

HCL INFOSYSTEMS LTD.

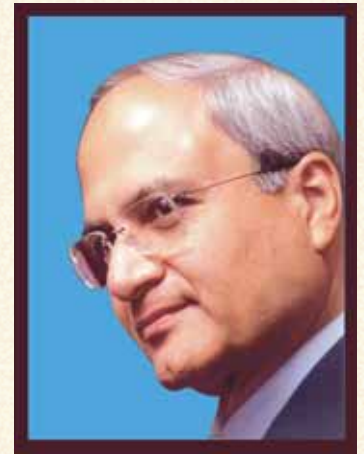
ANNUAL REPORT 2006-07



Report  junction.com

TECHNOLOGY
*that touches **lives.***

HCL
www.reportjunction.com



Dear Stakeholder,

I wish everyone a very happy 60th year of independence

15th August 1947, the day when India eventually achieved its long cherished freedom from the British. And today 60 years hence, we are still a developing country. It is definitely high time that we became a developed nation. The time has come that we recognize the power of Information & Communication Technology (ICT) in transforming our country.

ICT is virtually the life line that will comprehensively chart the growth of our country and its people. ICT has the potential & power to transform the life of the common man of this country. Today ICT is accelerating the spread of education & literacy, delivering better governance & creating employment opportunities. Beyond this, ICT forms the core of almost all industries, across verticals, which will enable India achieve its super power dream.

Right from our inception, HCL has been committed to accelerating the growth of ICT in the country. Enroute our journey of over three decades, we have created markets and entrepreneurs, created relationships, accomplished path-breaking milestones in technology, and created some of the biggest brands in India.

While doing so, your Company today has created the **largest distribution & retail network** of the country and our wide range of ICT offerings and domain knowledge of multi-technologies drawn over the years has enabled us to be the leaders in **Systems Integration and high end ICT Consulting Services**. I am proud to share with you that your Company is **India's largest direct sales organization** aptly backed by the **nation's most extensive & wide spread direct service support network**.

Our branding campaign '**Technology that Touches Lives**', further reaffirms our commitment to deepen the penetration of ICT in the country, technology that bridges the remotest parts of India, technology that imparts training and education to make Indians future ready for the ICT environment of tomorrow, technology that brings the best in global brands to the Indian customers.

The last year saw HCL 'Leaptops' leaping to the top amongst the top three brands in the **mobile computing segment**. Our holistic approach towards ICT leadership has come full circle with the launch of **HCL Career Development Centers** to create highly skilled IT professionals to meet the growing demand in the IT sector across the country.

I appreciate your unstinted support in our grit and determination to lead this quest for building the nation.

With warm regards,

Ajai Chowdhry

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Chief Executive Officer

Ajai Chowdhry

Whole-time Director

J.V. Ramamurthy

Directors

S. Bhattacharya

D.S. Puri

R.P. Khosla

E.A. Kshirsagar

Anita Ramachandran

T.S. Purushothaman

Narasimhan Jegadeesh

V.N. Koura

COMPANY SECRETARY

Sushil Kumar Jain

AUDITORS

Price Waterhouse, New Delhi

BANKERS

State Bank of India

Canara Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

Societe Generale

Standard Chartered Bank

State Bank of Patiala

State Bank of Saurashtra

REGISTERED OFFICE

806, Siddharth,

96, Nehru Place, New Delhi - 110 019.

CORPORATE OFFICE

E - 4, 5, 6, Sector XI, Noida - 201 301 (U.P.)

WORKS

- ◆ R.S. Nos: 34/4 to 34/7 and part of 34/1, Sedarapet, Puducherry - 605 111.
- ◆ R.S. Nos: 107/5, 6 & 7, Main Road, Sedarapet, Puducherry - 605 111.
- ◆ Plot No 78, South Phase, Ambattur Industrial Estate, Chennai - 600 058.
- ◆ Plot No SPL. A2, Thattanchavadi, Industrial Area, Puducherry - 605 009.
- ◆ Plot Nos. 1, 2, 27 & 28, Sector 5, 11E, Rudrapur, Distt. - Udham Singh Nagar, Uttarakhand - 263 145.

FIVE YEAR FINANCIAL OVERVIEW

Revenue and Profitability (Consolidated)

YEAR ENDED JUNE 30	2007	2006	2005	2004	Rs/Crores 2003
Total Revenue	11855	11455	7787	4412	2705
PBIDT	454	396	308	238	137
Interest	10	(1)	(3)	9	7
Depreciation	15	12	15	18	18
Effect of Impairment	0	0	0	0	34
Profit before Tax	429	385	296	211	78
Provision for Tax	113	105	68	36	(15)
Profit after Tax (PAT)	316	280	228	175	93
Profit available for Appropriation	792	640	491	352	220
Equity Dividend	135	135	103	68	32
Basic Earning Per Share (Rs.)*	18.7	16.7	13.7	10.9	5.8
PBIDT (%)	4%	3%	4%	5%	5%
Profit before Tax/Revenue (%)	4%	3%	4%	5%	3%
Return on Net worth (%)#	37%	40%	41%	41%	31%
Return on Capital Employed (%)#	40%	48%	46%	44%	21%
Equity Dividend (%)	400 **	400	310	210	100

* Based on equity shares of Rs. 2/- each on Balance Sheet date.

** Includes interim dividends aggregating to 300% and proposed final dividend of 100% amounting to Rs. 101 Crores and Rs. 34 Crores respectively

Calculated on "PBIT"

Assets and Liabilities (Consolidated)

AS AT JUNE 30	2007	2006	2005	2004	Rs./Crores 2003
Sources of Funds					
Equity Funds	34	34	33	33	32
Reserves and Surplus	826	664	521	390	265
Loan Funds	236	84	82	72	118
Deferred Tax Liabilities (Net)	12	11	7	5	(10)
Total	1108	793	643	500	405
Application of Funds					
Net block	151	98	76	66	66
Investments	272	295	143	219	219
Current Assets	2160	1543	1287	912	676
Current Liabilities	1475	1143	863	697	556
Net Current Assets	685	400	424	215	120
Total	1108	793	643	500	405

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Twenty First Annual Report together with the Audited Accounts for the financial year ended 30th June, 2007.

Financial Highlights

(Rs. in Crores)

Particulars	Consolidated		Parent Company	
	2006-07	2005-06	2006-07	2005-06
Net Sales and other income	11735.78	11402.16	11696.85	2311.71
Profit before Interest, Depreciation and Tax	454.02	396.81	453.09	142.84
Finance Charges	10.50	(-) 0.88	10.55	4.57
Depreciation	14.81	12.43	12.55	6.75
Profit before Tax	428.71	385.26	429.99	131.52
Provision for Taxation: Current	105.90	98.53	105.90	11.61
Fringe Benefit	4.15	2.96	4.03	1.96
Deferred	2.71	3.41	2.21	4.73
Net Profit after Tax	315.95	280.36	317.85	113.22
Profit available for appropriation	791.64	640.58	777.10	354.25
Appropriations				
Interim Dividend (includes tax on dividend)	116.61	115.08	116.61	115.08
Proposed Dividend (includes tax on dividend)	39.67	38.49	39.67	38.49
Transfer to General Reserve	31.79	11.32	31.79	11.32
Balance of Profit carried forward to next year	603.57	475.69	589.03	189.36

Scheme of Arrangement

During the year under review, a composite Scheme of Arrangement u/s 391/394 of the Companies Act 1956, (the Scheme) for demerger of the Networking business of HCL Ininet Limited, the wholly owned subsidiary, into Microcomp Limited and amalgamation of HCL Ininet Limited, with its residual Telecommunication and Office Automation business with the Company was approved by the Hon'ble High Court of Delhi vide its order dated March 20, 2007, which came into effect from closing business hours on March 31, 2007 from the appointed date i.e. April 1, 2006.

Accordingly, the results of the Company on standalone basis (in Parent Company) for the year ended June 30, 2007 includes the results of Telecommunication and Office Automation business, for the 15 months period from April 1, 2006 to June 30, 2007 and are not comparable with those of the previous year. Please also refer to 'Note 24' on Scheme of Arrangement given in Notes to Accounts in this report.

Performance

The consolidated net revenue of the Company was Rs. 11735.78 crores as against Rs. 11402.16 crores in the previous year. The consolidated profit before tax was Rs. 428.71 crores as against Rs. 385.26 crores in the previous year.

Your Directors are pleased to recommend final Dividend @ 100% on the fully paid-up equity shares of Rs.2/- each for the financial year ended on 30th June, 2007. During the first nine months, three interim (quarterly) dividends of 100% each were declared taking the total dividend for the year 2006-07 to 400%.

Operations

A review of operations of the businesses of your Company for the year ended June 30, 2007 is provided in the attached Management Discussion and Analysis Report.

Quality Initiatives

During the year, there have been several achievements on the quality initiatives front.

HCL fared very well in customer satisfaction surveys as it scored high on factors like customer orientation, product quality, sales & marketing, product pricing & commercials, delivery & order fulfillment and prompt after sales service & support at critical times etc.

The survey also highlighted that HCL is strongly associated with "Comprehensive end to end service offerings as per ICT needs" and "The company that values customer's time". Also HCL has emerged as the top vendor on all the parameters for vendor selection of hardware supply and hardware support services.

In terms of brand disposition vis-à-vis the competitors, HCL emerged as the strongest brand.

Puducherry Manufacturing Organisation facilities recertified for QMS – ISO 9001-2000 and EMS – ISO 14001-2004.

Uttarakhand Manufacturing Organisation facilities certified for QMS – ISO 9001-2000 and EMS – ISO 14001-2004.

Awards

During the year HCL was awarded 'IMM Top Organization Award 2007' for excellence by Institute of Marketing & Management; 'India's Most Preferred Personal Computer Brand' by CNBC Awaaz Consumer Awards; 'Amity Corporate Excellence Award 2007' for its distinct vision, innovation, competitiveness and sustenance by Amity Business School, 'Channels Choice Award 2007' for Relationship Management and After Sales Support by IDC DQ Channels based on the IDC channel satisfaction survey. HCL featured amongst the 'Top 3 IT Hardware Companies' in India's 100 Most Valuable Brands by Planman Consulting & ICMR Research, 'Brand of Excellence Award' in the VARIndia IT Forum – 2007, 'Top 3 Most

DIRECTORS' REPORT

Preferred Brands' in CNBC Awaaz Survey; Recognized as winners in '**Top 500 Fastest Growing Technology Companies in Asia Pacific 2006'**', '**Top 50 Fastest Growing Technology Companies in India 2006'** by Deloitte & Touche; '**Top Performance In The Computer Hardware & Peripherals Sector'** by Dun & Bradstreet Awards 2006.

Employee Stock Option Plan

Employees Stock Option Plan 2000

Pursuant to the approval of the shareholders at the Extra-Ordinary General Meeting held on 25th February, 2000 for grant of options to the employees of the Company and its subsidiaries (the ESOP 2000), the Board of Directors had approved the grant of 30,18,000 options including the options that had lapsed out of each grant. Each option confers on the employee a right for five equity shares of Rs. 2/- each.

Employees Stock Based Compensation Plan 2005

The shareholders of the Company have approved the Employees Stock Based Compensation Plan 2005 through a Postal Ballot for grant of 33,35,487 options to the employees of the Company and its subsidiary. The Board of Directors has granted 31,96,840 options including the options that had lapsed out of each grant. Each option confers on the employee a right for five equity shares of Rs. 2/- each at the market price as specified in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, on the date of grant.

Credit Ratings

The credit rating by ICRA continued at 'A1+' rating indicating highest safety to the Company's Commercial Paper program of Rs.75 crores.

Fixed Deposits

As on June 30, 2007, 43 depositors whose deposits amounting to Rs. 6.17 Lacs had become due for repayment did not claim their deposits. During the year, fixed deposits amounting to Rs. 0.20 Lacs, including interest of Rs. 0.07 Lacs, have been repaid to the depositors. Deposits amounting to Rs. 3.26 Lacs, including interest of Rs. 0.50 Lacs, have been transferred to Investment Education and Protection Fund pursuant to the provisions of Section 205A of the Companies Act, 1956.

De-listing of Equity Shares

The shares of the Company have been de-listed from Calcutta Stock Exchange Association Limited, Kolkata. The shares have already been delisted from Delhi Stock Exchange Association Limited and The Madras Stock Exchange Limited.

The shares of the Company will continue to be listed at The Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

Directors

In accordance with the Articles of Association of the Company, Mr. T.S. Purshothaman, Mr. J.V. Ramamurthy and Mr. R.P. Khosla, Directors retire by rotation and being eligible, offer themselves for re-appointment.

Corporate Governance Report and Management Discussion and Analysis Statement.

A report on Corporate Governance is attached to this Report alongwith the Management Discussion and Analysis statement.

Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, and based on the representations received from the operating management, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- appropriate accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2007 and of the profit of the Company for the said period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

Auditors & Auditors' Report

M/s Price Waterhouse, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The proposed re-appointment, if made will be in accordance with the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Notes to Accounts are self explanatory and therefore do not call for any further comments.

Personnel

Industrial Relations during the period under review continued to be peaceful and harmonious. No man-day was lost due to any Industrial Dispute.

Your company was awarded overall third rank in IDC- Dataquest Best Employer Survey 2006 by obtaining the second highest employee satisfaction score.

DIRECTORS' REPORT

Your company successfully participated in Best Companies Survey 2006, conducted by BT, Mercer & TNS and was short-listed as one of the top 25 companies.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is appended to and forms part of this report.

Community Service/ Corporate Social Responsibility

Projects undertaken through affiliations with various NGOs continue to bring help and happiness to the lives of under privileged children and elderly.

Various events have been undertaken including sponsorship & participation in fund raising events, blood donation camps, donation of computers to deserving students etc.

Initiatives like participating in exclusive job fairs for people with disabilities, providing additional facilities and support have been undertaken to promote employment of people with disabilities.

- ICT enabled services implemented for Tirupati and Tiruchendur Devasthanams

Tirumala Tirupati Devasthanams is a massive conglomeration of temples and it attracts the largest number of pilgrims compared to any other shrine of India. HCL has implemented ICT infrastructure services & solutions like 24X7 call centre with multi language call support, touch screen kiosks at 13 locations providing all the necessary information pertaining to the temple, accommodation available status, darshan seva status facilitating easy information access for the pilgrims. Apart from these, HCL has provided bio-metric cards for all the employees of the temple. The card which also has the photo of their family, can be used for all multiple purposes like identification, attendance and also for availing free medical services. Also, HCL has deployed 42 surveillance cameras at the temple for security and better vigilance of the shrine.

At Tiruchendur, HCL has computerized the ticketing process, the lodging facility at the temple, wait list status etc. thus facilitating the pilgrims visiting the temple.

- Environment Management Initiatives

HCL under its eSafe policy has formulated an EMS (Environment Management System) with the aim to identify, develop and sustain the maintenance of an environment management process at corporate level thereby assuring our commitment in delivering quality products, solutions and services to our customers.

The HCL eSafe comprehensively covers the company's e-waste management policy for internal and external e-waste management, its policy on 'Restricted Materials' under RoHS and integration of environment management processes in manufacturing facilities for energy conservation and protection of natural resources.

The program also covers customer and employee awareness initiatives for e-waste management to facilitate the process of recovery, safe recycling and disposal of e-waste.

Your company has pioneered a number of initiatives in environment management which include:

- Being the first company in India to have **ISO 14001 compliance**.
- **First company in India to have a comprehensive policy on WEEE** (Waste of Electrical and Electronic Equipment) for end-of-life products to be recovered and recycled in an environment friendly manner. To dispose/recycle e-waste generated either at HCL facilities or at the customer end, your company has tied up with government authorized recyclers for e-waste recovery and recycling in an environmentally safe manner.
- **First company in India to launch RoHS compliant laptops**. All HCL Laptops are RoHS compliant and your company will shortly be announcing HCL range of desktops that are fully RoHS compliant.
- Your company is actively encouraging its suppliers to restrict other hazardous chemicals such as PVC & BFR and is closely following up technological developments in this area.
- **HCL's "Best Assured" campaign** is targeted against the counterfeit industry and import of secondhand components that is adding to India's e-waste problems.
- Your company has a well defined customer awareness program through which users are informed/updated about the various environment management processes.

- HCL Mindia™

'Mindia' is HCL's unique inimitable tribute to the prowess of the Indian Mind. At HCL, we believe that it is the great Indian mind that is responsible for our country's standing and growth, today. To celebrate the prowess of the Indian Mind, HCL has enunciated the concept of Mindia.

- HCL Mind Conclaves

The HCL Mind Conclaves aim to bring on an interactive platform where illustrious minds of India share their perspective about the greatness & distinctness of the Indian Mind. HCL Mind Conclaves are a series of events organized across the country to propagate the thought 'Mindia'. The Conclave has already covered 22 cities across the country since its initiation in January 2004.

DIRECTORS' REPORT

This year HCL Mind Conclaves saw talks by eminent personalities of Ludhiana, Guwahati and Patna from the fields of Defence, Research & Corporate World. Some of the prominent speakers at HCL Mind Conclaves this year were Dr. S.K. Salwan, Vice Chancellor, Punjab Technical University, Mr. V.K. Goyal, Chief Executive, Vardhaman Spinning & General Mills Ltd, Mr. M.C. Munjal, Managing Director, Majestic Auto Ltd., Dr. Gautam Baruah, Director IIT, Guwahati, Mr. D. N. Bezbaruah, Editor 'The Sentinel', Dr. Abhya Anand, ADG Police, Patna, Mr. Shyam Sharma, Ex Principal - Patna Arts College. The events were very well received by the audience.

- HCL Concert Series

HCL Concert Series is yet another initiative of HCL, conceived in 1998 in association with India Habitat Centre, Delhi. By virtue of this initiative HCL promotes and encourages Indian performing arts and provides a platform to renowned as well as upcoming talents of the country.

It was a proud moment last year when 'HCL Concert Series' was taken to South India and was launched in Chennai in association with The Music Academy, Madras. Ever since then, one program per month is held at the Music Academy. Very recently we organized the 'HCL Expressions of the Mind', a special program of HCL Concert Series in Chennai too. The event was a grand success. The 'HCL Expressions of the Mind', New Delhi, held on 17th August 2007, coincided with the country's 60th year of independence celebrations & was a grand success.

The series have featured the finest names like Sonal Mansingh, Madhavi Mudgal, Bharati Shivaji, Madhup Mudgal, Padmashri Raja & Radha Reddy and Rita Ganguly to name a few.

- Affirmative Action by HCL

As a company with presence in more than 360 locations across India, we believe that equal opportunity in employment for all sections of society and diversity of workforce is a key component of growth and competitiveness. We recruit talented young people from every part of the country including from B/C cities and rural areas. Campus recruitments that form a large proportion of our total recruitments are not restricted to only major cities or Engineering Colleges but also include remote locations and Diploma Institutes. Rigorous induction training including technical knowledge & communication skills, further encourages the enhancement of capabilities and competitive skills.

As a result of these initiatives, of a large sample taken, more than one-fifth of candidates selected by the company in the year 2006-2007 were observed to be from SC / ST / OBC.

The inclusive work culture at HCL encourages performance through empowerment providing equal opportunities of growth for all employees.

Additional information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

The additional information required in accordance with sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Company (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is appended to and forms part of this report.

Particulars of subsidiaries

On the Scheme of Arrangement becoming effective, Microcomp Limited and Stelmec Engineering Private Limited (the wholly owned subsidiaries of the erstwhile HCL Infinet Limited) have become wholly owned subsidiaries of the Company.

The name of the Microcomp Limited has been changed to HCL Infinet Limited.

A Scheme of Amalgamation of Stelmec Engineering Private Limited, the wholly owned subsidiary, with the Company has been filed u/s 391-394 of the Companies Act, 1956 with Hon'ble Delhi High Court. As directed by the Hon'ble Court, the Court convened meetings of secured and unsecured creditors of the Company to approve the Scheme shall be held on September 22, 2007. The Scheme on its sanction by creditors, the Hon'ble High Court and after other necessary approvals shall be effective from April 1, 2007.

The Company has obtained permission from the Ministry of Company Affairs, Government of India, vide their letter No. 47/196/2007-CL-III dated May 11, 2007 for not annexing the accounts of HCL Infinet Limited and Stelmec Engineering Private Limited, the wholly owned subsidiaries of the Company.

The detailed annual accounts of the subsidiaries of the Company are available on any working day at the Registered Office of the Company to the shareholders of the Company requiring such information.

Acknowledgement

The Directors wish to place on record their appreciation for the continued co-operation the Company received from various departments of the Central and State Government, Bankers, Financial Institutions, Dealers and Suppliers and also acknowledge the contribution made by the employees.

The Board also wishes to place on record its gratitude to the valued Customers, Members and Investing public for the continued support and confidence reposed in the Company.

On behalf of the Board of Directors

AJAI CHOWDHRY
Chairman and Chief Executive Officer.

August 23, 2007

ANNEXURE TO DIRECTORS' REPORT

INFORMATION RELATING TO CONSERVATION OF ENERGY, R&D, TECHNOLOGY ABSORPTION AND INNOVATION, AND FOREIGN EXCHANGE EARNINGS/ OUTGO FORMING PART OF THE DIRECTORS' REPORT IN TERMS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

A. Conservation of Energy

Under HCL eSafe policy, energy conservation has been a key area of work to reduce power consumption in products and employing measures in manufacturing of products to minimize energy consumption.

HCL eSafe Policy clearly recognizes the importance of products that are energy efficient and help customers cut costs of ownership and attain broader goals of protecting the environment. All our products have been incorporated with Green PC features and ACPI mode for power saving. Apart from this all HCL products are 'Energy star' compliant that makes products conserve and optimize use of energy.

All our manufacturing facilities practice various measures to reduce power consumption by using natural light during daytime, installing different capacity DG sets that consume optimum amount of diesel as per required load.

1. Made S3 as the default sleep state in all the products shipped with Microsoft Windows OS, so that the product automatically enters into standby state after specified amount of system in-activity.
2. Use of displacement ventilation, minimizing Air-conditioning usage.
3. Compliance for MPR-II certification for CRT monitors.
4. Compliance for TCO'03 certification for LCD monitors.
5. Organization has gone for Energy star certification for all its desktop / notebook products.
6. Initiated actions for moving to SMPS with active or passive power factor correction.
7. Initiated actions for moving to 80plus high efficiency SMPS as option.
8. Adopting new generation Intel's low power consuming CPU's.
9. Adopted DDR2 memories in almost all the products lowering the power consumption.
10. Periodic energy audit for optimum utilization of power consumption.
11. Use of pull cord switch for lights for individual control.
12. Rain water harvesting.
13. Using of natural light during daytime for general lighting, thereby reducing energy consumption.
14. Artesian borewell is used to draw water from 260 ft below, without use of electricity.
15. Sourcing cabinets in SKD form and assembling inhouse, allowed us to increase the number of units per pallet, which translated into less energy requirement to ship each cabinet.
16. Except special products, all the product manuals moved to e-manual in CDROM, reducing paper consumption.
17. Display devices shipments shifted from cathode ray tube (CRT) monitors to flat panel displays has significantly led to less material use per unit. Flat panel display typically uses 40 to 50% less (by weight) materials when compared to conventional CRT screen and requires approximately 60% less energy in use.

B. Research & Development:

1. Product Innovation and Engineering :

The company introduced a series of new products for its Server, Desktop, Workstation, Notebook, POS ranges of systems under various brands like Infiniti Global Line, Infiniti Xcel Line, NetManager, Infiniti Challenger, Infiniti Pro, Infiniti Orbital, Beanstalk, Busybee, Ezeabee, Infiniti Powerlite and BeePOS.

The Company also added new product range to the home segment including models like Beanstalk Lyfestyle, Beanstalk Nano etc., which offers rich digital media experience at home.

Quad core processor based servers were launched by your Company, which support latest technologies like VT, RAS features, SAS & FBDIMM. A new 4way server was released with SAS storage too.

A new storage interface SAS was introduced in the latest servers & workstations.

The Company launched a new range of notebook computers featuring the revolutionary 'Embedded Continuity & Control' (EC2) technology named the 'HCL Non Stop Series', the new EC2-enabled notebooks are self-healing computers that are able to recover all data in less than a minute, in case of a system crash or accidental loss of data by the user.

2. Benefits derived as a result of the above R & D :

The range of Windows Vista based lifestyle computers have strengthened the position of the Company as a leader in the consumer desktop space. These high end consumer PCs are targeted at customers looking for an experience of Live TV, Home theater, PC and multimedia peripherals - all in one.

A laptop with EC2 technology automatically stores and updates a complete image of its own working state at regular intervals. This image is a complete record of all data, including software and user data, residing inside the computer at any given point of time. In case of a system crash, malfunction or accidental loss of data, a user can simply reload the previously recorded image and thus have the computer working exactly like it was when the image was recorded. EC2 takes less than 60 seconds to reload the complete image; therefore the computer never has a downtime of more than a minute, no matter how grave the fault was.

Servers launched with latest technologies like VT, Hi-end RAS features etc benefited the Company to address the enterprise customer needs.

All the above innovations and solutions have contributed immensely to the ability of the Company to bring about product differentiation, customized products for segments and creation of new segments.

3. Expenditure on R & D : (Rs./Crores)

Capital	0.17
Revenue	3.30
Total	<u>3.47</u>

C. Technology absorption, adaptation and innovation

The company has been constantly innovating and introducing new technologies. Reiterating its commitment as a complete ICT solutions provider, a series of new models in notebooks, servers and desktops were introduced during the year.

A new series of notebooks called the 'HCL Non Stop Series' of leaptops featuring the revolutionary 'Embedded Continuity & Control' (EC2) technology were introduced, wherein in case of a system crash or accidental loss of data by the user, these notebooks are able to recover all data in less than a minute. Notebooks supporting Core 2 Duo and Santa Rosa technology were released. HCL also launched a complete line-up of eco-efficient and environment friendly consumer and business notebooks. 'Delivering value beyond GHz', HCL leaptops offers a range of security features like HCL device lock, wireless lock, cable lock etc., to offer complete peace of mind against physical and data theft.

Latest servers based on Xeon and Quad Core technology were introduced. Server based innovations like 'Data Centre in a Box' was launched with a focused target of simplifying IT infrastructure solutions for the Small and Medium Enterprises and emerging businesses. HCL has also initiated an ISV programme where different Independent Software Vendors are working along with HCL to help SMEs build and deploy their business and infrastructure solutions on HCL's GL server platforms. Last year also saw HCL being a part of ESAA alliance, where HCL servers are validated to work with various industries' leading enterprise applications and hardware.

Desktops platforms using Core 2 Duo have been introduced. HCL also introduced India's first one terabyte PC with special focus towards professionals and consumers who use and store multimedia content. HCL also introduced