer attention & service delivery to each customer to keep up the commitment of maximum customer satisfaction.

On the telecom front, the Company consolidated its position as a trusted provider of communication equipment for Enterprise connectivity (e.g. EPABX, Wireless LAN, VoIP, Switches, Audio & Video Conferencing). This business line bagged "Successful competitive strategy" award by Frost & Sullivan.

The Company ramped up its sales & distribution network and support infrastructure to service the growth in customer base for GSM telephony. With the increasing penetration of mobile telephony, this capability will help the Company to make most of the upcoming opportunity. The Company has already set up more than 175 service centers across the country to take care service requirements of Nokia GSM mobile phones. It launched "HCL-Safeguard", an unique value added offering at no extra cost to the customer, that offers theft insurance and added warranty.

HCL Infosystems is today successfully straddling the two growth areas – IT & Telecom. With the nation wide ubiquitous presence, strong customer focus and the ability to innovate and adapt, this Indian Company is ready to surge ahead, capitalizing on all opportunities coming its way.

FINANCIAL PERFORMANCE



Key Financial Indicators		
	FY 04	FY 03
EBIDT	4.9%	4.8%
PBT	4.9%	4.3%
PAT	4.0%	3.5%
ROCE	43.4%	20.4%
RONW	41.4%	31.2%
Debt equity	0.15	0.29
Current Ratio	1.3	1.2

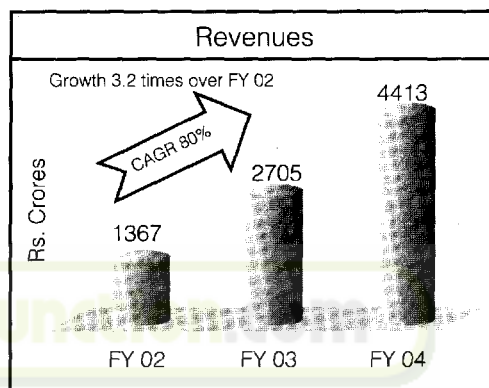
1. **Gross Revenue:**

Revenue grew by 63% from Rs. 2705 crores in the previous year to Rs. 4413 crores in the current year.

Revenue from Computer systems & related services grew by 38% from Rs. 1104 crores in the previous year to Rs. 1523 crores in the current year.

Revenue from Office Automation & Telecommunication business for the current year grew by 89% from Rs. 1522 crores in the previous year to Rs. 2877 crores. The current year saw strong growth with the segment taking up new initiatives and expanding its distribution network.

Revenue from Internet related business grew by 38% from Rs. 32 crores in the previous year to Rs. 44 crores in the current year.

2. **Other Income:**

Other income for the current year is Rs. 23 crores as against Rs. 17 crores in the previous year. Current year includes Rs. 12 crores (Previous Year Rs. 7 crores) income from investment in Mutual Funds. The gain in foreign exchange fluctuation for the current year is Rs. 4 crores as against Rs. 6 crores in the previous year.

3. **Gross Margins:**

Gross margins for the current year are at Rs. 445 crores as against Rs. 366 crores in the previous year.

Gross margins for the Parent Company are at Rs. 282 crores. Gross margins remained at 19% (Previous year exclude demerged/transferred businesses).

4. **Personnel Costs:**

Staff cost for the current year increased to Rs. 108 crores from Rs. 88 crores (excluding demerged/transferred businesses) in the previous year. Manpower increased from 3006 as at June 2003 to 3287 as at June 2004. Staff cost is 2.5% of sales for the current year as against 3.5% in the previous year.

Staff cost for the Parent Company for the current year is Rs. 78 crores as against Rs. 63 crores (excluding demerged/transferred businesses) in the previous year.

5. **Administrative, Selling & Repairs:**

Administrative, Selling & Repair costs for the current year increased to Rs. 127 crores from Rs. 96 crores (excluding demerged/transferred businesses) in the previous year. The increase in expenses is commensurate with increased volume of operations and expenses as a % to sales declined from 3.7% to 3%.

Administrative, Selling & Repairs cost for the Parent Company for the current year is Rs. 80 crores as against Rs. 64 crores (excluding demerged/transferred businesses) in the previous year.