

HCL

At HCL there's only one thing more important than brains.



GUTS.

HCL Technologies Ltd.

A N N U A L R E P O R T 2 0 0 4 - 2 0 0 5

www.reportjunction.com



C O N T E N T S

Chairman's Message	3
Brand HCL: "Courage – Guts – Fearlessness"	4
HCL Milestones	6
Key Financials	8
The Management	9
HCL Technologies Today	10
HCL's Capital Transaction Initiatives	12
HCL's Service Offerings	13
HCL's Industry Solutions	27
Dare to Win	38
Quality	43
Management Discussion and Analysis	45
Consolidated Financials	55

You don't have more courage
when you are young.



YOU HAVE LESS FEAR.

At HCL there's only one thing more important than brains.

GUTS





Dear Friend,

HCL is India's original garage IT start up story. For 29 years, HCL has stood for invention, re-invention, and creativity. Our DNA reflects restlessness for listening to and responding to the heartbeat of our stakeholders.

Though HCL is a 3 decade old enterprise and HCL Technologies already amongst the Big 5 of Indian IT Service Companies, we are the youngest. Its only been 5 years since we went public. During this time we have unleashed strategic changes to reinvent ourselves and are now on the cusp of a significant transformation. We have over the last few years quietly but determinedly gone about our job of transforming the company, taking bold and courageous steps.

If there is something that separates HCL from others it is our spirit of entrepreneurship, a burning desire to ensure customer satisfaction, and the guts to do things which carry risk but deliver a commensurate reward as well. This has found expression in our "FEARless" advertising campaign where we tried to communicate the fact that HCL has the courage and guts to reinvent itself, continually. Let me explain why we believe we can make a difference to our stakeholders.

First, among all the IT companies, our portfolio of services is perhaps the best balanced. We have depth across 4 broad segments; Product Engineering & Technology Services, Applications, Infrastructure & BPO. We rank No.1 in Infrastructure, No. 2 in Product Engineering & Technology Services, No.3 in BPO, and No. 5 in Applications. So our goal of a balanced portfolio and leadership within them has now taken definite shape. Each business is now on a profitable growth track with demonstrable beach head practices. We saw the future of these services early on and backed them solidly. Today their numbers are a testimony to the wisdom of our strategic choices. Product Engineering & Technology Services had been our core business when we began our 2001-02 portfolio rebalancing exercise. Today we do cutting edge work for global customers in domains such as Aerospace, Semiconductors, Consumer & Retail, BFS, Life Sciences, Telecom, etc. with our deep knowledge of practices in Technology, Applications, Infrastructure, and BPO. I do want to mention that our Applications business which was developed with both organic and inorganic means is today a creditable No.5 in 3 years time.

We have invested solidly in our physical infrastructure which now boasts of world class facilities and 3 campuses in the making, in Noida, Bangalore, and Chennai. We have 24,000 employees spread across 6 cities. Our HR practices not only focus on strengthening technical skills but are shaping leaders for the future.

HCL pursued a landmark strategy of inorganic growth over the last few years with huge payoffs. Over the early part of 2005 we bought out stakes of 6 subsidiaries that have been significant contributors to our growth. There are two stars of which we are particularly proud of; the first is HCL Capital Market Services (CMS), the erstwhile Deutsche Software Ltd (DSL), which today is a business in excess of \$100million in revenues. The other is the British Telecom JV which not only gave us a global footprint but which led to the largest BPO order in Indian history, of \$150 million. These transactions represent HCL's landmark "carve out" strategy where we have literally "carved out" departments of large firms as cost centers and monetized it by way of a capital transaction delivering value for both partners. Such global transactions and value creation have few parallels within Indian firms.

We have now demonstrated over the last several quarters that we can grow all our business lines profitably. Both revenues and EBITDA have grown. Over the last 8 quarters our run rate is up by 90% and EBITDA is up 130%.

HCL Technologies has a robust balance sheet. Our net worth of \$871 million, Cash of \$457 million, and cash flow of \$137 million, gives us a solidity not only to invest and aggressively grow our organic business but also to pursue inorganic growth.

We have avoided the distractions of the short term to keep a single minded focus on the long term, and ultimately in doing what is good for the overall business and our stakeholders.

With best regards,
Shiv Nadar



BRAND HCL

“Courage – Guts – Fearlessness”

Beginning FY'05, HCL kicked off many initiatives as part of Project Heartbeat-its strategy to reinvent HCL as a valuable global Technology and IT brand which has not missed a single heartbeat in the ever changing, dynamic IT landscape.

HCL is India's original IT start up founded by Shiv Nadar, Ajai Chowdhry, and a few other passionate entrepreneurs in 1976, 3 decades ago. It has grown to become a \$2.5 billion enterprise by 30th June, 2005, pitch forking it into the big league of Indian corporates. All this in an industry that a generation ago would never have been seen IT as an area of Indian strength.

At a time when India was closed to the outside world it took HCL's extraordinary vision to have not only taken the bold courageous steps into the future but also to have ridden the IT wave. This is symbolized in a sense of “fearlessness”, which has found expression in the “Courage – Guts – Fearlessness” campaign launched this year. As HCL commenced its 30th year of business on 11th August, 2005 we wish to remind our stakeholders that within a large, 3 decade old organization with many firsts, there exists all the virtues of youth, courage, guts, and fearlessness.

The genesis of this campaign is primarily a simple one – to inform and provoke HCL's key stakeholders (customers, employees, investors, and the Indian and international community) to recognize one of the iconic Indian brands that symbolizes the spirit of a resurgent India.

Today, HCL is uniquely positioned in the IT space with offerings straddling software and BPO services as well as IT hardware, system integration and distribution of technology and telecom products. The HCL enterprise operates through two entities listed in India- HCL Technologies and HCL Infosystems. While HCL Technologies is the IT and BPO service arm of HCL, HCL Infosystems is the IT hardware and system integration arm operating in the domestic market.

Going forward the brand will be anchored in its core values of Leading, Inventing, and Re-inventing the Technology and IT space. Ultimately HCL aspires to become one of India's truly recognizable global brands.

COURAGE.

GUTS

Report  Junction.com

FEARLESSNESS



HCL

HCL Milestones

The journey so far

REPORT  JUNCTION.COM

1978

HCL successfully ships in-house designed micro-computer at the same time as Apple-Indian computer industry is born.

1977

Distribution alliance with Toshiba for copiers and notebooks.

1976

Hindustan Computers Limited (HCL) born.

1970's

1997

HCL Infosystems is formed.

HCL's R&D spun-off as HCL Technologies-marks advent into software services.

JV with Perot Systems stake divested in 2003.

1994

Distribution alliances with Ericsson Switches and Nokia Cell phones

1991

HCL-HP JV develops multi-processor Unix for HP-heralds HCL's entry into contract R&D.

2004-05

A dedicated Offshore Design Center for leading Tier 1 Aerospace supplier, Hamilton Sundstrand

JV with NEC, Japan

HCL Technologies accorded Leaders status by MetaSpectrumSM in Offshore Outsourcing.

Acquires remaining stake in British Telecom's Apollo Contact Centre at Belfast.

Buys out remaining stake in JV with Deutsche Bank.

HCL Infosystems continues to be largest manufacturer of PCs in India.

HCL signs Software Development Agreement with Boeing for the 787 Dreamliner program

2003

Landmark deal with Airbus.

2001-02

JV with Deutsche Bank

Services portfolio enhanced to include Enterprise Services, BPO Services and Infrastructural Services.

1980s

Introduces fine-grained multi-processor Unix-3 years ahead of "Sun" & "HP" (1989)

HCL becomes the largest IT company in India (1986)

Indigenously develops an RDBMS, a Networking OS and a Client Server architecture, at the same time as global IT peers (1983)

HCL introduces bit sliced, 16-bit processor based micro-computer (1980)

1980's

1990's

Key Financials 2004-05

