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To achieve the impossible, the untried.

A gift of labour, diligence and hard work.

Powering genius, transcending limitations.

Providing the winning *edge*.



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**Knowledge** is not the means to an end.  
It is its own reward.

**Knowledge** is not about information.  
It is about understanding.

**Knowledge** is about being pushy.  
Pushing yourself, pushing the competition,  
pushing the envelope.

**Knowledge** is not about maintaining standards.  
It is about the pursuit of excellence.

**Knowledge** is not about being competitive.  
It is about holding the advantage.

**Knowledge** is not an upstart.  
It is the voice of experience.

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**BOARD OF DIRECTORS****Mr. SHIV NADAR**

Chairman &amp; CEO

**Mr. T S R SUBRAMANIAN**

Director

**Ms. ROBIN ABRAMS**

Director

**Mr. S. RAMAN**

COO, President and Whole time Director

**Mr. AJAI CHOWDHRY**

Director

**Mr. SUBROTO BHATTACHARYA**

Director

**Mr. AMAL GANGULI**

Director

**Mr. CYRIL SURESH SHROFF**

Director

**Mr. ALLWYN NORONHA**

General Manager &amp; Company Secretary

**Auditors**Price Waterhouse,  
Chartered Accountants,  
New Delhi**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**ICICI Bank Limited**ICICI Tower  
NBCC Place, Bhasham Pitamah Marg,  
Pragati Vihar  
New Delhi-110003

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND STANDALONE RESULTS OF OPERATIONS OF HCL TECHNOLOGIES LIMITED PREPARED UNDER INDIAN GAAP

*Investors are cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions as they relate the Company or its business 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 as 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.*

### INTRODUCTION AND BUSINESS OVERVIEW

HCL Technologies Ltd. is India's fifth largest IT services exporter with services spanning pure software services as well as IT-enabled services. The key service areas in which the Company provides its services are as indicated below.

**Technology led services:** The Company offers a wide range of services like ASIC Design, Embedded Systems, Computer Aided Design, Computer Aided Manufacturing, Computer Aided Engineering, Product Development and Maintenance/Product Lifecycle Management, Verification & Validation Software & Hardware Product Engineering, Testing, Maintenance, Porting & Migration. The Company also undertakes complete product ownership.

**Practice led services:** HCLT offers a wide range of services in areas that require strong consulting and implementation-based expertise. These areas are consulting and implementation of Supply Chain Management, Customer Relationship Management, Business-to-Business (B2B), Enterprise Resource Planning, Imaging and Workflow Packages and Solutions, Internet/e-commerce Solutions, Network Design and IT Infrastructure Management.

**Application led services:** The Company offers application services over a variety of platforms like NT, UNIX, Linux, IBM mainframe, IBM AS/400 and I-series, etc. These include services in the area of development, maintenance, testing, porting/migration and production support.

**IT enabled services:** These include Technical Help Desk, Business Process Outsourcing and Customer Contact Centers.

These service lines are delivered to OEM and end-user organizations in key verticals such as Retail & Consumer, Insurance, Banking and other Financial Services, Aerospace, Automobiles, Semiconductors, Life Sciences and Petroleum.

The services in the areas of Network design and IT infrastructure management as well as those in the IT-enabled segments are offered

through separate companies which are subsidiaries of HCL Technologies Ltd. The financials of these entities are not captured in the standalone results of the Company.

Also, in the area of software services, the Company has joint-ventures and subsidiaries, the financials of which are not represented in the standalone results of the Company.

The Company's technological prowess lies in the dedicated Offshore Development Centers it operates for some of the world's leading organizations. These centers located in Chennai, Gurgaon and Noida in India. HCLT is the preferred partner to more than 450 prestigious organizations in the world, including more than 60 Global 500 companies. Its presence across 15 countries gives the company global reach and a vast rollout support capability. Currently, it serves global markets through offices in America, Asia Pacific, Europe and Japan.

### THE CURRENT OPERATING ENVIRONMENT AND OUTLOOK

The previous fiscal year had witnessed a very challenging operating environment for Indian IT services vendors with most of the client organisations yet to recover fully from the impact of a global slowdown. However, the year under review saw a noteworthy improvement in overall global market conditions and the industry as a whole has reported all round revival in revenue growth rates and profitability measures. The Company is continuing with several initiatives aimed at improving its competitive positioning and a broadening of its practice domains. While the outlook for technology spending is expected to remain positive in the coming months according to various industry analysts, studies indicate that the larger IT companies have increased their overall market-share during the last two years. The Company is hopeful that it will continue to leverage several new opportunities in the wake of vastly improved business conditions.

### REVENUE CONTRIBUTION FROM DIFFERENT GEOGRAPHICAL SEGMENTS

The Company operates in all the key major IT markets of the world. The markets are serviced through a network of global offices. With the American continent being the largest spender on IT services as well as the largest outsourcer, the largest share of the Company's revenue continues to come from this geography like most other Indian vendors. However, conscious efforts have been initiated to ensure that the share of other geographies increases to reduce the risk of overdependence on the American continent. As a result, the revenue share from Europe, the next largest contributor to revenues, has been increasing. The contributions from the key geographical segments to the Company's revenues have been indicated in the Table.

Revenue contribution from various geographies	2004	2003
America	80.4%	82.2%
Europe	13.4%	11.9%
Others	6.2%	5.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**INTERNAL CONTROL SYSTEMS**

Internal control systems instituted in the Company are intended to provide reasonable assurance that assets are in safe custody, business dealings are executed in accordance with management's authorization and properly recorded, and accounting records provide a true and fair view of the financial condition of the Company. In this regard, processes have been documented and implemented throughout the organization to ensure that policies are promoted and adhered to. Roles and responsibilities have been clearly defined at various levels of operations.

The internal audit function performs internal audit periodically to ascertain the adequacy and effectiveness of such internal control systems. Specifically the Internal Audit function is tasked to ensure that

- Adequate processes, systems, internal controls are implemented.
- These are commensurate with the size and operations of the Company.
- Transactions are undertaken according to the policies and as per authorizations.
- Resources have been deployed as per the business plan, policies and authorization.

The Company has a rigorous business planning system to set targets and parameters for operations and the same are reviewed with actual performance to ensure timely initiation of corrective action if required.

The Company's Audit Committee is a sub committee of the Board. It reviews adherence to internal control systems, internal audit reports and implementation of suggestions. This Committee reviews all quarterly and yearly results of the Company and sends the same to Board for consideration and approval along with its recommendation.

**RISK FACTORS**

The key risk factors for the Company are as follows:

**Internal Risks**

- Business concentration risks
- Mergers and Acquisitions (M & A) execution risks
- Investment portfolio-related risks

**External Risks**

- Risks related to the operating environment
- Technology-related risks
- Currency risk related to fluctuations in the foreign exchange rate
- Geo-political risks

**Internal Risks****Business concentration risks**

The Company has taken efforts to ensure that it does not become too dependent on any particular set of clients, specific service lines or any particular geography.

The Company's revenues are spread across a total of more than 450 clients to ensure this. Given the position of the American continent as the largest IT spender in the world, a large portion of the Company's revenues comes from this geography. However, conscious efforts are being made to reduce this dependence. Non-US revenues as a percentage of the total revenues of the Company have been steadily increasing over the years. The share of non-US revenues for the year under review has

gone up to 20% from 18% in the previous year.

A very high dependence on certain segments of the IT services market may also pose certain risks in the event of a slowdown impacting such segments. Indeed, the Company had recognised this factor and had undertaken multiple initiatives during the fiscal year June 30, 2002 to rebalance its business portfolio. As a result of these initiatives, the Company has managed to reduce its dependence on its traditional stronghold of product engineering and now has substantial revenues coming in from end user applications, Business Process Outsourcing and Infrastructure Management Services.

**M & A execution risks**

The Company has followed a strategy of growing through both the organic as well as the inorganic route and has undertaken a series of acquisitions in the previous two fiscal periods. The Company naturally faces a risk with respect to its merger and acquisition related transactions. The risk exposures in this area are as follows:

- a) increase in cost on account of staffing/advisory fees to consultants
- b) lapses in due diligence
- c) difficulties in integration of acquired entities within the operational fabric

The Company follows a very structured approach in pursuance of its M & A strategy. Much of the risks are mitigated by restricting the choice of target companies by applying certain rigorous selection criteria as also by proper resourcing of the integration effort.

**Investment portfolio related risks**

The Company's primary market risk exposures are related to the interest rate risk on its investment securities.

The Company's exposure to interest rate risk is from its investment securities. To mitigate interest rate risk, all surplus funds are invested in avenues upon a review by the investment committee. However, the guiding principles of all investment decision are safety of investments, followed by liquidity and returns.

**External Risks****Risks related to the operating environment**

The Indian IT services market remains a very competitive space. The Company is facing competition not only from other large Indian IT vendors but also global vendors who are increasing their India presence given the popularity of the Indian offshore model.

To maintain its competitive edge in this landscape, the Company has been making significant investment in software engineering processes and offshore methodologies. All of the Company's software development centers are ISO 9001 certified. Most of the Company's centers have also obtained Capability Maturity Model (CMM) Level 4 or Level 5 accreditation. The Company has also built a world-class sales and marketing infrastructure to service its global clientele. To achieve maximum penetration within the various target markets with a high degree of sensitivity to the culture and needs of the local market, the Company has established local companies in each important country. The Company believes that its rigorous, research-oriented approach to identify, qualify and develop relationship has been a key differentiator in the market place.



The Company is also taking efforts to ensure that key employees of the Company are not poached by competitors.

**Technology-related risks**

The Company has competencies in a wide variety of software operating environments rather than depending on any specific technology. This ensures that it diversifies its technology-related risks as also offer the customers the choice of any technology or platform they are comfortable with.

**Exchange rate risk**

The functional currencies for the Company's operations are the respective currencies of the countries in which it operates. Substantially all of its revenues are generated in US dollars and to a lesser extent, certain European and Asian currencies, while most of its expenses are incurred in Indian rupees and to a lesser extent, US dollars. As described above, a substantial amount of its investments is held in Indian rupees. It also holds investments in certain countries, consisting primarily of investments by its subsidiaries, which are denominated in the local currency. It is therefore subject to the effects of exchange rate fluctuations between these currencies.

Company used derivatives to hedge completely against foreign currency fluctuations related to its billed receivables and expected cash flows from future revenues. The Company does not speculate in foreign currency.

There is some foreign exchange risk which arises from accounts payable to overseas vendors and foreign currency loans. This risk is partially mitigated as the Company has receipts in foreign currency from overseas customers and holds some of its cash in foreign currency bank accounts.

**Geo-political risks**

The Indian subcontinent has seen recurrences of some forms of hostilities between India and Pakistan. There has also been a lot of civil unrest in other countries of the Asian continent with proximity to India. These can have negative implications for the operations of the Company. To mitigate these risks and to ensure continued delivery of services to clients irrespective of any geo-political disturbances, the Company has made adequate investments in disaster recovery and business continuity systems.

**EMPLOYEE STOCK OPTION PLANS**

**Employee stock option plan 1999**

The Company had instituted an Employees Stock Option Plan – 1999 ("1999 Plan") for employees in pursuance of the special resolution approved by the shareholders in the Extra Ordinary General Meeting held on September 13, 1999. The Plan provided for the issuance of 20,000,000 options to employees as recommended by the Committee constituted for this purpose.

Each option granted under the Plan, entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.

Till June 30, 2004, 76,94,841 options had been exercised under the 1999 Plan. As of June 30, 2004, 83,51,795 stock options were in force under the 1999 Plan.

**Employee stock option plan 2000**

The Company instituted another Employees Stock Option Plan – 2000 ("2000 Plan") in October 2000. The 2000 Plan provided for the issuance of 15,000,000 options to employees. Each option granted under the 2000 Plan entitles the holder thereof with an option to apply for and be issued two equity shares of the Company.

Till June 30, 2004, 1,85,701 options had been exercised under the 2000 Plan. As of June 30, 2004, 76,39,239 stock options were in force under the 2000 Plan.

**SOFTWARE DEVELOPMENT CENTERS AND MANPOWER**

The Company services its customers through a network of 25 software development facilities situated in the cities of Chennai, Gurgaon and Noida. The seating capacity of the Company went up from 6,197 as of June 30, 2003 to 8,653 as of June 30, 2004. During the fiscal 2004, the Company invested a sum of Rs.1,865 million in building, land, equipment, computers, etc., as against Rs. 624 million in the previous fiscal.

The total number of billable employees increased from 5,677 (5,070 offshore and 607 onsite) as on June 30, 2003 to 8,137 (6,962 offshore and 1,175 onsite) as on June 30, 2004. In view of the competitive situation that prevailed for most part of the year, salary structures were modified to increase the proportion of performance-based pay. The Company is continuing with this system of compensation. The Company focuses on several training and development initiatives to ensure that its human resource base is kept abreast of the latest developments in information technology.

**RESULTS OF OPERATIONS (STANDALONE)**

(Rs. in million)

	Fiscal years ended June 30				
	2000	2001	2002	2003	2004
Service income	3,997	7,245	7,234	8,717	11,280
Other income	521	1,086	1,331	1,078	1,467
<b>Total Income</b>	<b>4,518</b>	<b>8,331</b>	<b>8,565</b>	<b>9,795</b>	<b>12,747</b>
Cost of software development	1,451	2,068	2,644	4,049	6,066
Administration and other expenses	811	1,507	1,371	2,013	2,662
<b>Total expenditure</b>	<b>2,262</b>	<b>3,575</b>	<b>4,015</b>	<b>6,062</b>	<b>8,728</b>
<b>PBIDT</b>	<b>2,256</b>	<b>4,756</b>	<b>4,551</b>	<b>3,733</b>	<b>4,019</b>
Interest	-	-	17	11	55
Depreciation	154	225	355	493	569
<b>Profit before tax</b>	<b>2,102</b>	<b>4,530</b>	<b>4,179</b>	<b>3,229</b>	<b>3,395</b>
Provision for tax	103	262	159	104	138
<b>Profit after tax</b>	<b>1,999</b>	<b>4,268</b>	<b>4,020</b>	<b>3,125</b>	<b>3,257</b>

**FISCAL 2004 COMPARED TO FISCAL 2003**

**Service Revenues.** The Company's revenues of Rs. 11,280 million in fiscal 2004 were 29% higher than that for fiscal 2003. While the Company added headcount to handle the increased business volumes, bill rates for the year were almost at the same level as that in the previous fiscal.

In fiscal 2004, the revenues from America were Rs. 9,065 million, an increase of approximately 27% as compared to that for fiscal 2003. Share of America in the total revenue dropped marginally to 80% in fiscal 2004 from 82% in fiscal 2003. In an effort to derisk its business model, the Company is focussing on the markets in Europe, Australasia, Singapore, Malaysia and India. These markets contributed about 20% to the Company's revenues in the current fiscal and it is expected that their contribution is likely to increase in the coming years.

**Other income.** The Company's other income grew to Rs. 1,467 million in fiscal 2004 from Rs. 1,078 million in fiscal 2003. This mainly comprises of interest income on bonds, dividend on investments in debt mutual funds, gain resulting from sale of such investments as well as gains related to differential movement of currencies.

**Cost of software development.** The cost of software development increased by 50% from Rs. 4,049 million in fiscal 2003 to Rs. 6,066 million. This was mainly on account of an increase in employee costs. Employee costs of the Company increased to Rs. 3,624 million in fiscal 2004 from Rs. 2,548 million in fiscal 2003, an increase of 42%. Employee costs as a percentage of service revenues have increased to 32% in fiscal 2004 from 29% in fiscal 2003. The increase in employee costs have been driven by i) increase in number of billable employees from 5,677 in the previous year to 8,137 in the year ended June 30, 2004 ii) increase in staff in marketing and key corporate functions. The Company also subcontracts certain projects to its subsidiaries and third parties. These costs increased to Rs. 2,442 million in fiscal 2004 from Rs. 1,501 million in fiscal 2003. Of the total subcontract costs, Rs. 2,057 million and Rs. 1,292 million were paid in fiscal 2004 and 2003 respectively to the subsidiaries of the Company for providing software development services.

**Administration and other expenses.** As a percentage of service revenue, such costs increased to 24% in fiscal 2004 from 23% in fiscal 2003. These costs among others consist of rent, communication costs (including on project), travel costs (including on project), electricity, repair and maintenance, software license fees, legal and professional charges, etc.

**Depreciation.** Depreciation increased to Rs. 569 million in fiscal 2004 from Rs. 493 million in fiscal 2003. The gross block has increased to Rs. 4,123 million in fiscal 2004 as compared to Rs. 3,278 million in fiscal 2003 which has caused this increase in depreciation.

**Taxation.** The net tax expense for fiscal 2004 was Rs. 138 million as compared to Rs. 104 million in fiscal 2003. The tax liability during 2003 was low as a result of finalization of certain prior period adjustments.

**Profit after tax.** The Company's profit after tax increased to Rs. 3,257 million in fiscal 2004 from Rs. 3,125 million in fiscal 2003, an increase of 4%. Profit after tax as a percentage of software service revenues decreased to 29% in fiscal 2004 from 36% in fiscal 2003.

#### TAX DEDUCTIONS

A substantial portion of the profits of the Company's India operations are deductible for the calculation of taxes under Indian law, these profits being attributable to export operations and profits from undertakings situated in Software Technology Parks (STP). Under the tax holiday, the taxpayer can utilize a deduction of profits attributable to its export operations, for the calculation of income tax for a period of any ten consecutive years subject to certain conditions and stipulations, however

no such deduction shall be available on such profits from April 1, 2009. Over the past few years the Company has opted for this exemption for its various STP undertakings as and when a new undertaking was established under the provisions of the Indian tax laws. However, the profits arising out of the non export business and other non business income are subject to corporate income tax at the rate of 36.59%, including the applicable surcharge and education cess.

#### LIQUIDITY AND CAPITAL RESOURCES

##### **Cash Flows from Operating Activities**

The Company's operations generate a significant amount of cash each year. Net cash provided by operating activities was Rs. 5,982 million and Rs. 3,542 million in fiscal 2004 and 2003. The increase in cash from operating activities is primarily because of an increase in profitability in the year under review, as compared to the previous fiscal, a decreased debtors period as also because of some advances received from subsidiary companies.

The Company has sought to keep a very tight control on its accounts receivables. In fiscal 2004, accounts receivable at 15% of the total revenues decreased from 26% for fiscal 2003. The debtors' turnover ratio has sharply decreased to 55 days, as of June 30, 2004 from 95 days as of June 30, 2003.

##### **Cash Flows from Investing Activities**

In fiscal 2004, an amount of Rs. 2,825 million was additionally invested in debt mutual funds while Rs. 80 million of bonds were redeemed. During the year, a net amount of Rs. 1,887 million was invested in fixed assets, and Rs. 280 million was used for investments and loans in subsidiaries. Cash from investing activities arose mainly from income on investment as also in the form of repayment of loans which had been advanced to the ESOP trust. Net cash, thus, used in investing activities was Rs. 3,914 million in fiscal 2004 as compared to Rs. 2,947 million in 2003.

The thrust of the Company's treasury policy is to reduce the credit risk concentration in a bid to achieve the maximum possible safety, while earning reasonable returns from the investment of surplus funds.

Any surplus funds are invested in avenues at the discretion of the investment committee. However, the guiding principles of all investment decision are safety of investments, followed by liquidity and return on investment.

##### **Cash Flows from Financing Activities**

Cash flow from financing activities in the year under review was an outflow of Rs.1,714 million mainly due to a large dividend outflow of Rs. 2,667 million pertaining to the dividend declared in the previous fiscal as well as the interim dividend paid out during the year under review. The Company also raised borrowings to the tune of Rs. 921 million during the year under review.

As a result of the above, the total amount of cash and cash equivalents available with the company as of June 30, 2004, was Rs. 728 million. Management believes that these balances along with cash from future operations and existing credit facilities will be sufficient to meet all needs of the Company in the next fiscal year.



**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting this Twelfth Annual Report together with the Audited Accounts for the year ended June 30, 2004.

**FINANCIAL RESULTS**

The highlights of consolidated financial results of your Company and its subsidiaries prepared under US GAAP are as follows:

(Rupees in million)

	Year ended June 30, 2004	Year ended June 30, 2003
<b>Gross Revenues</b>	<b>26136</b>	<b>19308</b>
Direct costs	16691	11872
<b>Gross Profits</b>	<b>9445</b>	<b>7436</b>
Selling and general administration expenses	4153	3782
<b>EBIDTA</b>	<b>5293</b>	<b>3654</b>
Depreciation and amortisation expenses	1157	880
<b>EBIT</b>	<b>4136</b>	<b>2773</b>
Other income (net)	4630	499
<b>EBT</b>	<b>8766</b>	<b>3272</b>
Provision for tax	407	309
<b>EAT</b>	<b>8359</b>	<b>2963</b>
Share from equity investments	177	62
Share of (income) / loss of minority shareholders	(614)	(313)
<b>Net Income</b>	<b>7921</b>	<b>2712</b>
Stock based sales incentive (non cash)	(7)	(17)
<b>Net Income (after sales incentive)</b>	<b>7914</b>	<b>2695</b>

The highlights of consolidated financial results of your Company and its subsidiaries prepared under Indian GAAP are as follows:

(Rupees in million)

	Year ended June 30, 2004	Year ended June 30, 2003
<b>Income</b>		
Sales	25,637	21,435
Other income	4,765	1,101
	<u>30,402</u>	<u>22,536</u>
<b>Expenditure</b>		
Cost of goods sold	1,133	796
Cost of services	13,690	12,089
Administration and other expenses	5,815	4,562
Finance costs	97	49
Depreciation	1,652	1,575
	<u>22,387</u>	<u>19,071</u>
Prior period charge	-	464
<b>Profit before tax and minority interest</b>	<b>8,015</b>	<b>3,001</b>
Provision for income tax - current	407	(445)
Deferred tax benefit	155	165
Provision for income tax of earlier years written back	-	-
<b>Profit before minority interest</b>	<b>7,763</b>	<b>2,721</b>

Share of loss of equity investees	(110)	(4)
Share of minority shareholders	(791)	(238)
	<b>6,862</b>	<b>2,479</b>
Balance brought forward	11,097	9,000
<b>Amount available for appropriation</b>	<b>17,959</b>	<b>11,480</b>
<b>Appropriations</b>		
Proposed final dividend [including Rs. 0.5 million (previous year Rs. 0.3 million) paid for previous year]	1,184	592
Corporate dividend tax	155	76
Interim dividend	1,774	577
Corporate dividend tax on interim dividend	227	74
Transfer to general reserve	326	313
<b>Balance carried forward to the balance sheet</b>	<b>14,293</b>	<b>9,849</b>
	17,959	11,480

Financial results of your Company as a standalone entity prepared under Indian GAAP are as follows:

(Rupees in million)

	Year ended June 30, 2004	Year ended June 30, 2003
Revenue from software services	11,280	8,717
Other income	1,467	1,078
<b>Total Income</b>	<b>12,747</b>	<b>9,795</b>
Cost of software development	6,066	4,049
Administration and other expenses	2,662	2,013
Finance charges	55	11
Depreciation	569	493
	<b>9,352</b>	<b>6,566</b>
<b>Profit before tax</b>	<b>3,395</b>	<b>3,229</b>
Provision for tax	138	136
<b>Profit after tax</b>	<b>3,257</b>	<b>3,093</b>
Balance brought forward from previous year	11,507	10,001
<b>Available for appropriation</b>	<b>14,764</b>	<b>13,137</b>
<b>Appropriations</b>		
Proposed final dividend [including Rs. Nil (previous year Rs. 0.5 million) paid for previous year]	1184	592
Corporate dividend tax on final dividend	155	76
Interim dividend	1,774	577
Corporate dividend tax on interim dividend	227	74
Transfer to general reserve	326	312
Balance carried forward	11,098	11,507
<b>Total</b>	<b>14,764</b>	<b>13,138</b>

## OPERATIONS

During the current year, the Company has come up with a very good performance with a healthy 29% growth in revenues. This has been driven primarily by the strengthened service offerings of the Company consequent to the rebalancing of its service portfolio over the last two fiscal periods. These efforts have also been helped by favourable market conditions in the IT services space. However, even with the increased

demand for IT services, conditions in the market-place remain extremely competitive, as a result of which the growth in revenues has been driven solely by volumes with price realisations remaining even during the year. This has led to a fall in gross margins as well as operating margins for the Company. As a result of this, the net profit growth for the Company has been lower than the revenue increase even after having a higher other income.