

Dear Stakeholder,

We have believed that the time is always right to do what is right. At HCL, we have taken pride in pioneering developments in the Indian IT industry. And we have been rewarded for it. The leadership status that we hold in the industry today is ours by right, and we are confident of maintaining it in the times to come.

HCL has been on a consistent growth path, demonstrating a unique market vision and responsiveness to customer needs. The realignment of the company, for instance, was a decision taken with a view to focus on our core strengths. Now, our decision stands more than vindicated. We have achieved a landmark turnover of over Rs.2700 crores.

In fact, the year has been one of proud accomplishments. HCL Infosystems became the only company in India to have sold more than 50,000 PCs in a quarter. We have been able to retain the *numero uno* position in the commercial PC segment, as per IDC reports. We hope to better our performance. We successfully leveraged the telecommunications surge that hit our country last year and did our bit to take telecom to all the nook and corner of the country. Our imaging & communications business saw good growth.

In this industry, change is the only constant. The one thing that has remained unchanged for us is the importance attributed to the customer. We conduct our business according to a simple rule-of-thumb: "Will this change the life of the customer for the better?" The dream of making a difference is what propelled HCL to reach out to customers in small towns and rural markets. We have just launched a PC for below twenty thousand rupees. It brings us a step closer to realising the dream of making IT affordable to the common man.

Moving forward, we are confident of maintaining our leadership, of forging more beneficial relationships and enhancing profitability for all our stakeholders. I thank you all for the generous support you have provided to us, and hope for the same in the years to come.

Warm regards,

Ajai Chowdhry
Chairman & CEO

Innovation @ HCL Infosystems

We began our journey 27 years ago, and the very idea behind our inception was innovation. Since then this single capability has led us, inspired us, changed our world.

We innovated in our formative years to generate cash. To survive.

We innovated to put sales ahead of manufacturing to sell our first product.

We innovated to pry open new markets and to break myths.

We innovated on ways to approach a customer, forming lasting relationships as we went along.

We innovated to take the power of computing out of EDP rooms and put it on the desktop of business managers where all the action was.

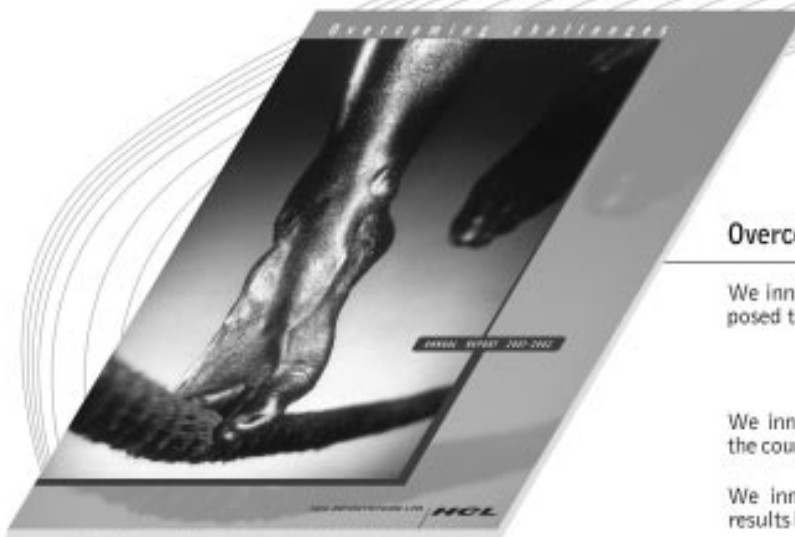
Celebrating Competition

We innovated ways to handle competition

We innovated to create new products and services.

We innovated ways to help our employees grow with us.

We innovated the way one created - and broke - benchmarks.



Overcoming challenges

We innovated practices to overcome challenges posed to us by the economy and technology.

We innovated to capitalize on the telecom boom in the country.

We innovated by realigning our business, and the results bear testimony to our decision.

We will continue innovating.

We believe our best is yet to come.

MANAGEMENT DISCUSSION AND ANALYSIS

The year that went by had its share of crests and troughs, continuing challenges and an upheaval in the international scenario. This was bound to impact both the business models and the outlook of most players. Getting aligned with reality was no longer a matter of choice. However, with twenty-seven years of experience under our belt, and having the agility to handle rapid changes in the environment and technology, we were ready for this. We realigned our business to focus on domestic IT; communications and imaging products; and related services and solutions. The decision to concentrate on our strengths, as the results prove, was a good one, helping us grow in all areas.

Information Technology Business

The focus here is to simultaneously bring the best of technology, fastest and at best value to customers. This triple advantage coupled with large pan-indian footprint of support & service gives us a formidable advantage. A wide array of products & services ensures that we become a single window for IT needs of our customers. Our product range has PCs, Laptops & Tablet PCs, Servers, Storage, Networking equipment et al. The service range has offerings like facilities management, annual maintenance services, Network installation & management services, multi-location project services, Network Security & disaster recovery solutions. The customer segments serviced are Enterprise, SMEs, SoHo & home. The company has direct selling as well as channel sales capabilities that ensure best reach to the customer across the country. The company enjoys a leadership status in desktop PC category and is among top three vendors in Laptops & servers as per IDC reports.

The company has grown well in the information technology area. According to research reports by Gartner and IDC, HCL Infosystems became the first vendor in India to sell more than 50,000 Desktop PCs in a single quarter, beating its nearest competitor by a sizeable margin. The company introduced a slew of new PC models in the market to cater to various customer segments and economic strata. The company maintained its strong hold on government, banking and finance segments. We launched a multilingual proofing tool supporting nine Indian languages on the Infiniti PCs, in partnership with Microsoft.

HCL Infosystems also forged a tie-up with AMD to launch desktop PCs, under the aegis of the EzeeBee brand. The PCs have received a warm response.

Leveraging upon its inherent strengths of understanding technology, knowledge of customers and the ability to weave together solutions, the company is now working towards consolidating its position in the System Integration space.

HCL Infosystems is currently ranked among the top ten Network Integrators in the country, according to reports in *Voice & Data*.

On the Home PC front, the initiatives focused on increasing the brand saliency for Beanstalk PC and making the product a value-for-money proposition. Several customer contact programs were undertaken to achieve this.

The company's impressive performance on the Toshiba laptop front won it many awards from the principals. We consolidated our position in the corporate and education market. Among the new models launched, one of the most innovative and popular was the Tablet PC.

In the segment of peripherals, the company widened its product portfolio as well as consolidated its position in several new markets. New products like the sleek TFT monitors, customizable information kiosks have got an encouraging response from customers.

Imaging & Communications Business

The communications & imaging business aims to compliment our IT offerings and thus making it a one-stop-shop for the customer. The ability to understand & leverage technology gives the company an edge while addressing customer requirements. Partnerships with global technology leaders have given the company an access to best products & technical know-how.

The product range includes digital copier & duplicators, multi-functional devices, mass mailing products, communication equipment for enterprise connectivity (e.g. EPABXs, Wireless LAN, VoIP, Switches, Video Conferencing), Nokia Mobile Phones. All these products aim to enhance the productivity and are known to bring in good ROI as well. The services offered are call center consulting, value-added network services, facilities management & other support services for ITES segment, call center certification & testing services, managed bandwidth services in area of application services & remote support services. The company has constantly expanded its sales & support network, thereby gaining a strategic advantage to service the customer needs.

With a renewed focus on this business, the company demonstrated a healthy performance. It was able to capitalise on the telecom surge that hit the nation, being well prepared to make most of the opportunity. With its vast reach and strong customer focus, the company was able to spread the telecommunication revolution far into the interiors of the country. Expanding the reach and continuously investing in enhancing the service and support capabilities of the Nokia distribution business kept the momentum going.

On the imaging business front, the company worked very closely with its principal Toshiba to launch a series of initiatives. It launched the first-of-its-kind retail store, Toshiba eStudio, where all products and imaging solutions are showcased for the customer to get a hands-on experience. This business, with its wide product range and vast distribution, solidified its position in the market.

Frost & Sullivan rated the company as one of the top three players in the Enterprise telephony market, for which HCL has a tie up with Ericsson.

On the Corporate Networking front, the company consolidated its position and the accent, as always, was on customer satisfaction. The efforts were recognised when HCL Insys was lauded as the best in a 'Corporate users expectation and satisfaction survey 2003', conducted by *Voice & Data* (April 2003). This survey is a research study conducted by IDC (I) Ltd on behalf of *Voice & Data*.

FINANCIAL REVIEW FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2003

During the year, the software service business (including overseas operations) was demerged to HCL Technologies Limited from the appointed date of January 1, 2003. The Technical Help Desk business of HCL Infinet Limited, a wholly owned subsidiary of HCL Infosystems Limited, was transferred to HCL Technologies BPO Limited from the appointed date of January 1, 2003. Accordingly the consolidated results for the current year include the results of these businesses only for the first six months.

The office automation & telecommunication business was transferred by HCL Infosystems Limited ("Parent") to HCL Infinet Limited, its wholly owned subsidiary, from the appointed date of January 1, 2003. Accordingly the Parent Company results for the current year exclude the results of software business and office automation & telecommunication business after the appointed date.

The results for the current year include results of these businesses for six months ended December 31, 2002 and hence are not comparable with those of the previous year.

1. Revenue:

Consolidated business income grew by 98 % to Rs. 2705.1 crores in the current financial year ended June 30, 2003, from Rs. 1367.1 crores in the previous year.

Consolidated revenue from computer systems & related services grew by 21% from Rs. 912.6 crores in the previous year to Rs. 1103.7 crores in the current year.

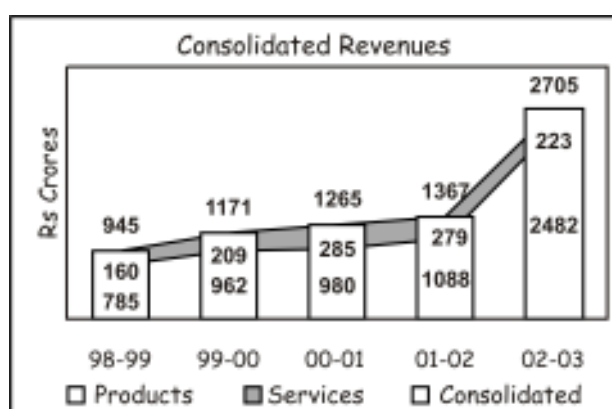
Revenue from office automation & telecommunication business for the year is Rs. 1521.6 crores as against Rs. 303.7 crores in the previous year. With the burgeoning subscriber base for cellular phones combined with aggressive marketing, the company achieved Nokia sales of Rs. 1362.0 crores as against Rs. 157.5 crores in the previous year.

Consolidated revenue from Internet related business is at Rs. 35.3 crores as against Rs. 12.9 crores in the previous year.

Consolidated revenue from demerged software business is Rs. 66.5 crores during the relevant period.

Other income is at Rs. 17.2 crores, which includes Rs. 6.0 crores of gain on foreign exchange fluctuations.

Business income for the Parent Company grew by 31% to Rs. 1651.2 crores in the current year from Rs. 1261.3 crores in the previous year.



2. Gross Margins:

Consolidated gross margins for the current financial year are at Rs. 365.8 crores as against Rs. 287.6 crores in the previous year.

Nokia gross margins are at Rs. 54.5 crores, as against Rs 9.7 crores in the previous year.

Excluding Nokia the gross margins remained at 23%, despite the demerger of software services, as the gross margins on computer systems and related services grew significantly over the previous year.

3. Personnel Costs:

Consolidated staff cost for the year is Rs. 127.7 crores as against Rs. 125.1 crores in the previous year (including for software business Rs. 39.7 crores in the current year and Rs. 51.3 crores in the previous year). Excluding the impact of demerger the increase is largely due to increase in manpower from 2738 as at June 30, 2002 to 2949 as at June 30, 2003.

Staff cost for Parent Company for the year is Rs. 86.1 crores as against Rs. 92.8 crores in the previous year.

4. Administrative, Selling & Repairs:

Consolidated Administrative, Selling & Repairs costs for the year are at Rs. 111.4 crores as against Rs. 120.1 crores in the previous year (including for software business Rs. 15.4 crores in the current year and Rs. 31.4 crores in the previous year).

Administrative, Selling & Repairs costs for Parent Company for the year are at Rs. 81.5 crores as against Rs. 96.2 crores in the previous year (including for Rs. 16.9 crores for demerged /transferred businesses in the current year till the appointed date and Rs. 35.2 crores in the previous year).

FINANCIAL REVIEW FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2003

5. Operating Profit (EBIDT):

The consolidated operating profit excluding 'Other Income' stands at Rs. 126.6 crores as against Rs. 42.4 crores in the previous year, a growth of 299%.

Operating profit for the Parent Company is at Rs. 100.1 crores as against Rs. 59.1 crore in the previous year, a growth of 69%.

6. Segment Results (consolidated) :

The segment results for computer systems & related services grew by 142% from Rs. 37.8 crores in the previous year to Rs. 91.3 crores in the current year.

Office automation & telecommunication grew by 207% from Rs. 15.6 crores in the previous year to Rs. 47.9 crores in the current year.

The loss in Internet and related services reduced from Rs. (25.9) crores in the previous year to Rs. (12.5) crores in the current year.

The loss in demerged software business is Rs. (1.5) crores for six months as against an operating profit of Rs. 12.4 crores in the previous year.

7. Finance Charges:

Net finance cost for the year is Rs. 6.6 crores as against Rs. 7.8 crores in the previous year.

Net finance cost for the Parent Company increased from Rs. 3.7 crores to Rs. 8.1 crores during the year. This is due to reductions in interest income from Term deposits and advances, consequent to restructuring of the investment portfolio.

8. Loss on Disposal of Subsidiaries of Rs. 3.3 crores represents excess of Net Asset Value of demerged overseas subsidiaries over the carrying value of Investments in those subsidiaries.

9. Profit Before Tax and Impairment (PBT):

Consolidated PBT stands at Rs. 112.1 crores in the current year, an increase of 452% over the previous year Rs. 20.3 crores.

PBT for Parent Company is Rs. 95.8 crores as against Rs. 51.5 crores in the previous year, an increase of 86%.

10. Impairment:

The Company has reviewed its norms for recognition of impairment in the value of various current assets. Consequently Rs. 33.8 crores has been charged off. Amounts subsequently realised, if any, on impaired assets shall be considered as income in those periods.

11. Taxation:

The consolidated results include a provision for Rs. 6.2 crores for current tax expense and Rs. 20.6 crores for deferred tax income.

12. Profit After Tax:

The consolidated profit after tax stands at Rs. 92.6 crores, as against Rs. 15.4 crores in the previous year.

The profit after tax for the Parent Company is Rs. 61.7 crores, as against Rs. 46.1 crores in the previous year, a growth of 34%.

13. Dividend:

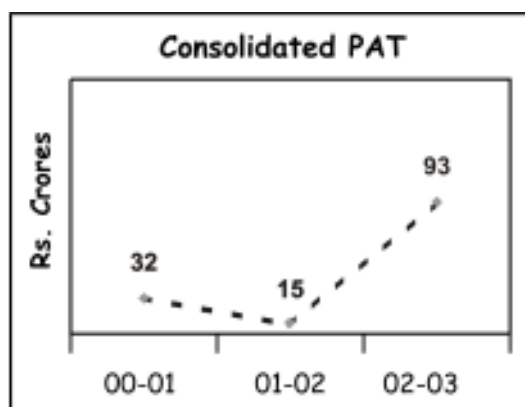
For 2002-03, the company proposes to pay a dividend of Rs. 10/- per fully paid up equity share of Rs.10/- each. This will entail an outflow of Rs. 36.0 crores, including distribution tax.

14. Earning Per Share (consolidated) (EPS) :

The consolidated EPS for the current year is Rs. 29.03 as against Rs. 4.82 in the previous year.

15. Earnings Per Share (Parent Company) (EPS) :

EPS for the current financial year is Rs. 19.35 as against Rs. 14.46 in the previous year.



FINANCIAL REVIEW FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2003

FINANCIAL CONDITIONS

1. **Shareholders Funds/Net Worth:** During the current financial year there is an addition of Rs. 56.7 crores and deductions on account of merger/demerger of Rs. 30.0 crores, taking the consolidated reserves of the company to Rs. 264.6 crores and Net Worth to Rs. 296.5 crores as on June 30, 2003.

The book value per share of the Parent Company is at Rs. 102.3 as on June 30, 2003.

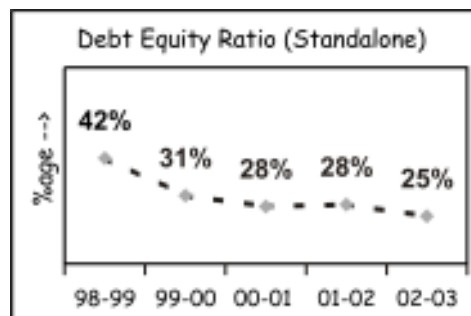
2. **Borrowings:** The year-end loan balances decreased from Rs. 141.0 crores as on June 30, 2002 to Rs. 106.8 crores as on June 30, 2003.

The year-end loan balances of Parent Company decreased from Rs. 126.0 crores as on June 30, 2002 to Rs. 106.0 crores as on June 30, 2003.

3. **Fixed assets:** Gross block decreased from Rs. 155.7 crores as on June 30, 2002 to Rs. 134.7 crores as on June 30, 2003.

Gross block of Parent Company decreased from Rs. 113.0 crores as on June 30, 2002 to Rs. 100.6 crores as on June 30, 2003. The decrease is primarily due to transfer of assets of demerged/transferred businesses.

4. **Investments:** Investments in Mutual funds increased by Rs. 116.2 crores to Rs. 218.5 crores.



5. **Inventories:** Inventories increased from Rs. 115.3 crores as on June 30, 2002 to Rs. 238.1 crores as on June 30, 2003.

Inventories of Parent Company decreased from Rs. 112.3 crores as on June 30, 2002 (including Rs. 29.1 crores for demerged/transferred businesses) to Rs. 89.0 crores as on June 30, 2003. Inventory turnover (excluding demerged/transferred businesses) increased from 10.8 as at June 30, 2002 to 12.3 as at June 30, 2003.

6. **Debtors:** Consolidated debtors decreased from Rs. 267.9 crores as on June 30, 2002 to Rs. 262.7 crores as on June 30, 2003. The debtors as number of days of sales excluding Nokia reduced from 77 days as on the previous year-end to 65 days as on June 30, 2003.

Debtors of Parent Company decreased from Rs. 253.6 crores as on June 30, 2002 (including Rs. 58.6 crores for demerged/transferred businesses) to Rs. 219.3 crores as on June 30, 2003. Debtors as number of days of sales (excluding demerged/transferred businesses) reduced from 83 days as at June 30, 2002 to 73 days as at June 30, 2003.

7. **Cash and Bank balances:** Cash & Bank balances reduced from Rs. 100.6 crores as on June 30, 2002 to Rs. 95.5 crores as on June 30, 2003.

Cash and Bank balances of Parent Company decreased from Rs. 80.2 crores as on June 30, 2002 to Rs. 43.4 crores as on June 30, 2003. Term deposits with banks reduced by Rs. 28.0 crores.

8. **Other Current Assets including Loans and Advances:** Other current assets decreased from Rs. 84.9 crores as at June 30, 2002 to Rs. 79.3 crores as at June 30, 2003.

Other current assets of Parent Company decreased from Rs. 113.8 crores as at June 30, 2002 to Rs. 98.7 crores as at June 30, 2003.

9. **Segment Capital Employed (consolidated):** Capital Employed in computer systems & related services as on June 30, 2003 is Rs.162.6 crores as against Rs. 157.8 crores as on June 30, 2002.

Capital Employed in office automation & telecommunication as on June 30, 2003 is negative Rs. 6.6 crores as against Rs. 32.3 crores as on June 30, 2002.

10. **Deferred Tax Asset (Net):** In the current year, deferred tax assets of Rs. 20.6 crores has been recognized in the consolidated results.

11. **Cash Flow:** The consolidated cash generation from operating activities increased from Rs. 57.7 crores in the previous year to Rs. 150.0 crores in the current year.

The cash generation from operating activities of the Parent Company is Rs. 63.2 crores as against Rs. 68.0 crores in the previous year

Financial Report

BOARD OF DIRECTORS

Chairman & Chief Executive Officer
Ajai Chowdhry

Whole-time Directors

T.S. Purushothaman
Ravi Thumbboochetty

Directors

R.P. Khosla
S. Bhattacharya
D.S. Puri
E.A. Kshirsagar
Anita Ramachandran

COMPANY SECRETARY

K.R. Radhakrishnan

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

- RS No: 34/4 to 34/7 and Part of RS No:34/1, Sedarpet, Pondicherry-605 111.
- RS No: 105/4-5, Sedarpet, Pondicherry-605 111.
- RS No: 107/5,6,7, RS No: 108/10A, RS No: 110/3,5,11,12 and RS No: 108/9 & 13 Sedarpet, Pondicherry-605 111.
- 299 (Old No:158), Arcot Road, Vadapalani, Chennai-600 026.
- Shed S5 & S6, Tiru-vi-Ka, Industrial Estate, Guindy, Chennai-600 032.
- Spl – A2, Industrial Estate, Thattanchavadi, Pondicherry-605 009.

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FIVE YEAR FINANCIAL OVERVIEW

Revenue and Profitability

| YEAR ENDED JUNE 30 | Rs/ Lacs | | | | |
|------------------------------------|----------|--------|--------|--------|--------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Total Revenue | 166604 | 127003 | 116843 | 113507 | 95005 |
| Operating Profit (EBIDT) | 11491 | 6784 | 9005 | 9515 | 8561 |
| Interest | 805 | 371 | 193 | 517 | 957 |
| Depreciation | 1109 | 1268 | 1225 | 1268 | 1153 |
| Effect of Impairment | 3322 | - | - | - | - |
| Profit before Tax | 6255 | 5145 | 7587 | 7841 | 6451 |
| Provision for Tax | 82 | 532 | 690 | 535 | 599 |
| Profit after Tax (PAT) | 6173 | 4613 | 6897 | 7306 | 5852 |
| Diminution in value of advances | - | - | 1060 | - | - |
| One time adjustment of Services | - | - | - | - | (2361) |
| Profit available for Appropriation | 6173 | 4613 | 5836 | 7306 | 3491 |
| Equity Dividend | 3191** | 798 | 2234 | 798 | 798 |
| Earning Per Share (Rs.)* | 19.4 | 14.5 | 18.3 | 22.9 | 18.3# |
| Operating Margin (%) | 7% | 5% | 8% | 9% | 9% |
| Profit before Tax/ Revenue (%) | 4% | 4% | 7% | 7% | 7% |
| Return on Net Worth (%)# | 19% | 14% | 23% | 28% | 29% |
| Return on Capital Employed (%)# | 14% | 10% | 17% | 19% | 17% |
| Equity Dividend (%) | 100%** | 25% | 70% | 25% | 25% |

* (Based on equity as on Balance Sheet date)

** (Proposed)

Calculated on "PAT"

Assets and Liabilities

| AS AT JUNE 30 | Rs/ Lacs | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Sources of Funds | | | | | |
| Equity Funds | 3191 | 3191 | 3191 | 3191 | 3191 |
| Reserves and Surplus | 29454 | 29493 | 26431 | 23052 | 16719 |
| Loan Funds | 10603 | 12597 | 11241 | 11728 | 14551 |
| Total | 43248 | 45281 | 40863 | 37971 | 34461 |
| Application of Funds | | | | | |
| Net Block | 4955 | 5552 | 5171 | 5412 | 5513 |
| Investments | 21289 | 13668 | 8501 | 5519 | 4664 |
| Current Assets | 45042 | 55985 | 51401 | 51588 | 42062 |
| Current Liabilities | 27475 | 28920 | 24210 | 24548 | 17778 |
| Net Current Assets | 17567 | 27065 | 27191 | 27040 | 24284 |
| Deferred Tax Liabilities | (563) | (1004) | - | - | - |
| Total | 43248 | 45281 | 40863 | 37971 | 34461 |

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Seventeenth Annual Report together with the Audited Accounts for the financial year ended 30th June, 2003.

Financial Highlights

| | (Rs. in Crores) | |
|---|-----------------|-----------|
| | 2002-2003 | 2001-2002 |
| Sales and other income | 1666.04 | 1270.03 |
| Profit before Interest, Depreciation and Tax | 114.91 | 67.84 |
| Finance Charges | 8.05 | 3.71 |
| Depreciation | 11.09 | 12.68 |
| Impact of Impairment | 33.22 | - |
| Profit/(Loss) before Tax | 62.55 | 51.45 |
| Provision for Taxation: | | |
| -Current | 5.24 | 2.81 |
| -Deferred | (4.42) | 2.51 |
| Net Profit after Tax | 61.73 | 46.13 |
| Profit available for appropriation | 61.73 | 46.13 |
| Appropriations | | |
| Proposed Dividend (current year includes tax on dividend) | 36.00 | 7.98 |
| Transfer to General Reserve | 6.17 | 4.61 |
| Balance of Profit carried forward to next year | 19.56 | 33.54 |

Performance

The turnover of the Company was Rs. 1666 crores as against Rs. 1270 crores in the previous year. The profit after tax was Rs. 62 crores as against Rs. 46 crores in the previous year.

Your Directors are pleased to recommend Dividend @ 100% on the fully paid-up equity shares for the financial year ended on 30th June, 2003. Dividend, if approved, will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting.

A Scheme of Arrangement for demerger of the Software Services Business of the Company to HCL Technologies Ltd and transfer of Office Automation and Telecommunication Division of the Company to HCL Infinet Ltd., was sanctioned by the Hon'ble High Court of Delhi.

In FY 2002-03, your Company realigned its businesses to increase focus on core strength of domestic IT, communications and imaging products, solutions and related services.

Your Company sustained its No. 1 position in desktop PC segment in 2002-2003 (July'02-June'03) according to IDC reports. It also became the first branded player in India to ship more than 50,000 PCs in a quarter according to a report by Gartner.

The unique combination of reach & access to latest technology enabled your Company to consolidate its position in the Enterprise segment. Your Company bagged large System Integration and hardware orders in Enterprise business from Vidyavahini, Canara Bank, SBI, AP Transco, NIC, DACNET, Ministry of Defence, Dept. of Posts, Sahara India Parivar, Hindustan Aeronautics, Asian Paints, Sun Pharma, BSNL, ITI & Indian Overseas Bank. Bearing testimony to HCL Infosystems' huge network allowing access to remote corners of the country, the Company implemented a prestigious order for the Government of Mizoram.

The successful partnership between HCL Infosystems and Sun Microsystems Inc. has started to show results. It garnered with two major wins - from Government of Andhra Pradesh for the complete automation of VAT services and the Oil and Natural Gas Commission (ONGC) for the installation and upgradation of Sun Systems for their projects Shramik and Kuber respectively. Besides that, large orders were also bagged from Institute of Chartered Accountants of India, Andhra Bank & Bharat Coking Coal Ltd.

On the consumer PC front, several marketing & branding initiatives were undertaken, which helped in consolidating market share in this segment too. Your Company launched a mega consumer promotion campaign named 'Khulja Sim Sim' for its home PC brand HCL Beanstalk. The Company also organized 'HCL PC Experience 2003' for the residents of several cities e.g. Bhubaneswar, Bareilly, Varanasi, Ludhiana, Agra, Madurai and Salem. This event was organized for the users to experience a home theatre system on affordable technology at the HCL Beanstalk PC. The focus has been to increase the penetration deeper in the country and to expand the market.

The Company has recently launched new products in enterprise security area – namely HCL Infowall (personal firewall) & HCL SecuMon (Security Monitoring Tool).

DIRECTORS' REPORT

Your Company also won Symantec's 'Best New Partner Award' for the efforts in taking Enterprise High End Solutions to unexplored markets and approach towards positioning Symantec security solutions in India.

Your Company was also rated as one of the Top 10 Network Integrators in the country as per a survey conducted by Voice & Data Magazine.

In the Peripherals business, the Company launched a slew of new models & new products that included CRT monitors & TFT LCD monitors, Thin clients embedded with various technologies, Multilingual keyboards, Ethernet Switches, Structured cabling components and Touch screen enabled information kiosks that are customized.

HCL Infinet

This year saw HCL Infinet consolidating its market position and the Company acquired many blue chip Indian corporate customers like: HDFC, ITC, Fenner, Madura Coates, Madura Garments, LG Electronics, Department of Bio Technology, Computer Age Management Services, Bank of Rajasthan.

HCL Infinet won "gold award" from Toshiba for the year 2002 for sales and marketing performance of Copier and Multifunction Products in India and "Platinum award" for winning gold awards continuously for the years 2000,2001 & 2002.

HCL Infinet also Won "Strategic Partner in excellence" award from Infocus Corporation for the overall performance towards the sales of Multimedia Projectors in India.

Focus on key processes like Customer Support, Help Desk and Project Management has helped the Company deliver outstanding and consistent customer service. Recently, IDC has rated HCL Infinet as the Best in "Quality of Services" & "Customer Care" and for the "Overall Best Customer Satisfaction" for Broadband & Internet Leased Line Services in India.

The Company is currently consolidating its market focus by addressing the IT enabled service & BPO, Banking & Finance, Government, Manufacturing and Service Segments. An array of services; Networking (for Data, Voice and Video), Internet Gateways, International Telephony, Co-location, Contact Center Infrastructure has helped the Company address the Enterprise Networking and Value added service requirements within the CUG and with their extended partners.

For it's Nokia GSM distribution business, the subsidiary focused on increasing it's existing reach and this resulted in better leveraging of opportunity that has emerged in Indian Telecom scenario.

Quality Initiatives

Continuing our Quality journey at HCL Infosystems, last year we achieved several significant milestones. The Professional Service Organisation of the Company was formally recognised to be at the highest maturity level (CMM Level 5) in Software Development practices being followed for the units at Kolkata, Chennai and Noida. Only about 120 companies worldwide have achieved such a distinction.

The Professional Service Organisation of the Company was also awarded ISO 9001-2000 certification for the Software development center at Kolkata.

The Infostructure Service Organisation which provides services such as Consultancy, Implementation, Support, Audit and Management Services for Information Technology solutions in the domain of Networking, Security, Facility Management and System Integration received ISO 9001-2000 certification.

The first Customer Perception Survey was conducted during 2002 with the help of an independent party, to capture our customer's and non-customer's awareness on HCL's Products, Services and Brands. Based on the feedback from the survey, various actions have been initiated to improve customer's perception. One such action we have taken to improve the perception is to send monthly reports giving status on Uptime of machines installed at their offices.

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 30th June, 2003, 103 persons, whose deposits amounting to Rs.12,61,000/- had become due for repayment, did not claim their deposits. During the year net fixed deposits repaid amounted to Rs. 24,77,000/-.

There has been no delay in making the payment of Fixed Deposits on maturity and in fulfilment of the terms and conditions of the Company's scheme.

Directors

In accordance with the Articles of Association of the Company, Mr.D.S.Puri, Mr. E.A. Kshirsagar and Ms. Anita Ramachandran, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' REPORT

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- a. 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
- b. that appropriate accounting policies have been selected and applied consistently, and that the judgements 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, 2003 and of the profit of the Company for the said period;
- c. that 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;
- d. that the annual accounts have been prepared on a going concern basis.

Personnel

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

We successfully participated in the DMA – Watson Wyatt Award for Excellence in Innovative HR Practices in 2002.

We were adjudged 'The Tenure Leader' in DQ Best Employers Survey' 2002 for our maximum retention of employees. We were ranked 5th in the HR Survey and overall 11th in DQ Best Employers Survey.

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 given in the Annexure forming part of this report.

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.

Acknowledgement

Your Directors wish to place on record their appreciation for the continued co-operation the Company received from various departments of the Central and State Governments, 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, Investing public and Depositors for their continued support and confidence in the Company.

On behalf of the Board of Directors

AJAI CHOWDHRY
Chairman and Chief Executive Officer.

September 23, 2003

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

The entire product range including Personal Computers, Servers & Peripherals are designed keeping in view the Company's philosophy of energy conservation.

Several environment friendly measures have been adopted by the Company such as use of recycled materials in packaging, conservation of electrical energy and natural resources, water harvesting etc. in its effort to conserve the environment and optimise the usage of energy.

B. Research & Development

1. Specific areas in which R&D is carried out by the Company:

Hardware: The Company introduced new products under Infiniti Pro, Infiniti Challenger, Infiniti Global Line, Infiniti Atum, Busybee, Ezeeb, Beanstalk and NetManager. Products based on new technologies like 64bit Itanium 2 Processor, 800FSB Processor, DDR400 Memory, Serial ATA, Ultra320 SCSI etc. were launched. The products are designed to meet the requirements of a wide range of business segments, user profiles and environmental conditions.

The Peripherals Division of the Company introduced many models in the existing product range and a variety of new products too.

In the CRT Monitors, the Peripherals Division released several models in 14"/15"/17"/19" range and some models were customized for few OEMs also. In the 17" series, a Real Flat model HCM 785RFM was introduced. Many models were certified at Semko, Sweden for MPR II compliance. In the TFT LCD Monitors range the Company released 15"/17"/18" Monitors with and without Audio support.

In Thin Client range, the Peripherals Division released various models in Winbee 3000/4000/5000 series based on various embedded OS viz. WinCE, Linux, and WinXPe with a host of user preferred features.

HSM 800S is a Statistical Multiplexer, a new data-comm product designed and released for Indian Railways.

For a Fortune100 Company in the USA, R&D team designed and developed two serial communications cables with built-in embedded electronics for connecting Blood glucose Meters to the COMM / USB ports of PCs. Both these products are manufactured as per the FDA prescribed Quality Systems Regulations and are being exported to the USA.

In the Touch screen enabled Information/Transaction Kiosk, the Peripherals Division released a variety of models to cater to the needs of various customer requirements. BSNL Kiosk is a Transaction Kiosk used by the general public for paying telephone bills.

Other products released include Multilingual keyboards, Ethernet Switches, Structured cabling components like CAT5E/ 6 Patch cords/Cables/Patch Panels, Optical Fiber components, customised Video Display Terminals and Terminal Servers for specific customer requirements, high-speed multi-layer PCB designs for various customers, etc.

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

The Company has a range of products to cater to Home, SOHO, Corporate and Government sectors. Products are well accepted in their business segments in terms of performance, cost and reliability. The Company maintains its technology leadership by introducing new technology products on par with their global launch. The Infiniti Global Line Server has consolidated its position in the market due to Company's focus on high end solutions.

3. Expenditure on R & D :

| | (Rs./ Lacs) |
|---------|--------------|
| Capital | 5.35 |
| Revenue | 46.91 |
| Total | 52.26 |

C. Technology absorption, adaptation and innovation

Innovation is the tool, which is used to bring state of the art, cost effective, reliable and feature rich products for all the segments. HCL Infosystems was the first to launch Intel 865 and 875 chipset based Workstations and Desktop in India. HCL has also launched Infiniti Atum brand portable PCs which has all the features of a Notebook. Continuous efforts to adapt to the latest manufacturing process and technology are being under taken to ensure error free and reliable products.

D. Foreign exchange earnings /outgo

During the period under review, the Company's earnings in foreign currency were Rs. 6510.31 Lacs (Previous Year Rs. 8835.19 Lacs). The expenditure in foreign currency including imports during the year amounted to Rs. 48848.86 Lacs (Previous year Rs. 40622.32 Lacs).

The details of the options granted under the HCL Infosystems Ltd., Employee Stock Option Scheme as on 30th June, 2003 are given below:-

| | |
|---|--|
| Options granted | 30,18,000 options |
| Pricing formula | The closing market price of the shares of the Company on the date of grant i.e. 10 th August, 2000 at National Stock Exchange of India Ltd., where the shares are quoted and which recorded the highest trading volume on the grant date. |
| Options vested | 12,65,100 options (60% of the options granted reduced by options lapsed). |
| Options exercised | NIL |
| Total number of shares arising as a result of exercise of option | NIL |
| Options lapsed | 9,09,500 options. |
| Variance of terms of options | NIL |
| Money realised by exercise of options | NIL |
| Total number of options in force | 21,08,500 options |
| Employee-wise details of options granted to | |
| (i) Senior Management | |
| <u>Name</u> | <u>No.of options</u> |
| Mr. T.S. Purushothaman | 40,000 |
| Mr. Ravi Thumboochetty | 30,000 |
| Mr. J.V. Ramamurthy | 27,500 |
| Mr. Sandeep Kanwar | 25,000 |
| Mr. Rajendra Kumar | 25,000 |
| Mr. M.L. Taneja | 18,000 |
| (ii) Employees holding 5% or more of the total number of options granted during the year | NIL |
| (iii) Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | NIL |
| Diluted EPS pursuant to issue of shares on exercise of options | N.A. |

AUDITORS' CERTIFICATE

We have examined the books and records of the HCL Infosystems Limited Stock Option Scheme ("The Scheme") as produced before us and based on such books and records and according to the information and explanations given to us, we hereby certify that HCL Infosystems Limited ("The Company") has implemented The Scheme in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in conformity with the resolution passed by the shareholders in the Extra-Ordinary General Meeting of The Company held on February 25, 2000.

Place : New Delhi
Dated : September 23, 2003

H SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Particulars of Employees forming part of Directors' Report in terms of Section 217 (2A) of the Companies Act, 1956

| S.N. | Name | Age | Designation | Qualification | Remuneration | Experience in Years | Date of Commencement of employment | Previous Employment-Designation |
|--|------------------------|-----|--|------------------------|--------------|---------------------|------------------------------------|--|
| (A) Employed for the full financial year | | | | | | | | |
| 1 | Chowdhry, Ajai | 53 | Chairman & CEO | B.E | 5623974 | 31 | 01.03.1989 | Far East Computers Pte Ltd. |
| 2 | Purushothaman, T S | 64 | Chief Operating Officer -India Operations | B.Sc (Engg.) | 6207760 | 39 | 01.05.1986 | HCL Ltd - CE Manager |
| 3 | Thumboochetty, J Ravi | 55 | Chief Operating Officer - International Operations | B.Tech, MBA | 3691542 | 30 | 01.05.1986 | HCL Ltd - Regional Manager |
| 4 | Kanwar, Sandeep | 42 | CF0 & Executive Vice President | FCA | 2806175 | 20 | 01.03.1988 | Oriental Carbon & Chemicals Ltd -Accounts Officer |
| 5 | Pattabiraman, S | 48 | Executive Vice President | B.Sc, ACA | 2822554 | 24 | 01.07.1998 | HCL Peripherals Ltd, Senior Manager. |
| 6 | Ramamurthy, J V | 50 | Chief Executive- O.A. Division | M.E | 5998209 | 24 | 01.07.1998 | HCL Office Automation Ltd -President & CEO |
| (B) Employed for part of the financial year | | | | | | | | |
| 1 | Bahadur, Yuvraj | 57 | Executive Vice President | B.Tech | 2773002 | 35 | 01.05.1986 | HCL Ltd - Sales Manager |
| 2 | Sethi, Raman | 48 | Associate Vice President | B.Tech, MBA | 1511946 | 26 | 08.04.1996 | Price Waterhouse LLP -Principal Consultant |
| 3 | Sundararajan, Srikanth | 42 | Vice President | B.E,MBA,Phd. | 1449496 | 16 | 22.02.2002 | Webgain Inc. - Senior Vice President |
| 4 | Adhikari, Saurav | 44 | President | B.A , MBA | 1881325 | 22 | 10.01.2000 | Tefal India - CEO |
| 5 | Mohan, U V | 53 | General Manager | B.E, M.Tech | 254047 | 29 | 18.03.1995 | Sona Educational & Training Systems Pvt. Ltd. - Vice President |
| 6 | Sharma, Subodh Kumar | 38 | Area Customer Engg. Mgr | Diploma in Electronics | 246010 | 17 | 05.09.1987 | M.G Electronics (P) Ltd - Supervisor |
| 7 | Murthy, C D | 49 | Associate Vice President | M.A, PGD | 1581100 | 24 | 01.05.1986 | HCL Ltd - Asst. Manager |
| 8 | Singh, M P | 38 | Deputy General Manager | ACA, LLB | 532417 | 17 | 01.03.1994 | Kelvinator of India Ltd - Deputy Manager (Taxation) |
| 9 | Jain, A K | 55 | General Manager | B.Com, ICWA | 1866960 | 37 | 01.05.1986 | HCL Ltd - Deputy Manager |

Notes :

- (i) The remuneration shown above comprises salary, allowances, incentives,taxable value of perquisites,gratuity,medical insurance benefit and company's contribution to provident fund and superannuation funds.
- (ii) The nature of employment is contractual in all cases.
- (iii) None of the above employees is related to any director of the Company.

REPORT ON CORPORATE GOVERNANCE

1. A BRIEF STATEMENT ON THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance practice in the Company is the reflection of the Company's belief that sustained growth in stakeholders' value is achieved by preserving their trust and accountability through high ethical standards, effective relationship and prudent financial sustainability. It is a self-evaluation process to monitor procedures, practices and performance.

2. BOARD OF DIRECTORS:

Composition of the Board of Directors, details of Board Meetings held during the period 01/07/2002 to 30/06/2003 are as follows:

| Name | Designation | Category |
|-------------------------|------------------------------------|-------------------------------------|
| Mr. Ajai Chowdhry | Chairman & Chief Executive Officer | Promoter and Executive Director |
| Mr. T. S. Purushothaman | Whole-time Director | Executive Director |
| Mr. Ravi Thumboochetty | Whole-time Director | Executive Director |
| Mr. R.P. Khosla | Director | Independent, non-executive Director |
| Mr. S. Bhattacharya | Director | Independent, non-executive Director |
| Mr. D. S. Puri | Director | Promoter and non-executive Director |
| Mr. E.A. Kshirsagar | Director | Independent, non-executive Director |
| Ms. Anita Ramachandran | Director | Independent, non-executive Director |

The Board met on the following dates during the financial year 2002-2003:

30th August, 2002

21st October, 2002

18th December, 2002

21st January, 2003

24th April, 2003

Attendance Record of Directors:

| Directors | Board Meetings held during the year | Meetings Attended | Whether Last AGM Attended |
|------------------------|-------------------------------------|-------------------|---------------------------|
| Mr. Ajai Chowdhry | 5 | 5 | Yes |
| Mr. T.S. Purushothaman | 5 | 5 | Yes |
| Mr. Ravi Thumboochetty | 5 | 3 | Yes |
| Mr. R.P. Khosla | 5 | 5 | Yes |
| Mr. S. Bhattacharya | 5 | 5 | Yes |
| Mr. D.S. Puri | 5 | 5 | Yes |
| Mr. E.A. Kshirsagar | 5 | 5 | Yes |
| Ms. Anita Ramachandran | 5 | 5 | Yes |

Directorship in other public limited companies and board committees :

| Name of the Director | Directorship in Public Limited Companies | Details of Board Committees |
|------------------------|--|--|
| Mr. Ajai Chowdhry | HCL Technologies Ltd. HCL Infinet Ltd. Infosystems (Europe) Ltd. Infosystems (America) Inc. FEC Infosystems Pte. Ltd. Infosystems (Bermuda) Ltd. Infosystems Australia Pty Ltd. HCL Infosystems (Malaysia) Sdn. Bhd. HCL Peripherals Ltd. HCL Technologies (Bermuda) Ltd. | Accounts & Audit Committee – HCL Infinet Ltd. Employees' Compensation Committee–HCL Infinet Ltd. Customer Satisfaction Committee – HCL Infinet Ltd. KRA Review Committee – HCL Infinet Ltd. |
| Mr. T.S. Purushothaman | FEC Infosystems Pte. Ltd. Infosystems (Australia) Pty. Ltd. HCL Infosystems (Malaysia) Sdn. Bhd. Far East Computers (M) Sdn. Bhd. | NIL |

REPORT ON CORPORATE GOVERNANCE

| Name of the Director | Directorship in Public Limited Companies | Details of Board Committees |
|------------------------|--|---|
| Mr. Ravi Thumboochetty | Infosystems (America) Inc. HCL Infinet Ltd. Insys Inc., Canada Infosystems (Europe) Ltd. | NIL |
| Mr. R.P. Khosla | Dewan Housing Finance Corpn. Ltd. DCM Shriram Fertilisers Ltd. | NIL |
| Mr. S. Bhattacharya | NIIT Ltd. HCL Infinet Ltd. HCL Corporation Ltd. Infosystems (Bermuda) Ltd. Infosystems (Europe) Ltd. Infosystems (America) Inc. HCL Peripherals Ltd. HCL Technologies (Bermuda) Ltd. Far East Computers (M) Sdn. Bhd. HCL Technologies Ltd. | Audit Committee-NIIT Ltd. Compensation Committee-NIIT Ltd. Investor Relations Committee-NIIT Ltd. Accounts & Audit Committee-HCL Infinet Ltd. Employees' Compensation Committee-HCL Infinet Ltd. Customer Satisfaction Committee-HCL Infinet Ltd. Audit Committee - HCL Technologies Ltd. Audit Committee - HCL Corporation Ltd. |
| Mr. D.S. Puri | NIL | NIL |
| Mr. E.A. Kshirsagar | Ashok Leyland Ltd. | Audit Committee-Ashok Leyland Ltd. |
| Ms. Anita Ramachandran | Geometric Software Solutions Co. Ltd. Bajaj Tempo Ltd. | Compensation Committee-Geometric Software Solutions Co. Ltd. Audit Committee-Geometric Software Solutions Co. Ltd. Compensation Committee-Bajaj Tempo Ltd. |

Some of the important items discussed at the Board meetings are listed below :

1. Annual Business Plan.
2. Investments.
3. Review of operations of subsidiaries.
4. Quarterly/ half yearly / annual financial results.
5. Restructuring of certain businesses of the Company.
6. Employee Stock Option Scheme
7. Review of committee meetings.
8. Review of implementation of various approvals obtained from the Board

3. ACCOUNTS & AUDIT COMMITTEE :

The Accounts & Audit Committee of Directors was formed in August 1998, to review various areas of Accounts & Audit including internal control systems and their adequacy. Mr. E.A. Kshirsagar, Mr. S. Bhattacharya and Mr. R.P. Khosla are the members of this Committee. Mr. Ajai Chowdhry is an ex-officio member and Mr. T.S. Purushothaman is an invitee. Mr. E.A. Kshirsagar is the Chairman.

The Committee met 4 times during the financial year 2002-2003 on the following dates: 29/8/2002; 21/10/2002; 20/1/2003 and 23/4/2003. The attendance thereof is given below:

| Name of Members | No. of Meetings held | Meetings Attended |
|---------------------|----------------------|-------------------|
| Mr. E.A. Kshirsagar | 4 | 4 |
| Mr. Ajai Chowdhry | 4 | 4 |
| Mr. R.P. Khosla | 4 | 4 |
| Mr. S. Bhattacharya | 4 | 4 |

4. EMPLOYEE COMPENSATION AND EMPLOYEE SATISFACTION COMMITTEE:

The "Employees Compensation & Employees Satisfaction" Committee was constituted in August 1998.

Ms. Anita Ramachandran, Mr. Ajai Chowdhry, Mr. S. Bhattacharya and Mr. R.P. Khosla are the members of this Committee. Ms. Anita Ramachandran is the Chairperson.

REPORT ON CORPORATE GOVERNANCE

The Committee met 3 times during the financial year 2002-2003 on the following dates: 29/8/2002, 21/01/2003, & 24/4/2003. The attendance thereof is given below:

| Name of Members | No. of Meetings held | Meetings Attended |
|------------------------|----------------------|-------------------|
| Ms. Anita Ramachandran | 3 | 3 |
| Mr. Ajai Chowdhry | 3 | 3 |
| Mr. R.P. Khosla | 3 | 3 |
| Mr. S. Bhattacharya | 3 | 3 |

Details of remuneration to all the directors for the period 1/07/2002 to 30/06/2003:

| Name of Director | Mr. Ajai Chowdhry | Mr. T.S. Purushothaman | Mr. Ravi Thumboochetty | Mr. R.P. Khosla | Mr. S. Bhattacharya | Mr. D.S. Puri | Mr. E.A. Kshirsagar | Ms. Anita Ramachandran |
|--|-------------------|---|---|-----------------|---------------------|---------------|---------------------|------------------------|
| Salary & Allowances | Rs.4233600/- | Rs.2977680/- | Rs.2371800/- | - | - | - | - | - |
| Perquisites Part -A Electricity, Gas, Water, Hard and Soft Furnishing, Medical Reimbursement, Leave Travel Assistance, Club Fees, Medical Insurance, Car with Driver and telephone at residence | Rs. 646221/- | Rs. 261115/- | Rs. 927875/- | - | - | - | - | - |
| Part B Contribution to Provident Fund & Superannuation Fund | Rs. 602640/- | Rs.395280/- | Rs. 307800/- | - | - | - | - | - |
| Stock Option | - | 40,000 options* each conferring a right to get one equity share of Rs.10/- each at an exercise price. | 30,000 options* each conferring a right to get one equity share of Rs.10/- each at an exercise price. | - | - | - | - | - |
| Performance Linked Bonus | Rs. 5000000/- | Rs. 3500000/- | Rs. 500000/- | - | - | - | - | - |
| Commission | - | - | - | Rs.212500/- | Rs.230000/- | - | Rs.165000/- | Rs.282500/- |
| Sitting Fees | - | - | - | Rs.25000/- | Rs.25000/- | - | Rs.25000/- | Rs.25000/- |

The above remuneration excludes reimbursement of expenses on actuals to Directors for attending meetings of the Board/Board Committees.

* The vesting of the stock options is staggered over a period of 42 months from the grant date and is to be exercised within 60, 72 and 96 months for the respective vesting dates.

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE :

Mr. R.P. Khosla, Mr. E.A. Kshirsagar and Mr. S. Bhattacharya are the members of the Shareholders'/ Investors' Grievance Committee. Mr. Ajai Chowdhry is an ex-officio member. Mr. R.P. Khosla is the Chairman.

The Committee met 4 times during the financial year 2002-2003 on the following dates: 30/8/2002; 21/10/2002; 20/1/2003 and 23/4/2003. The attendance thereof is given below:

| Name of Members | No. of Meetings held | Meetings Attended |
|---------------------|----------------------|-------------------|
| Mr. R.P. Khosla | 4 | 4 |
| Mr. Ajai Chowdhry | 4 | 4 |
| Mr. S. Bhattacharya | 4 | 4 |
| Mr. E.A. Kshirsagar | 4 | 4 |

Mr. K.R. Radhakrishnan, Company Secretary is the Compliance Officer of the Company.

REPORT ON CORPORATE GOVERNANCE

| | | |
|----|--|--|
| 1. | Number of shareholders' complaints received during the period 01-07-2002 to 30-06-2003 | 23 complaints were received from SEBI/Stock Exchanges /DCA and were replied to the satisfaction of shareholders. |
| 2. | Number of shareholders' complaints mentioned above not solved to the satisfaction of Shareholders. | NIL |
| 3. | Number of pending share transfers as on 30 th June, 2003 | NIL |

6. KEY RESULT AREA COMMITTEE :

The Key Result Area (KRA) Committee was constituted in August 1998 to formulate and review the various key result areas of the Company.

Mr. R.P. Khosla, Mr. Ajai Chowdhry and Mr. E.A. Kshirsagar are the members of this Committee. Mr. R.P. Khosla is the Chairman.

The Committee met 3 times during the financial year 2002-2003 on the following dates: 29/8/2002; 20/1/2003 and 23/4/2003. The attendance thereof is given below:

| Name of Members | No. of Meetings held | Meetings Attended |
|---------------------|----------------------|-------------------|
| Mr. R.P. Khosla | 3 | 3 |
| Mr. Ajai Chowdhry | 3 | 3 |
| Mr. E.A. Kshirsagar | 3 | 3 |

7. CUSTOMERS' SATISFACTION COMMITTEE :

The Customers' Satisfaction Committee was constituted in August 1998 to review and formulate strategies for continuous improvement of customer satisfaction.

Mr. D.S. Puri, Mr. Ajai Chowdhry and Mr. R.P. Khosla are the members of this Committee. Mr. Ajai Chowdhry is the Chairman.

During the financial year 2002-2003 the Committee met on 20/1/2003 and all the members of the Committee were present.

8. GENERAL BODY MEETINGS :

Location and time of last 3 Annual General Meetings :

| Year | Location | Date | Day | Time |
|-----------|--|------------|-----------|------------|
| 2001-2002 | FICCI Auditorium, 1, Tansen Marg, New Delhi-110 001. | 18-12-2002 | Wednesday | 10.00 A.M. |
| 2000-2001 | FICCI Auditorium, 1, Tansen Marg, New Delhi-110 001. | 19-10-2001 | Friday | 10.00 A.M. |
| 1999-2000 | FICCI Auditorium, 1, Tansen Marg, New Delhi-110 001. | 19-10-2000 | Thursday | 10.00 A.M. |

No special resolutions were put through postal ballot last year. At present, there are no resolutions which are required to be passed by postal ballot.

9. DISCLOSURES :

RELATED PARTY TRANSACTIONS :

Related Party transactions are defined as transactions of the Company of material nature, with Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

There are no material transactions during the year 2002-2003 that are prejudicial to the interest of the Company.

NON COMPLIANCE BY THE COMPANY, PENALTIES, STRICTURES :

The Company has complied with the requirements of the Stock Exchange/ SEBI/ any Statutory Authority on all matters related to capital markets during the last three years. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authorities relating to the above.

REPORT ON CORPORATE GOVERNANCE

10. MEANS OF COMMUNICATION :

- a) At present quarterly/half yearly reports are not being sent to each household of shareholders.
- b) The quarterly/half yearly results are published in leading English and Hindi Newspapers and is displayed on the website of the Company – ‘www.hclinfosystems.com’ alongwith official news releases and presentations.
- c) The Management Discussion and Analysis forms a part of the Annual Report.

11. GENERAL SHAREHOLDERS’ INFORMATION :

- a) Annual General Meeting
Date : Tuesday, 25th November, 2003
Time : 10.00 A.M.
Venue : FICCI Auditorium, 1, Tansen Marg, New Delhi-110 001.
- b) Financial Calendar (Tentative Calendar for the financial year 2003- 2004)
Adoption of Results for the quarter ending 30th September, 2003 : 29th October, 2003
Adoption of Results for the quarter ending 31st December, 2003 : 29th January, 2004
Adoption of Results for the quarter ending 31st March, 2004 : 21st April, 2004
Adoption of Results for the quarter ending 30th June, 2004 : 19th August, 2004
- c) Book Closure : From Saturday, 22nd November, 2003
to Sunday, 23rd November, 2003
- d) Dividend payment date : Before 24th December, 2003
- e) Listing on Stock Exchanges
The shares of the Company are listed on the National Stock Exchange and the Stock Exchanges at Delhi, Mumbai, Chennai, Kolkata and Kanpur.
Listing fees for the period April 2003 to March 2004 has been paid to the Stock Exchanges at Delhi, Mumbai and the National Stock Exchange. The Company has made applications for delisting from the Stock Exchanges at Chennai, Kolkata & Kanpur.
- f) Stock Code
Trading Symbol on ‘National Stock Exchange of India Ltd.’ : HCL-INSYS
Trading Symbol on ‘The Stock Exchange, Mumbai’ : Physical Form – 179
Electronic Form-500179
Trading Symbol on ‘The Delhi Stock Exchange Association Limited’ : 8014

REPORT ON CORPORATE GOVERNANCE

g) Market price data (Rs.)

| MONTH | HIGH | LOW |
|-----------------|--------|--------|
| July, 2002 | 110.35 | 97.45 |
| August, 2002 | 106.75 | 98.65 |
| September, 2002 | 104.05 | 91.30 |
| October, 2002 | 89.60 | 77.75 |
| November, 2002 | 90.05 | 75.80 |
| December, 2002 | 97.35 | 89.90 |
| January, 2003 | 90.85 | 84.25 |
| February, 2003 | 93.20 | 86.55 |
| March, 2003 | 87.00 | 76.00 |
| April, 2003 | 102.00 | 80.00 |
| May, 2003 | 101.45 | 90.35 |
| June, 2003 | 145.95 | 102.55 |

(Source : Closing share prices at National Stock Exchange)

h) Registrar and Transfer Agents

As per the provisions of Listing Agreements entered with the Stock Exchanges, the Company has appointed M/s. MCS Limited, as the Common Registrar and Share Transfer Agents for the shares of the Company held in both physical and electronic modes. All correspondence with regard to share transfers and matters related therewith may directly be addressed to the Share Registrar and Transfer Agents at the address given below:-

M/s. MCS Limited

Unit: HCL Infosystems Ltd.,

Srivenkatesh Bhavan, 212-A, Shahpurjat, New Delhi – 110 049

Tel : 011-26494830-831, 011-26495832 Fax : 011-26494152; Email: mcsdel@vsnl.com

i) Share Transfer System :

The shares received in physical mode by the Company's Registrars and Share Transfer Agents are transferred within a period of 15 days from the date of receipt.

j) Distribution of Shareholding as on 30th June, 2003

| Category | No. of Shares | % holding |
|--|-------------------|----------------|
| A. Promoters' holding | | |
| 1. Promoters | | |
| - Indian Promoters | 20,626,859 | 64.64% |
| - Foreign Promoters | Nil | - |
| 2. Persons acting in concert | Nil | - |
| Sub Total | 20,626,859 | 64.64% |
| B. Non-Promoters' holding | | |
| 3. Institutional Investors | | |
| a. Mutual Funds and UTI | 1,192,299 | 3.74% |
| b. Banks, Financial Institutions, Insurance Companies (Central/ State Government Institutions/ Non-government institutions) | 2,390,721 | 7.49% |
| c. FIIs | 190,820 | 0.60% |
| Sub Total | 3,773,840 | 11.83% |
| 4. Others | | |
| a. Private Corporate Bodies | 982,739 | 3.08% |
| b. Indian Public | 6,383,351 | 20.00% |
| c. NRI/OCBs | 142,670 | 0.45% |
| d. Any other (Please specify) | Nil | - |
| Sub Total | 7,508,760 | 23.53% |
| Grand Total | 31,909,459 | 100.00% |

REPORT ON CORPORATE GOVERNANCE

- k) Dematerialisation of shares and liquidity
Dematerialisation of shares :
The shares of the Company are compulsorily traded in dematerialised form by all categories of investors w.e.f. 31st May, 1999. As on 30th June, 2003, 90.11% shares of the Company are held in dematerialised form.
Liquidity of shares :
The shares of the Company are traded in the "A" Group in BSE.
- l) There are no outstanding GDRs/ADRs/Warrants or any Convertible instruments.
- m) Plant locations
- RS No: 34/4 to 34/7, and part of RS No: 34/1, Sedarpet, Pondicherry-605 111.
 - RS No: 105/4-5, Sedarpet, Pondicherry-605 111.
 - RS No: 107/5,6,7, RS No: 108/10A, RS No: 110/3,5,11,12 and RS No:108/9 & 13, Sedarpet, Pondicherry-605 111.
 - 299 (Old No: 158), Arcot Road, Vadapalani, Chennai - 600 026.
 - Shed S5 & S6, Tiru-vi-ka Industrial Estate, Guindy, Chennai-600 032.
 - Spl. A2, Industrial Estate, Thattanchavadi, Pondicherry-605 009.
- n) Address for Correspondence
The shareholders may address their communication/ suggestions/ grievances/ queries to the Registrar and Share Transfer Agents at their address mentioned above or to
The Company Secretary,
HCL Infosystems Ltd.,
E – 4, 5, 6, Sector – XI, NOIDA (U.P.) – 201 301.
Tel. No. : 0120-2526518, 2526519, 2526993,
Fax : 0120-2525196, Email : cosec@hclinsys.com

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of HCL Infosystems Limited

1. We have reviewed the implementation of Corporate Governance procedures by HCL Infosystems Limited (The Company), during the year ended June 30, 2003, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
3. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the Stock Exchanges have been complied with in all material respect by the Company.
4. As required by the Guidance note issued by the Institute of Chartered Accountants of India, we state that no investor grievances were pending exceeding a period of one month against the Company as per the records maintained by the Investors'/Shareholders' Grievance Committee.

Place : New Delhi
Dated : September 23, 2003

H. SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AUDITORS' REPORT

To

The Members of HCL Infosystems Limited

1. We have audited the attached Balance Sheet of HCL Infosystems Limited, as at 30th June, 2003 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
(b) The Company has a policy of physical verification of fixed assets in a cycle of one to three years. Pursuant to this policy certain fixed assets have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
 - ii. The fixed assets of the Company have not been revalued during the year.
 - iii. The stock of finished goods, stores and spares and raw materials of the Company at all its locations have been physically verified by the management during the year. Confirmations for stocks lying with third parties has been received from some parties.
 - iv. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - v. The discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
 - vi. In our opinion, the valuation of stocks has been fair and proper in accordance with the normally accepted accounting principles followed in India and is on the same basis as in the preceding year.
 - vii. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of this Section are not applicable to the Company on or after 31st October, 1998.
 - viii. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of this Section are not applicable to the Company on or after 31st October, 1998.
 - ix. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where stipulated.
 - x. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores and spare parts, raw materials including components, plant and machinery, equipment, and similar assets and for the sale of goods.
 - xi. Considering that the purchases from/sales to any of the parties listed in the register maintained under Section 301 of the Act, are of special nature and have a special purpose, the transactions for such purchases of goods and materials from/sale of goods, materials and services to parties aggregating to Rs.50, 000 or more in value are reasonable having regard to the prevailing market prices for such goods, materials and services.
 - xii. The Company has a system of determining unserviceable or damaged stores, raw materials, components and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
 - xiii. In case of Public Deposits received by the Company, the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Act, and the rules framed thereunder have been complied with.
 - xiv. As the value of realisable scrap generated during the year is not considered to be significant, no quantitative records have been maintained therefor. Proper records however have been maintained by the Company for the sale of realisable scrap, where applicable and significant.
 - xv. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.

AUDITORS' REPORT

- xvi. On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1) (d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
 - xvii. The Company has regularly deposited during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
 - xviii. At the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
 - xix. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to the Profit and Loss Account, nor have we been informed of such case by the management, other than those payable under contractual obligations and / or accepted business practices.
 - xx. The Company is not a sick Industrial Company within the meaning of Clause (o) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985 of India.
 - xxi. In respect of services rendered:
 - a. In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of business. Considering the nature of services rendered, it is not considered necessary to have a system of allocation of consumption of materials and stores to the relative jobs.
 - b. In our opinion, the Company has a reasonable system of allocating man hours utilised to the relative jobs, commensurate with its size and nature of its business.
 - c. In our opinion, there is a reasonable system of authorization at proper levels with necessary controls on the issue of stores and the related system of internal controls of the Company is commensurate with the size of the Company and the nature of its business.
 - xxii. In respect of trading activities, damaged goods have been determined at the time of physical verification pursuant to the Company's laid down procedures and consequential adjustments, which have not been significant, have been made in the accounts.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow Statement have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 30th June, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2003;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement of the cash flows for the year ended on that date

Place : New Delhi

Dated : 23rd September, 2003

H SINGH

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

BALANCE SHEET AS AT 30TH JUNE

| | Schedule | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|----------|--------------------|--------------------|
| Sources of Funds: | | | |
| Shareholders' Funds : | | | |
| Capital | 1 | 3190.96 | 3190.96 |
| Reserves and Surplus | 2 | 29454.37 | 29492.94 |
| Loan Funds: | | | |
| Secured Loans | 3 | 7264.19 | 7420.15 |
| Unsecured Loans | 4 | 3338.26 | 5176.96 |
| | | <u>43247.78</u> | <u>45281.01</u> |
| Application of Funds: | | | |
| Fixed Assets: | | | |
| Gross Block | 5 | 10056.27 | 11298.43 |
| Less: Depreciation | | <u>5207.47</u> | <u>5795.66</u> |
| Net Block | | 4848.80 | 5502.77 |
| Capital Work-in-progress (Including Capital Advances) | | <u>105.74</u> | <u>49.49</u> |
| | | 4954.54 | 5552.26 |
| Investments | 6 | 21289.01 | 13668.24 |
| Current Assets, Loans & Advances: | | | |
| Inventories | 7 | 8904.78 | 11226.66 |
| Sundry Debtors | 8 | 21932.48 | 25361.71 |
| Cash and Bank Balances | 9 | 4338.43 | 8020.56 |
| Other Current Assets | 10 | 1540.37 | 2830.91 |
| Loans and Advances | 11 | 8325.68 | 8545.36 |
| | | <u>45041.74</u> | <u>55985.20</u> |
| Less: Current Liabilities & Provisions | | | |
| Current Liabilities | 12 | 23086.25 | 27276.47 |
| Provisions | | <u>4388.26</u> | <u>1643.62</u> |
| | | 27474.51 | 28920.09 |
| Net Current Assets | | 17567.23 | 27065.11 |
| Deferred Tax Liabilities (Net) | 21(7) | (563.00) | (1004.60) |
| | | <u>43247.78</u> | <u>45281.01</u> |
| Significant Accounting Policies | | | |
| Notes to Accounts | 20 | | |
| | 21 | | |

This is the Balance Sheet referred to in our report of even date

The schedules referred to above form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

H SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

| | <u>Schedule</u> | <u>2003</u> Rs. / Lacs | | <u>2002</u> Rs. / Lacs |
|--|-----------------|---------------------------|---------------|---------------------------|
| Income | | | | |
| Business Income | 13 | 165121.54 | | 126131.88 |
| Other Income | 14 | 1482.20 | | 871.22 |
| | | <u>166603.74</u> | | <u>127003.10</u> |
| Expenditure | | | | |
| Cost of Sales and Services | 15 | 129712.20 | | 94009.61 |
| Excise Duty | | 8636.90 | | 7312.38 |
| Personnel | 16 | 8613.47 | | 9281.63 |
| Administration, Selling , Distribution and Others | 17 | 7753.02 | | 9196.76 |
| Repairs and Maintenance | 18 | 396.95 | | 418.50 |
| Finance Charges | 19 | 805.15 | | 371.01 |
| Depreciation | 1113.77 | | 1267.75 | |
| Less : Transferred to Revaluation Reserve | <u>4.58</u> | 1109.19 | - | 1267.75 |
| | | <u>157026.88</u> | | <u>121857.64</u> |
| Profit for the year | | 9576.86 | | 5145.46 |
| Effect of Impairment | 21 (6) | 3321.97 | | - |
| Profit before Taxation | | 6254.89 | | 5145.46 |
| Tax Expense | 21 (7) | | | |
| -Current [Wealth tax Rs. 1.50 Lacs (2002- Rs. 2.00 Lacs)] | 523.60 | | 280.95 | |
| -Deferred | <u>-441.60</u> | 82.00 | <u>251.05</u> | 532.00 |
| Profit after Tax | | 6172.89 | | 4613.46 |
| Profit available for Appropriation | | <u>6172.89</u> | | <u>4613.46</u> |
| Appropriations: | | | | |
| Proposed Dividend | | 3190.95 | | 797.74 |
| Tax on Proposed Dividend | | 408.84 | | - |
| Transfer to General Reserve | | 617.29 | | 461.35 |
| Balance Carried Over | | <u>1955.81</u> | | <u>3354.37</u> |
| Earnings per share (Basic) of Rs.10/- each (in Rs.) | 21 (25) | 19.35 | | 14.46 |
| Significant Accounting Policies | 20 | | | |
| Notes to Accounts | 21 | | | |

This is the Profit and Loss Account referred to in our report of even date

The schedules referred to above form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

H SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| A. Cash Flow from Operating Activities | | |
| Profit before tax | 6254.89 | 5145.46 |
| Adjustments for: | | |
| Depreciation | 1109.19 | 1267.75 |
| (Profit)/Loss on sale of Fixed Assets (Net) | 5.37 | 5.19 |
| (Profit)/Loss on disposal of Investments (Net) | (543.03) | 65.41 |
| Interest on borrowings | 1163.47 | 1298.64 |
| Interest and Dividend income | (495.16) | (1511.98) |
| (Gain)/Loss Foreign Exchange Fluctuation (Net) | (198.43) | 193.00 |
| Effect of Impairment / Doubtful Debts | 3321.97 | 33.61 |
| Liabilities no longer required written back | (36.88) | (59.89) |
| Diminution in the value of Current Investments | 0.03 | 48.76 |
| Fixed Assets written off | 4.27 | 0.84 |
| Operating profit before Working Capital Changes | 10585.69 | 6486.79 |
| Adjustments for: | | |
| Trade and Other Receivables | (15427.87) | (3628.71) |
| Inventories | 2189.25 | (128.74) |
| Trade Payables and Other Liabilities | 8812.18 | 5859.97 |
| Cash generated from Operation | 6159.25 | 8589.31 |
| Direct Tax (paid) / Refund | 156.54 | (1787.75) |
| Net Cash from Operating activities (A) | 6315.79 | 6801.56 |
| B. Cash Flow from Investing Activities | | |
| Interest and Dividend received (Gross) [[Includes interest on refund of Income Tax - Rs. 74.32 Lacs (2002 Rs. Nil)]] | 835.92 | 1452.34 |
| Purchase of Fixed Assets | (679.94) | (1737.24) |
| Deferred Payment Credit | (0.19) | (16.10) |
| Sale of Fixed Assets | 9.18 | 53.94 |
| Purchase of Investments | (37519.45) | (24995.96) |
| Disposal/Redemption of Investments | 32543.22 | 20175.55 |
| Investment in bonds of Subsidiaries | (1860.78) | (461.24) |
| Corporate Deposits | - | (1921.24) |
| Capital Work-in-Progres (Including Capital Advances) | (73.00) | 28.38 |
| Net cash from / (used in) Investing activities (B) | (6745.04) | (7421.57) |

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

| | | 2003 <u>Rs. / Lacs</u> | 2002 <u>Rs. / Lacs</u> |
|--|------------|---------------------------|---------------------------|
| C. Cash Flow from Financing Activities | | | |
| Interest paid | (1238.42) | (985.27) | |
| Secured Loans received/(paid) | (155.77) | 126.16 | |
| Unsecured Loans received / (paid) | (1064.52) | 1332.07 | |
| Dividend paid | (794.17) | (2219.03) | |
| Tax on Dividend paid | - | (227.83) | |
| Net cash from Financing activities | (C) | 3252.88 | (1973.90) |
| Opening balance of Cash and Cash Equivalents | | 8020.56 | 10614.47 |
| Closing balance of Cash and Cash Equivalents | | <u>4338.43</u> | <u>8020.56</u> |
| [Includes Exchange Rate Fluctuation of Rs. 2.45 Lacs (2002-Rs. 8.14 Lacs)] | | | |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | (3682.13) | (2593.91) |
| Total (A)+(B)+(C) | | <u>(3682.13)</u> | <u>(2593.91)</u> |

Notes -

1. The above Cash Flow Statement has been prepared under the indirect method set out in AS-3 issued by Institute of Chartered Accountants of India.
2. The above cash flow does not include the following, as there is no impact on the cash flow:
 - a) demerger of Software and transfer of Office Automation and Telecommunication businesses referred to in Schedule - 21 Note 4.
 - b) merger of Newage Industries Pvt. Ltd., a wholly owned subsidiary of the Company referred to in Schedule- 21 Note 5.

This is the Cash Flow Statement referred to in our report of even date

H. SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

For and on behalf of the Board of Directors

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|-----------------------------------|-----------------------------------|
| 1- Capital (Schedule -21, Note-20) | | |
| Authorised: | | |
| 8,00,00,000 (2002-8,00,00,000) Equity Shares of Rs. 10/- each | 8000.00 | 8000.00 |
| 5,00,000 (2002-5,00,000) Preference Shares of Rs. 100/- each | 500.00 | 500.00 |
| | <u>8500.00</u> | <u>8500.00</u> |
| Issued, Subscribed and Paid up: | | |
| 3,19,09,459 (2002 -3,19,09,459) Equity Shares of Rs. 10/- each, fully paid up [including 1,00,89,459 Equity Shares (2002-1,00,89,459) issued pursuant to contract without payment being received in cash and 1,06,36,553 (2002-1,06,36,553) Bonus Shares issued from Share Premium Account] | | |
| Out of the total above, 1,63,99,782 (2002-1,60,18,221) Equity Shares are held by HCL Corporation Limited (Formerly Slocum Investment Private Ltd.), the holding company. | 3190.95 | 3190.95 |
| Add : Shares Forfeited | 0.01 | 0.01 |
| | <u>3190.96</u> | <u>3190.96</u> |
| 2- Reserves and Surplus (Schedule -21, Notes - 4 & 5) | | |
| | As at 01.07.2002 Rs. / Lacs | As at 30.06.2003 Rs. / Lacs |
| | <u>Rs. / Lacs</u> | <u>Rs. / Lacs</u> |
| General Reserve | 6415.72 (6707.92) | 4413.24 (6415.72) |
| Profit and Loss Account | 18770.71 (15416.34) | 20726.52 (18770.71) |
| Share Premium | 4306.14 (4306.14) | 4004.01 (4306.14) |
| Revaluation Reserve (Adj.) | - (-) | 310.23 (-) |
| Capital Reserve | 0.37 (0.37) | 0.37 (0.37) |
| | <u>29492.94</u> | <u>29454.37</u> |
| Previous Year | <u>(26430.77)</u> | <u>(29492.94)</u> |

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---------------------------------------|--------------------|--------------------|
| 3- Secured Loans | | |
| (Schedule -21, Note-4) | | |
| Loans and Advances from Banks: | | |
| -Cash Credits | 369.62 | 435.07 |
| -Foreign Currency Loan | 1944.83 | 2515.30 |
| -Deferred Payment Credit | - | 0.19 |
| -Term Loan | | |
| Foreign Currency | 1440.15 | - |
| Others | 3509.59 | 4469.59 |
| | <u>7264.19</u> | <u>7420.15</u> |

- a) Cash Credits along with non-fund based facilities, Foreign Currency Loans and Foreign Currency Term Loan from Banks are secured by way of hypothecation of stock-in-trade, book debts as first charge and by way of second charge on all the immovable and movable assets of the Company. The charge ranks pari-passu amongst Bankers.
- b) Term loan from a Bank is secured by equitable mortgage on all the immovable assets of the Company and hypothecation of all movable assets subject to equitable mortgage of specific assets under term loan from another bank and prior charge in favour of Company's bankers on book debts and stock in trade for working capital facilities. Term loan from another Bank is secured by equitable mortgage on specific assets.
- c) Amount payable within one year from the Balance Sheet date is Rs.3802.83 Lacs (2002-Rs.3474.69 Lacs)

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---------------------------------------|--------------------|--------------------|
| 4- Unsecured Loans | | |
| (Schedule -21 , Notes 4 & 21) | | |
| Public Deposits | 12.61 | 37.38 |
| Interest accrued and due | 2.51 | 4.99 |
| Short Term Loans and Advances: | | |
| -From Banks -Commercial Paper | 3000.00 | 4500.00 |
| Other Loans and Advances: | | |
| -From a Financial Institution | 259.54 | 394.23 |
| Deferred Lease Obligations | 63.60 | 240.36 |
| | <u>3338.26</u> | <u>5176.96</u> |

Notes:-

- 1) Amount payable within one year Rs.76.84 lacs (2002-Rs.123.72 lacs)
- 2) Public Deposits include unclaimed matured deposits.

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

5- Fixed Assets

(Schedule - 21, Notes - 1, 4, 5 and 10)

Rs./Lacs

| | Gross Block | | | | Depreciation | | | | Net Block | | |
|---|-------------------|---------------------------------|----------------------------------|--------------------|-------------------|---------------------------------|-----------------|----------------------------------|--------------------|--------------------|--------------------|
| | As At 1.7.2002 | Additions during the year | Deductions during the year | As At 30.6.2003 | As At 1.7.2002 | Additions during the year | Adjust- mens | Deductions during the year | As At 30.6.2003 | As At 30.6.2003 | As At 30.6.2002 |
| Goodwill | 281.00 | - | 281.00 | - | 281.00 | - | - | 281.00 | - | - | - |
| Land - Leasehold | 74.96 | 324.00 | - | 398.96 | 8.20 | 5.48 | 1.17 | - | 14.85 | 384.11 | 66.76 |
| Land - Freehold | 250.70 | 45.57 | - | 296.27 | - | - | - | - | - | 296.27 | 250.70 |
| Buildings | 3454.09 | 182.36 | 98.38 | 3538.07 | 513.41 | 176.38 | - | 6.69 | 683.10 | 2854.97 | 2940.68 |
| Plant & Machinery and Air Conditioners | 3346.67 | 186.03 | 651.95 | 2880.75 | 2257.03 | 489.57 | - | 494.22 | 2252.38 | 628.37 | 1089.64 |
| Furniture, Fixtures & Office Equipment | 3601.96 | 243.37 | 1150.72 | 2694.61 | 2570.45 | 403.19 | - | 864.22 | 2109.42 | 585.19 | 1031.51 |
| Vehicles | 289.05 | 30.40 | 71.84 | 247.61 | 165.57 | 39.15 | - | 57.00 | 147.72 | 99.89 | 123.48 |
| TOTAL | 11298.43 | 1011.73 | 2253.89 | 10056.27 | 5795.66 | 1113.77 | 1.17 | 1703.13 | 5207.47 | 4848.80 | 5502.77 |
| Previous Year | 9982.02 | 1736.84 | 420.43 | 11298.43 | 4888.37 | 1267.75 | - | 360.46 | 5795.66 | | |
| Capital Work-in-Progress | | | | | | | | | | 105.74 | 49.49 |
| (Including Capital Advances of Rs. 12.71 Lacs (2002-Rs.11.51 Lacs)) | | | | | | | | | | 4954.54 | 5552.26 |

Note :-

1. Land - Freehold at Ambattur amounting to Rs. 101.01 Lacs (2002-Rs. 101.01Lacs) and building at Mumbai amounting Rs.43.54 Lacs (2002-Rs.92.17 Lacs) are pending registration in the name of the Company.

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 6- Investments | | |
| (Schedule -21, Notes - 4, 5 & 17) | | |
| Unquoted (Non-Trade) - Current | | |
| Nil (2002 - 37,269.490) Units of Rs.1000/- each in Alliance Cash Manager - Growth Option (Redeemed during the year 37,269.490 Units) | - | 500.00 |
| 1,000,000.000 (2002-1,000,000.000) Units of Rs.10/- each in Alliance Term Plan - Growth Option | 100.00 | 100.00 |
| Nil (2002 - 225,835.600) Units of Rs.10/- each in Alliance Mutual Fund-Income Plan - Dividend Option (Redeemed during the year 225,835.600 Units) | - | 23.42 |
| 8,954,975.755 (2002-2,238,878.613) Units of Rs.10/- each in Birla Bond Plus - Short Term Plan - Growth Option (Purchased during the year - 6,716,097.142 Units) | 980.00 | 230.00 |
| 798,836.893 (2002 - Nil) Units of Rs.10/- each in Birla Income Plus-Growth Option (Purchased during the year - 798,836.893 Units) | 200.00 | - |
| 940,264.966 (2002 - Nil) Units of Rs.10/- each in Birla Income Plus-Dividend Option (Purchased during the year - 940,264.966 Units) | 99.58 | - |
| Nil (2002 - 7,809,075.888) Units of Rs.10/- each in DSP Merrill Lynch Liquidity Fund - Dividend Option (Purchased during the year - 6,043,075.042, Dividend received & reinvested-40,436.715 and Redeemed during the year - 13,892,587.645 Units) | - | 851.19 |

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 983,627.520 (2002-Nil) Units of Rs.10/- each in DSP Merrill Lynch Bond Fund - Growth Option (Purchased during the year - 1,083,029.654 and Redeemed during the year -99,402.134 Units) | 200.00 | - |
| 8,545,196.044 (2002 - Nil) Units of Rs.10/- each in Grindlays Cash Fund - Dividend Option (Purchased during the year - 27,697,492.890, Dividend received & reinvested - 65,927.215 and Redeemed during the year - 19,218,224.061 Units) | 903.98 | - |
| 17,567,266.811 (2002 - 16,897,843.620) Units of Rs.10/- each in Grindlays Super Saver Income Fund - Short Term - Growth Option (Purchased during the year - 9,822,334.509 and Redeemed during the year - 9,152,911.318 Units) | 2016.04 | 1875.00 |
| 5,893,030.446 (2002 - Nil) Units of Rs.10/- each in Grindlays Super Saver Income Fund-IP-Growth Option (Purchased during the year - 5,893,030.446 Units) | 823.88 | - |
| Nil (2002 - 462,107.209) Units of Rs.10/- each in Grindlays Super Saver Income Fund - IP - Dividend Option (Purchased during the year - 2,221,652.338 and Redeemed during the year-2,683,759.547 Units) | - | 47.50 |
| 11,498,055.345 (2002 - 1,500,000.000) Units of Rs.10/- each in Grindlays Dynamic Bond Fund-Growth Option (Purchased during the year - 12,719,579.185 and Redeemed during the year - 2,721,523.840 Units) | 1267.80 | 150.00 |
| 1,000,000.000 (2002 - Nil) Units of Rs.10/- each in Grindlays Super Saver income fund - Mid Term Plan (Purchased during the year - 1,000,000.000 Units) | 100.00 | - |
| 889,683.426 (2002 - 10,206,526.850) Units of Rs.10/- each in HDFC Liquid Fund - Growth Option (Purchased during the year - 9,037,274.953 and Redeemed during the year - 18,354,118.375 Units) | 108.37 | 1150.00 |
| 9,668,868.105 (2002 - Nil) Units of Rs.10/- each in HDFC Liquid Fund - Dividend Option (Purchased during the year - 9,647,974.765 , Dividend received & reinvested - 20,893.340 Units) | 1152.49 | - |
| 13,916,143.043 (2002 - 5,208,747.513) Units of Rs.10/- each in HDFC Short Term Plan-Growth Option (Purchased during the year - 8,707,395.532 Units) | 1474.10 | 524.00 |
| 509.048 (2002 - 501.201) Units of Rs.10/- each in HDFC Short Term Plan - Dividend Option (Dividend reinvested - 7.847 Units) | 0.05 | 0.05 |
| Nil (2002 -1,000,000.000) Units of Rs.10/- each in HDFC Fixed Investment Plan - Growth Option (Redeemed during the year - 1,000,000.000 Units) | - | 100.00 |
| 953,488.437 (2002-387,579.028) Units of Rs.10/- each in HDFC Mutual Fund-Income plan-Growth Option (Purchased during the year-953,488.437 and Redeemed during the year - 387,579.028 Units) | 133.20 | 49.73 |
| 149,358.060 (2002-Nil) Units of Rs.10/- each in JM High Liquidity-Growth Option (Purchased during the year 149,358.060 Units) | 25.00 | - |
| 782,135.327 (2002 - Nil) Units of Rs.10/- each in JM High Liquidity Fund - Daily Dividend (Purchased during the year- 782,135.327 Units) | 81.00 | - |

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 969,739.180 (2002-Nil) Units of Rs.10/- each in Kotak Mahindra K-Bond Growth Option (Purchased during the year 1,635,185.860 and Redeemed during the year - 665,446.680 Units) | 157.28 | - |
| Nil (2002 - 10,369,763.339) Units of Rs.10/- each in Prudential ICICI Liquid Fund - Growth Option (Purchased during the year - 10,082,320.058 and Redeemed during the year - 20,452,083.397 Units) | - | 1428.00 |
| 9,766,481.126 (2002 - 9,766,481.126) Units of Rs.10/- each in Prudential ICICI Short Term Plan-Growth Option (Purchased during the year - 2,760,778.540 and Redeemed during the year - 2,760,778.540 Units) | 1032.21 | 1024.00 |
| 4,221,444.231(2002-1,455,674.684) Units of Rs.10/- each in Prudential ICICI Income Fund - Growth Option (Purchased during the year - 4,965,027.177 and Redeemed during the year - 2,199,257.630 Units) | 740.90 | 200.95 |
| Nil (2002 - 1,351,351.000) Units of Rs.10/- each in Prudential ICICI Income Fund - Dividend Option (Redeemed during the year - 1,351,351.000 Units) | - | 141.35 |
| 8,196,136.557 (2002 - Nil) Units of Rs.10/- each in Prudential ICICI Flexible Income Plan - Growth Option (Purchased during the year - 8,196,136.557 Units) | 878.77 | - |
| Nil (2002 - 110,465.031) Units of Rs.1000/- each in Templeton India TMA - Growth Option (Redeemed during the year - 110,465.031 Units) | - | 1535.00 |
| 19,774.570 (2002 - 19,774.570) Units of Rs.1000/- each in Templeton India Short Term Plan - Growth Option (Purchased during the year - 28,284.018 and Redeemed during the year - 28,284.018 Units) | 205.73 | 200.00 |
| 1,059,186.885 (2002 - Nil) Units of Rs.10/- each in Templeton Floating Rate fund - Short Term -Dividend Option (Purchased during the year - 2,065,764.516 and Redeemed during the year - 1,006,577.631 units) | 105.96 | - |
| 491,110.892 (2002 - Nil) Units of Rs.10/- each in Templeton Floating Rate fund - Long Term -Dividend Option (Purchased during the year-491,110.892 Units) | 50.00 | - |
| Nil (2002 - 516,582.069) Units of Rs.10/- each in Templeton India Income Fund - Growth Option (Purchased during the year - 505,541.222 and Redeemed during the year - 1,022,123.291 Units) | - | 101.30 |
| 6,774,215.855 (2002 - Nil) Units of Rs.10/- each in Templeton India Income Builder - Growth Option (Purchased during the year - 7,718,240.586 and Redeemed during the year - 944,024.729 Units) | <u>1132.86</u> | <u>-</u> |
| | 13969.20 | 10231.49 |
| Note :- Net asset value of Unquoted (Non-Trade) Current Investment in Mutual Funds as on 30th June'03- Rs.14620.65 Lacs (2002-Rs. 10449.39 Lacs) | | |
| Unquoted (Trade) - Long Term | | |
| In Subsidiary Companies: | | |
| Nil (2002-143,000) No's Common Shares of US\$ 10 each in Infosystems (Bermuda) Limited, Bermuda | - | 646.83 |
| 19,506,750 (2002-19,505,000) No's Equity Shares of Rs.10/- each in HCL Infinet Limited. (Acquired during the year - 1,750 No's) | 1950.68 | 1950.50 |

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 5,369,130 (2002 - Nil) No's of Unsecured Optionally Convertible Bonds of Rs.100/- each in HCL Inifinet Limited (Acquired during the year - 5,369,130 No's). | 5369.13 | - |
| Nil (2002-550,000) No's Equity Shares of S\$ 1 each in FEC Infosystems Pte Limited, Singapore | - | 525.00 |
| Nil (2002-12,291) No's Equity Shares of Rs.100/- each in Newage Industries Pvt Limited | - | 314.42 |
| | <u>7319.81</u> | <u>3436.75</u> |
| | <u>21289.01</u> | <u>13668.24</u> |
| 7- Inventories [Schedule -21 , Notes 4, 6 & 10 (c)] | | |
| Raw materials and Components (Including in Transit) | 2602.52 | 2885.19 |
| Stores and Spares | 2267.72 | 3038.44 |
| Finished Goods (Including in Transit) | 3546.86 | 4764.36 |
| Work - In - Progress | 487.68 | 491.89 |
| Software Work - In - Progress | - | 46.78 |
| | <u>8904.78</u> | <u>11226.66</u> |
| 8- Sundry Debtors -Unsecured (Schedule -21 , Notes 4 & 6) | | |
| Debts exceeding six months : | | |
| -Considered Good | 1890.84 | 4830.89 |
| -Considered Doubtful | 44.80 | 154.79 |
| | <u>1935.64</u> | <u>4985.68</u> |
| Less : Provision for Doubtful Debts | 44.80 | 154.79 |
| Other debts -Considered Good | 20041.64 | 4830.89 |
| | <u>21932.48</u> | <u>25361.71</u> |
| 9- Cash and Bank Balances (Schedule -21 , Note 4) | | |
| Cash in Hand and in Transit [Cheques in hand Rs.11.61 Lacs (2002-Rs.303.71 Lacs)] | 2342.31 | 2139.56 |
| Balances with Scheduled Banks: | | |
| -On Current Accounts | 766.34 | 1854.34 |
| Less :- Money held in Trust | 0.50 | 1.25 |
| -On Margin Accounts | 3.28 | 3.28 |
| -On Fixed Deposits | 1265.35 | 4062.98 |
| Less :- Money held in Trust | 38.35 | 38.35 |
| | <u>4338.43</u> | <u>8020.56</u> |
| 10-Other Current Assets (Schedule -21 , Notes 4, 19 & 21) | | |
| Deposits | 737.48 | 990.06 |
| Prepaid Expenses | 299.59 | 400.73 |
| Lease Rental Recoverable | 503.30 | 1440.12 |
| | <u>1540.37</u> | <u>2830.91</u> |

SCHEDULES TO THE BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 11-Loans and Advances | | |
| (Schedule -21 , Notes 4 & 6) | | |
| Unsecured Considered Good | | |
| - Amount recoverable in cash or in kind or for value to be received | 2229.62 | 2878.64 |
| - Advances and Loans to Subsidiaries [Includes Rs. 4034.54 Lacs on account of purchase consideration (2002-Nil)] | 4681.35 | 3508.53 |
| - Advance Tax [Net of Provision Rs.2729.97Lacs (2002-Rs.2384.29Lacs)] | 1331.50 | 2011.64 |
| - Balances with Customs, Port Trust and Excise Authorities | 83.21 | 146.55 |
| | <u>8325.68</u> | <u>8545.36</u> |
| 12-Current Liabilities and Provisions | | |
| (Schedule -21 , Notes 4, 5 & 8) | | |
| Current Liabilities: | | |
| Acceptances | 9893.52 | 11018.20 |
| Sundry Creditors | | |
| - Due to Subsidiary | 352.75 | 40.31 |
| - Due to SSI undertakings | 143.75 | 27.42 |
| - Others | 4684.86 | 7137.55 |
| | <u>5181.56</u> | <u>7205.28</u> |
| Sundry Deposits | 189.44 | 174.37 |
| Interest accrued but not due: | | |
| -On Secured Loans | 287.59 | 356.04 |
| -On Unsecured Loans | 1.85 | 5.86 |
| Investor Education and Protection Fund: | | |
| - Unclaimed Dividend * | 46.14 | 42.57 |
| Advances from Customers | 718.17 | 686.25 |
| Other Liabilities | 4148.73 | 4057.22 |
| Unaccrued Revenue | 2619.25 | 3730.68 |
| | <u>23086.25</u> | <u>27276.47</u> |
| Provisions: | | |
| Proposed Dividend | 3190.95 | 797.74 |
| Tax on Proposed Dividend | 408.84 | - |
| For Warranty Liability | 316.50 | 290.20 |
| For Gratuity and Other Employee Benefits | 471.97 | 555.68 |
| | <u>4388.26</u> | <u>1643.62</u> |
| | <u>27474.51</u> | <u>28920.09</u> |

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at 30th June, 2003. These amounts shall be credited and paid to the fund as and when due.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| 13-Business Income | | |
| Sales and Related Income | 150838.51 | 106480.93 |
| Services | 14283.03 | 19650.95 |
| | <u>165121.54</u> | <u>126131.88</u> |
| 14-Other Income | | |
| Interest from Margin Money [TDS Rs. Nil (2002 - Rs.7.89Lacs)] | - | 23.24 |
| Interest from Others | 74.32 | - |
| Dividend from (Non-Trade) Current Investments | 62.52 | 561.11 |
| Miscellaneous Income | 160.92 | 202.59 |
| Insurance Claims | 9.11 | 24.39 |
| Provisions/Liabilities no longer required written back | 36.88 | 59.89 |
| Profit on disposal of (Non-Trade) Current Investments (Net) | 543.03 | - |
| Profit on Foreign Exchange Fluctuation (Net) | 595.42 | - |
| | <u>1482.20</u> | <u>871.22</u> |
| 15-Cost of Sales and Services (Schedule -21 , Note 4) | | |
| Raw Materials & Components Consumed | 38975.07 | 33692.62 |
| Purchase of Finished Goods & Services | 86774.98 | 55365.16 |
| Stores and Spares Consumed | 1537.24 | 1608.30 |
| Power and Fuel | 108.31 | 85.83 |
| Labour and Processing Charges | 241.13 | 199.42 |
| Royalty | 4200.46 | 2952.86 |
| | <u>131837.19</u> | <u>93904.19</u> |
| (Increase)/Decrease in Stocks of Finished Goods & Work - In - Progress : | | |
| Closing Stock | | |
| -Finished Goods (Including in Transit) | 3546.86 | 4764.36 |
| -Work - In - Progress | 487.68 | 491.89 |
| -Software Work - In - Progress | - | 46.78 |
| | <u>4034.54</u> | <u>5303.03</u> |
| Closing Stock of Demerged/Transferred Businesses as at the Appointed Date [Refer Schedule 21- Note 10(c)] | <u>3393.48</u> | <u>-</u> |
| Opening Stock | | |
| -Finished Goods (Including in Transit) | 4764.36 | 4500.89 |
| -Work - In - Progress | 491.89 | 782.13 |
| -Software Work - In - Progress | 46.78 | 125.43 |
| | <u>5303.03</u> | <u>5408.45</u> |
| | <u>(2124.99)</u> | <u>105.42</u> |
| | <u>129712.20</u> | <u>94009.61</u> |
| 16 -Personnel (Schedule -21 , Note 4) | | |
| Salaries, Wages, Allowances, Bonus & Gratuity (Net of Reimbursements) | 7864.37 | 8383.92 |
| Contribution to Provident Fund & Other Funds | 326.65 | 341.16 |
| Staff Welfare Expenses | 590.19 | 556.55 |
| | <u>8781.21</u> | <u>9281.63</u> |
| Less : Operating Cost recovered | 167.74 | - |
| | <u>8613.47</u> | <u>9281.63</u> |

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 17- Administration, Selling, Distribution and Others (Schedule -21 , Note 4) | | |
| Rent | 626.37 | 804.36 |
| Rates and Taxes | 446.50 | 410.52 |
| Printing and Stationery | 204.51 | 226.29 |
| Communication | 504.84 | 662.86 |
| Travelling and Conveyance | 1315.37 | 1632.44 |
| Packing, Freight & Forwarding | 1196.24 | 1067.57 |
| Legal and Professional | 621.59 | 528.16 |
| Training and Conference | 180.17 | 260.81 |
| Office Electricity and Water | 361.43 | 418.83 |
| Miscellaneous | 722.30 | 497.80 |
| Insurance | 320.95 | 263.00 |
| Advertisement, Publicity & Entertainment | 481.54 | 475.57 |
| Hire Charges | 223.46 | 303.73 |
| Commission on Sales | 270.58 | 463.27 |
| Loss on Foreign Exchange Fluctuation (Net) | - | 293.47 |
| Loss on Sale of Fixed Assets (Net) | 5.37 | 5.19 |
| Bank Charges | 469.11 | 734.27 |
| Provision for Doubtful Debts | - | 33.61 |
| Fixed Assets Written Off | 4.27 | 0.84 |
| Loss on Disposal of (Non-Trade) Current Investments (Net) | - | 65.41 |
| Diminution in value of Current Investments | 0.03 | 48.76 |
| | 7954.63 | 9196.76 |
| Less : Operating Cost recovered | 201.61 | - |
| | 7753.02 | 9196.76 |
| 18- Repairs and Maintenance (Schedule -21 , Note 4) | | |
| Plant and Machinery | 13.05 | 18.43 |
| Buildings | 6.93 | 12.59 |
| Others | 390.76 | 387.48 |
| | 410.74 | 418.50 |
| Less : Operating Cost recovered | 13.79 | - |
| | 396.95 | 418.50 |
| 19- Finance Charges (Schedule -21 , Note 21) | | |
| Interest Paid : | | |
| - On Fixed Loans | 707.61 | 759.05 |
| - On Public Deposits | 1.10 | 16.69 |
| - On Others | 454.76 | 522.90 |
| | 1163.47 | 1298.64 |
| Less : Interest Received : | | |
| - On Lease Rental | 173.77 | 94.26 |
| - On Fixed Deposits [TDS Rs.89.49Lacs (2002-Rs.68.55 Lacs)] | 166.88 | 472.59 |
| - On Other Loans and Advances [TDS Rs. 8.05 Lacs (2002-Rs.55.77 Lacs)] | 17.67 | 927.63 |
| | 358.32 | 360.78 |
| | 805.15 | 371.01 |

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

SCHEDULE 20 - SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared on mercantile basis under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

2. FIXED ASSETS

Fixed Assets including in-house capitalisation and Capital Work-in-Progress are stated at cost except those which are revalued from time to time on the basis of current replacement cost / value to the Company, net of depreciation.

Assets taken on finance lease on or after 1.7.2001 are stated at fair value of the assets or minimum lease payments whichever is lower.

3. DEPRECIATION

Depreciation has been calculated under Straight Line Method on:

- (a) Buildings capitalised prior to 1.5.1986 at the rates computed in the respective years of acquisition of those assets as per Section 205(2)(b) of the Companies Act, 1956.
- (b) Assets acquired on or after 1.5.1986 and before 16.12.1993 on a prorata basis at the rates specified in Schedule XIV of the Companies (Amendment) Act, 1988. These assets are subject to annual technical evaluation for their economic useful life and additional depreciation is charged if there is any reduction in economic useful life as re-evaluated.
- (c) Assets acquired on and after 16.12.1993 on a prorata basis based on economic useful life determined by way of periodical technical evaluation. Economic useful lives which are not exceeding those stipulated in Schedule XIV of the Companies Act, 1956 are as under:

| | | |
|---------------------|-------|-------|
| Plant and machinery | 4-6 | years |
| Building- Factory | 25-28 | years |
| - Others | 50-58 | years |
| Furniture & Fixture | 4-6 | years |
| Air Conditioners | 3-6 | years |
| Vehicles | 4-6 | years |
| Office Equipment | 3-6 | years |
| Computers | 3-5 | years |

- (d) Leasehold land, premises and improvements are amortised over the primary lease period.

- (e) The assets taken on finance lease on or after July 1, 2001 are depreciated over their expected useful lives.

4. INVESTMENTS

Long-term Investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. Any decline in the value of the said investment, other than a temporary decline, is recognised and charged to Profit and Loss Account.

Current Investments are carried at lower of cost or fair value.

Income from Investments is recognised in the accounts in the year in which it is accrued.

5. INVENTORIES

Raw Materials and Components held for use in the production of inventories are valued at cost if the Finished Goods in which they will be incorporated are expected to be sold at or above cost. If there is a decline in the price of materials / components and it is estimated that the cost of Finished Goods will exceed the net realizable value, the materials/ components are written down to net realisable value measured on the basis of their replacement cost.

Stores and Spares are valued at cost. Adequate adjustments are made to the carrying value for obsolescence.

Work-In-Progress and Finished Goods are valued at lower of cost and net realizable value. Cost of Finished Goods and Work-In-Progress includes direct labour and proportionate overhead expenses. Cost is determined on the basis of weighted average.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Goods in Transit are valued inclusive of custom duty, where applicable.

Software Work-In-Progress represents the cost of efforts and other costs incurred on contracts to be billed in the subsequent period(s).

6. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transactions.

Foreign currency monetary assets and liabilities are restated at the exchange rates prevailing at the year end and the overall net gain/loss including those arising out of fluctuations in exchange rates on settlement during the period is adjusted to the Profit and Loss Account, except in cases of liabilities relating to acquisition of fixed assets which are adjusted in the cost of respective assets.

Foreign currency monetary assets and liabilities covered by forward contracts are stated at the forward contract rates and the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit and Loss Account over the life of the contract, except in cases of liabilities relating to acquisition of fixed assets which are adjusted in the cost of respective assets.

7. RETIREMENT BENEFITS TO EMPLOYEES

- (a) Liability for gratuity and leave encashment is provided as determined on actuarial valuation made at the end of the year which is computed using projected unit credit method.
- (b) Company's contributions towards recognised Provident Fund and Superannuation Fund are accounted for on accrual basis.

8. REVENUE RECOGNITION

- (a) Sales, net of discount, are inclusive of excise duty and the related revenue is recognised (after providing for expenses to be incurred connected to such sale) on transfer of all significant risks and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.
- (b) Service income includes income:
 - i) From maintenance of products and facilities under maintenance agreements which is recognised in the ratio of period expired to the total agreement period.
 - ii) From software services
- (a) The revenue from time and material contracts is recognised based on the time spent as per the terms of contracts.
- (b) In case of fixed priced contracts revenue is recognised on percentage of completion basis. Foreseeable losses, if any, on contract completion are recognised immediately.

9. LEASES

- a) Lease transactions entered into prior to July 1,2001:
 - i) Assets leased out are stated at cost and amortised over the primary lease period.
 - ii) Lease rentals in respect to the assets taken/given on lease are recognised in the Profit and Loss Account on accrual basis.
- b) Lease transactions entered into on or after July 1,2001:
 - i) Assets taken under leases where the Company has substantially all the risks and rewards of ownership are classified as Finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.
 - ii) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on straight line basis over the lease term.
 - iii) Profit on sale and leaseback transactions is recognised over the period of the lease.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

- iv) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- v) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.
- vi) Initial direct costs relating to the finance lease transactions are charged to Profit and Loss Account.

10. SEGMENT ACCOUNTING

The segment accounting policy is in accordance with the policies consistently used in the preparation of financial statements of the Company. The basis of reporting is as follows:-

- a) Revenue and expenses distinctly identifiable to a segment, are recognised in that segment. Identified expenses include direct material, labour, overheads and depreciation on Fixed Assets. Expenses that are identifiable with/ allocable to segments have been considered for determining segment results.

Allocated expenses include support function costs which are allocated to the segments in proportion of the services rendered by them to each of the business segments. Depreciation on Fixed Assets is allocated to the segments on the basis of their proportionate usage.
- b) Unallocated expenses are enterprise expenses, which are not attributable or allocable to any of the business segments.
- c) Assets and liabilities which arise as a result of operating activities of the segment are recognised in that segment. Fixed Assets which are exclusively used by the segment or allocated on a reasonable basis are also included.
- d) Unallocated assets and liabilities are those which are not attributable or allocable to any of the segments and includes liquid assets like Investments, Bank Deposits and Non-attributable Cash and Bank balances.

11. BORROWING COSTS

Borrowing costs to the extent related /attributable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Profit and Loss Account .

12. INCOME TAXES

The current charge for income taxes is calculated in accordance with the relevant tax regulations.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates as on the balance sheet date. Deferred tax asset is recognized and carried forward when it is reasonably certain that sufficient taxable profits will be available in future against which deferred tax assets can be realised.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

SCHEDULE 21 - NOTES TO ACCOUNTS

1. Land and Buildings and certain Plant and Machinery were revalued by registered valuers' after considering depreciation upto that date on the governing principle of current replacement cost/value to the Company. The amounts added/reduced on aforesaid revaluation were as under:

| | <u>Rs./Lacs</u> |
|---|-----------------|
| Land | 444.39 |
| Buildings | 643.81 |
| Plant & Machinery | (100.78) |
| Total | 987.42 |
| Less : Goodwill | 570.00 |
| Transferred to Revaluation Reserve | 417.42 |
| Less: | |
| - Expenditure incurred on acquisition of business in 1992 | 86.31 |
| - Loss on sale of land | 15.16 |
| | 315.95 |

2. Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances) are Rs.23.93lacs (2002 - Rs.57.69 Lacs)

3. Contingent Liabilities :

- a) Claims not acknowledged as debts for:

-Excise, Income Tax and Sales Tax demands of Rs.2764.94 Lacs (2002- Rs.4330.57 Lacs).

-Other Sundry Claims of Rs. 288.26 Lacs (2002 - Rs.181.22 Lacs).

- b) Corporate Guarantee of Rs. 2950 Lacs (2002 - Rs.1000 Lacs) was given to a Bank for a Rupee and Foreign Currency Loan and Non Fund based facility sanctioned to a subsidiary, against which total amount utilised till date is Rs. 570.87 Lacs (2002-Rs. 1754.96 Lacs).

- c) Non fund based facilities amounting to Rs. 852.09 Lacs (2002-Nil) related to the demerged and transferred businesses.

4. A scheme of arrangement u/s 391/394 of the Companies Act, 1956 (the "Scheme") approved by the Hon'ble High Court of Delhi has come into effect on 25th July, 2003 from the appointed date of 1st January, 2003. Pursuant to the scheme,

- a) the Software Business along with its related assets, liabilities and obligations (including investments in overseas subsidiaries) is demerged to HCL Technologies Ltd. for issue of 2 fully paid up equity shares of HCL Technologies Ltd. of Rs. 2/- each for every 9 fully paid up equity shares of Rs.10/- each held by the share holders of the Company.

- b) the Office Automation & Telecommunication Business along with its related assets, liabilities and obligations is transferred to the Company's wholly owned subsidiary, HCL Infinet Ltd. at book value for cash consideration.

The scheme has accordingly been given effect to in the accounts in the manner specified in the scheme, in accordance with the various pronouncements issued by the Institute of Chartered Accountants of India and is enumerated below.

| | <u>Software Business</u> | | <u>Office Automation & Telecommunication Business</u> | |
|---|--------------------------|----------------|---|----------------|
| | <u>Rs./Lacs</u> | | <u>Rs./Lacs</u> | |
| Net Fixed Assets | 269.56 | | 280.30 | |
| Investments | 1171.83 | | 1781.52 | |
| Current Assets | 2518.61 | 3960.00 | 14161.49 | 16223.31 |
| Less: | | | | |
| Loan Funds | 634.79 | | 136.91 | |
| Current Liabilities | 709.72 | 1344.51 | 12051.86 | 12188.77 |
| Net asset value adjusted against General Reserve. | | 2615.49 | | |
| Cash Consideration | | | | 4034.54 |

Pending approval of the Scheme, the Company carried on the operations of Software and Office Automation & Telecommunication businesses as if these businesses were an integral part of the Company. Operating cost incurred by the Company on and after the appointed date of 1st January 2003 on behalf of the resulting/transferee companies is recovered.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

The Financial Statements of the Company include the operations of the demerged/transferred businesses till 31st December, 2002.

5. During the year, another scheme of arrangement filed under section 391/394 of the Companies Act, 1956 for merger of Newage Industries Pvt. Ltd. a wholly owned subsidiary with the Company, has been approved by the Hon'ble High Court of Delhi with effect from the appointed date of 1st April, 2002. The merger has been accounted for under the pooling of interest method, in the manner specified in the scheme and is detailed below.

| | <u>Rs./Lacs</u> |
|---------------------------|-----------------|
| Net Fixed Assets | 327.60 |
| Accumulated Loss | 3.94 |
| Less: Liabilities | (0.03) |
| Revaluation Reserve | (319.22) |
| Adjusted against: | |
| Investment of the Company | (314.42) |
| Share premium | 302.13 |

Necessary adjustments amounting to Rs 0.34 Lacs in General Reserve and Rs. 4.41 Lacs in Revaluation Reserve have been made to the above balances and brought forward as on 1st July, 2002 to give effect to in the current year's account.

6. During the year, the Company has reviewed its internal norm for recognition of impairment in the value of its various current assets. Consequently, the following assets have been charged off.

| | <u>Rs./Lacs</u> |
|-------------------|-----------------|
| Trade Receivables | 3040.73 |
| Loans & Advances | 148.61 |
| Inventories | 132.63 |
| Total | 3321.97 |

Amounts subsequently realised, if any on this account shall be considered as income in those periods.

7. Taxation:

- Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the financial year ended 30th June, 2003, although the actual tax liability of the Company has to be computed each year by reference to the taxable profit for each fiscal year ended 31st March.
- Provision includes Rs. 34.49 Lacs (2002- Rs.87.35 Lacs) on account of tax deducted overseas.
- The significant components and classification of deferred tax asset and liability on account of timing differences are as follows:

| Deferred tax assets | 2003 | | 2002 | |
|--|----------|---------------|----------|----------------|
| | Rs./Lacs | | Rs./Lacs | |
| Diminution in the value of Investments | 12.60 | | 13.25 | |
| Allowances for doubtful debts | 14.90 | | 63.98 | |
| Demerger Scheme Expenses | 27.76 | | - | |
| Expense accruals | 320.17 | | 233.11 | |
| Other timing differences | 0.33 | 375.76 | 0.33 | 310.67 |
| Deferred tax liabilities | | | | |
| Depreciation | 368.53 | | 417.47 | |
| Other timing differences | 570.23 | 938.76 | 897.80 | 1315.27 |
| Net Deferred tax liability | | 563.00 | | 1004.60 |

8. The names of Small Scale Industrial Undertakings to whom the Company owes money and dues are outstanding for more than 30 days as at the Balance Sheet date are Cubix Control Systems Pvt Ltd, Esteem Industries, K K Nag Ltd, Acme Tech, Avon Data Cables Pvt Ltd, Polyteck Packings (India) Pvt Ltd, Sri Kaleeswarar Industries, Divya Automats, Coromandel Electronics, Electronic Consultants, Endura Metal Finishers, Plastic Coats, Shakthi Data Cables, Electronic Fasteners and Nithya Packaging.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Interest has been provided for delays in payments to the suppliers covered under the "Interest on Delayed Payments to Small Scale and Ancillary Undertakings Act, 1993".

9. Expenditure on Research and Development:

| | 2003 Rs./Lacs | 2002 Rs./Lacs |
|---------|------------------|------------------|
| Capital | 5.35 | 32.46 |
| Revenue | 46.91 | 34.39 |
| Total | <u>52.26</u> | <u>66.85</u> |

10. Capacities, Production, Sales & Stocks:

- Sales, Purchases, Opening and Closing stocks have been given in terms of values and / or, where ascertainable, in numbers.
- Bought out Computers and certain peripherals have been included in the stock/sales of systems.
- Sales value are net of capitalisation of Company's products at cost-Rs.127.55 Lacs (2002-Rs. 136.19 Lacs)

a) Particulars of goods manufactured:

| Class of Product | | Installed capacity | Actual Production |
|--|------|--------------------|--------------------|
| Computers/ Micro processor based systems | Nos. | 300000 (150000) | 167888 (129930) |
| Data Graphic/Display Monitor/Terminals, Hubs etc | Nos. | 200000 (100000) | 170173 (117561) |

Note: Installed capacity in value and/or quantity being a technical matter has been certified by the management .

b) Information in respect of purchase of finished goods and services:

| | Nos. | Value Rs./Lacs |
|----------------------------|--------------------|-------------------------------|
| Computers | 11892 (8381) | 14455.92 (11758.16) |
| Printers/Scanners/ UPS/CVT | 85197 (68184) | 8701.06 (7329.57) |
| Photocopiers | 2987 (4888) | 3077.62 (5447.08) |
| Cellular Phones | 769396 (200369) | 45093.70 (14665.92) |
| EPABX Systems | 232 (587) | 895.91 (2068.58) |
| Others | | 14550.77 (14095.85) |
| Total | | <u>86774.98</u> (55365.16) |

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

c) Stocks and Sales:

| Class of Products | Unit | Sales/Adjustments | | Opening Stock | | Closing Stock | |
|---|------|--------------------|---------------------------------|----------------|-----------------------------|----------------|-----------------------------|
| | | Qty. | Value | Qty. | Value | Qty. | Value |
| | | | Rs./Lacs | | Rs./Lacs | | Rs./Lacs |
| Computers/Micro-processor based Systems | Nos. | 178037 (138324) | 70369.34 (58055.83) | 4852 (4865) | 1185.35 (1363.02) | 6595 (4852) | 1774.39 (1185.35) |
| Printers/ Scanners/ UPS/CVT | Nos. | 85513 (67224) | 9441.28 (7703.98) | 4238 (3278) | 325.89 (323.77) | 3922 (4238) | 180.01 (325.89) |
| Photocopiers | Nos. | 2998 (4716) | 3972.41 (7091.19) | 659 (487) | 999.50 (803.12) | - (659) | - (999.50) |
| Cellular Phones | Nos. | 751910 (195129) | 45619.32 (15074.33) | 6984 (1744) | 527.65 (154.12) | 4033 (6984) | 246.32 (527.65) |
| EPABX Systems | Nos. | 214 (513) | 1010.33 (2153.52) | 121 (47) | 331.48 (199.52) | - (121) | - (331.48) |
| Others | | | 20425.83 (16402.08) | | 1394.49 (1657.34) | | 1346.14 (1394.49) |
| Total | | | 150838.51 (106480.93) | | 4764.36 (4500.89) | | 3546.86 (4764.36) |

Notes:

1. Previous year's figures are given in brackets.
2. Sales/adjustments excludes inventories of Office Automation & Telecommunication Business as on appointed date of Rs. 3347.03 lacs transferred under the scheme (Schedule 21-Note 4).
3. The inventory referred to in para-2 above, together with Software Work-In-Progress amounting to Rs. 46.45 lacs has been considered for calculating cost of sales and services in Schedule -15.
11. Value of imported and indigenous raw materials and components consumed during the year (excluding value of consumption of stores and spares which is not readily ascertainable) classified on the basis of ratio between purchase of imported and indigenous raw materials and components during the year:

| | 2003 | | 2002 | |
|--------------|-----------------|------------------|-----------------|------------------|
| | Rs./ Lacs | % of Consumption | Rs./ Lacs | % of Consumption |
| Imported | 27897.55 | 71.58 | 22169.47 | 65.80 |
| Indigenous | 11077.52 | 28.42 | 11523.15 | 34.20 |
| Total | 38975.07 | 100.00 | 33692.62 | 100.00 |

| 12. Details of raw materials and components consumed (in value): | 2003 | 2002 |
|--|-----------------|-----------------|
| | Rs./Lacs | Rs./Lacs |
| a) Mother Boards and Assemblies | 8386.78 | 7632.17 |
| b) Hard Disk Drives | 5522.45 | 4932.63 |
| c) Processors | 9583.68 | 7615.58 |
| d) Monitors | 3355.79 | 2792.21 |
| e) CRT, Key Tops, PCBs & Cabinets | 5422.90 | 4422.88 |
| f) Others | 6703.47 | 6297.15 |
| Total | 38975.07 | 33692.62 |

Note: Separate quantitative numbers of raw materials & components (including for resale) are not readily ascertainable.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

| | 2003 Rs./Lacs | 2002 Rs./Lacs |
|---|------------------|------------------|
| 13. Value of Imports calculated on CIF basis: | | |
| a) Raw materials & components | 31561.57 | 25953.56 |
| b) Stores and spares | 420.77 | 380.54 |
| c) Capital goods | 26.87 | 23.03 |
| d) Traded items | 12799.14 | 11143.29 |
| Total | <u>44808.35</u> | <u>37500.42</u> |
| 14. Expenditure in Foreign Currency : (On actual payment basis) | | |
| a) Travel | 213.28 | 405.82 |
| b) Royalty (Net of tax) | 3684.65 | 2523.03 |
| c) Interest | 94.60 | 115.11 |
| d) Others * | 47.98 | 77.94 |
| Total | <u>4040.51</u> | <u>3121.90</u> |
| * Includes Professional fees of Rs. 0.67 Lacs (2002-Rs.30.96 Lacs) and excludes Rs. 541.00 Lacs (2002-Rs. 1241.35 Lacs) on account of expenditure deducted at source. | | |
| 15. Earnings in Foreign Currency : | | |
| a) Commission | 68.52 | 181.35 |
| b) FOB value of exports (including deemed exports) | 5934.51 | 8162.37 |
| c) Interest | - | 35.86 |
| d) Others (including reimbursement of expenses, Subscriptions, etc.) | 507.28 | 455.61 |
| Total | <u>6510.31</u> | <u>8835.19</u> |
| 16. Remuneration to Auditor : | | |
| a) As Auditor | 31.00 | 25.00 |
| b) In Other Capacity : | | |
| Tax Audit | 9.00 | 7.50 |
| Certification | 14.65 | 0.65 |
| Company Law Matters | - | 3.50 |
| Out-of-Pocket Expenses | 1.82 | 1.87 |
| Total | <u>56.47</u> | <u>38.52</u> |

17. Details of Investments purchased, reinvested and sold on various dates within the financial year are as follows:

| Name of the Fund | Face Value of unit (Rs) | *No. of Units | *Cost Rs./Lacs |
|--|----------------------------|---------------|-------------------|
| DSP Merrill Lynch Short Term - Growth Option | 10 | 200000.000 | 20.00 |
| Grindlays Cash Fund - Growth Option | 10 | 159533778.454 | 17578.34 |
| Kotak Mahindra - K Bond Short Term Plan - Div Option | 10 | 498413.541 | 50.89 |
| Kotak Mahindra - K Liquid Institutional - Div Option | 10 | 1065102.627 | 106.76 |
| Prudential ICICI Liquid Fund - Growth Option | 10 | 5132486.618 | 750.00 |
| Sundaram Bond Saver - Growth Option | 10 | 249768.964 | 50.00 |
| Templeton India Liquid Fund - Growth Option | 10 | 1468356.258 | 214.56 |
| Zurich Liquid Fund - Growth option | 10 | 399412.065 | 50.00 |
| GSSIF-Short-Term-Monthly Dividend Option | 10 | 1260040.172 | 129.63 |
| GSBG-GSSIF Short Term Plan- B. Inst Plan | 10 | 5233497.306 | 633.06 |
| GIC Mutual Fund- Cash Fund | 10 | 941350.013 | 100.00 |
| Sun F&C Liquid Fund | 10 | 216016.936 | 30.00 |

* Represents total of transactions on account of renewals and reinvestments.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

18. Managerial Remuneration :

(I) Computation of net profit under Section 349 of the Companies Act, 1956:

| | 2003 Rs./Lacs | | 2002 Rs./Lacs |
|--|------------------|--------------|------------------|
| Profit before Taxation | 6254.89 | | 5145.46 |
| Add: Directors Remuneration Paid/ Payable | 262.14 | 154.43 | |
| Depreciation | 1109.19 | 1267.75 | |
| Loss on Sale of Fixed Assets (Net) | 5.37 | 5.19 | |
| Loss on Disposal of Investments(Net) | - | 65.41 | |
| Provision for Doubtful Debts | - | 33.61 | 1526.39 |
| | <u>7631.59</u> | <u>33.61</u> | <u>6671.85</u> |
| Less : | | | |
| Depreciation under Sec. 350 of the Companies Act, 1956 | 1109.19 | 1267.75 | |
| Profit on Disposal of Investments | 543.03 | - | |
| Debts written off against previous year provision and not debited to Profit & Loss Account | 109.99 | 16.01 | 1283.76 |
| Net Profit under Section 349 | <u>5869.38</u> | <u>16.01</u> | <u>5388.09</u> |
| Calculation of Commission under Section 309 of the Companies Act, 1956 @ 1% | 58.69 | | 53.88 |
| Restricted to | 8.90 | | 7.48 |

(II) Paid/Payable to the Wholetime Directors

| | | |
|--|---------------|---------------|
| a) Salaries , Allowances & Bonus | 220.83 | 174.89 |
| Contribution to Provident and Superannuation Funds | 13.06 | 12.34 |
| Perquisites | 18.35 | 11.95 |
| | <u>252.24</u> | <u>199.18</u> |
| Less : Reimbursements from subsidiaries | - | 53.28 |
| | <u>252.24</u> | <u>145.90</u> |
| b) Directors' Sitting Fees | 1.00 | 1.05 |
| Commission to Non Wholetime Directors | 8.90 | 7.48 |
| Managerial remuneration under Section 198 of the Companies Act, 1956 | <u>262.14</u> | <u>154.43</u> |

c) Remuneration Paid/Payable amounting to Rs. 5.76 lacs is pending approval of the Shareholders.

19. Unaccrued forward exchange cover as on 30th June, 2003 of Rs 23.15 lacs (2002- Rs.41.38 lacs) has been included in prepaid expenses.

20. 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, not exceeding 31,90,200 options (each option conferring on the employee a right to get one equity share of Rs.10/- each at an exercise price), the Board had approved an offer granting upto 30,18,000 (2002-30,18,000) options at an exercise price of Rs.289/- being the market price at the grant date. Out of the options granted 9,09,500(2002-6,93,400) options have lapsed and 12,65,100 (2002-6,97,380) options have vested. No options have been exercised till 30th June, 2003.

21. Leases :

A) Finance Leases:

(i) Assets acquired under Sale and Leaseback arrangements comprise mainly Computers and Office Equipment. There are no exceptional/restrictive covenants in the lease agreements.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

- (ii) The minimum lease payments and its present value as at 30th June, 2003 in respect of assets acquired under finance lease are as follows:

| | Minimum Lease Payments Rs./Lacs | Present Value Rs./Lacs |
|---|------------------------------------|---------------------------|
| Not later than one year | 25.19 (96.59) | 23.60 (91.79) |
| Later than one year and not later than five years | 51.26 (203.15) | 40.00 (148.57) |
| Total | 76.45 (299.74) | 63.60 (240.36) |

Reconciliation:

| | Rs./Lacs |
|---------------------------------------|--------------------------|
| Total Minimum Lease Payments as above | 76.45 (299.74) |
| Less: Future Finance charges | 12.85 (59.38) |
| Net Present Value | 63.60 (240.36) |

Note: Previous year's figures are given in brackets.

- (iii) The Company has given on finance lease certain assets/inventories. These comprise computers and office equipment. The lease has a primary period, which is fixed and non-cancellable. There are no exceptional/ restrictive covenants in the lease agreements.

- (iv) The gross investment in the assets given on finance lease as at 30th June, 2003 and its present value as at that date are as follows:

| | Gross Investment Rs./Lacs | Present Value Rs./Lacs |
|---|------------------------------|----------------------------|
| Not later than one year | 260.27 (578.81) | 238.98 (530.55) |
| Later than one year and not later than five years | 410.22 (1297.23) | 264.32 (852.82) |
| Later than five years | - (51.23) | - (23.45) |
| Total | 670.49 (1927.27) | 503.30 (1406.82) |

Reconciliation:

| | Rs./Lacs |
|--------------------------------|----------------------------|
| Gross Investment | 670.49 (1927.27) |
| Less : Unearned Finance Income | 167.19 (520.45) |
| Net Present Value | 503.30 (1406.82) |

[Includes minimum sub lease receivable Rs 56.94 lacs (2002 - Rs 335.60 lacs)]

Note: Previous year's figures are given in brackets.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

B) Operating Lease:

- (i) The Company has taken various residential /commercial premises under cancellable operating leases. These leases are normally renewable on expiry.
- (ii) The rental expense in respect of operating leases is Rs. 626.37 lacs (2002-Rs 798.50 lacs)

22. Future lease commitments amounting to Rs. 126.80 lacs (2002-Rs. 217.00 lacs) for the transactions entered into prior to 1st July, 2002.

23. Disclosure of related parties and related party transactions.

(i) Holding Company:

HCL Corporation Ltd.

(ii) List of Parties where control exists/existed:

Subsidiaries:

HCL Infinet Ltd, *Infosystems (Bermuda) Ltd, *Infosystems (Europe) Ltd, *Infosystems (America) Inc, *Insys Inc, *Infosystems Australia Pty Ltd, *FEC Infosystems Pte. Ltd, *Far East Computers (M) Sdn. Bhd, *HCL Infosystems (Malaysia) Sdn. Bhd.

* Demerged with effect from 1st January, 2003.

(iii) Other related parties with whom transactions have taken place during the year and/or balances exist:

Fellow Subsidiaries:

HCL Technologies Ltd and its Subsidiaries, HCL Global Alliance Ltd, HCL Peripherals Ltd and its Subsidiaries.

Others (where there is significant influence):

HCL Perot Systems Ltd, OWNHCL Trust, Shri Sivasubramaniya Nadar Educational and Charitable Trust.

Key Management Personnel

a) Directors:

Mr. Ajai Chowdhry

Mr. T.S. Purushothaman

Mr. Ravi Thumboochetty

b) Other Key Management Personnel:

Mr. J. V. Ramamurthy

Mr. K.R.Radhakrishnan

Mr. Manohar Lal Taneja

Mr. Rajendra Kumar

Mr. Sandeep Kanwar

Mr. S. Pattabiraman

Mr. Saurav Adhikari

Mr. Suman Ghose Hazra

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

(iv). Summary of Related party disclosures (Rs./Lacs)

Note: All transactions with related parties have been entered into in the normal course of business.

| A. Transaction Details | Holding Company | | Subsidiaries | | Fellow Subsidiaries | | Others | | Key Management Personnel | | Total | |
|------------------------------------|-----------------|----------|--------------|----------|---------------------|----------|----------|----------|--------------------------|----------|----------|----------|
| | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 |
| Sales and related income | 0.16 | 0.58 | 151.20 | 147.16 | 2028.20 | 955.13 | 189.34 | 142.62 | | 0.56 | 2368.90 | 1246.05 |
| Services | | 35.00 | 2478.19 | 6372.35 | 538.76 | 1016.40 | 6.45 | 9.36 | | | 3023.40 | 7433.11 |
| Other income | | | 5.83 | 18.50 | 79.94 | 79.60 | 0.71 | 0.08 | | 21.07 | 86.48 | 119.25 |
| Demerger/Transfer or Business | | | 4034.54 | | 2615.49 | | | | | | 6650.03 | |
| Interest income | | | | 161.94 | | 170.18 | | | | | | 332.12 |
| Purchase of goods | | | 1240.90 | 241.06 | 418.85 | 2882.66 | | | | | 1659.75 | 3123.72 |
| Purchase of services | | 7.57 | 610.74 | 250.22 | 217.25 | 14.93 | | | | | 827.99 | 272.72 |
| Donations given | | | | | | | | 48.00 | | | | 48.00 |
| Impairment/ Debts written off | 232.77 | | | | 182.54 | | | | | | 415.31 | |
| Assets purchased | | | 2.36 | | | 760.52 | | | | | 2.36 | 760.52 |
| Assets sold | | 25.00 | | | | 0.19 | | | 1.43 | | 1.43 | 25.19 |
| Remuneration | | | | | | | | | 490.59 | 303.47 | 490.59 | 303.47 |
| Reimbursements towards expenditure | | | | | | | | | | | | |
| a) Received | 3.02 | 0.08 | 337.96 | 636.22 | 56.77 | 151.69 | 0.75 | 16.69 | | | 398.50 | 804.68 |
| b) Made | 2.94 | | 36.89 | 2.06 | 11.21 | | | | | | 51.04 | 2.06 |

| B. Amount due to/ from related parties | Holding Company | | Subsidiaries | | Fellow Subsidiaries | | Others | | Key Management Personnel | | Total | |
|---|-----------------|----------|--------------|----------|---------------------|----------|----------|----------|--------------------------|----------|----------|----------|
| | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 | June- 03 | June- 02 |
| Investment | | | 7319.81 | 3436.75 | | | | | | | 7319.81 | 3436.75 |
| Accounts receivables | | 1.98 | 1065.52 | 2979.44 | 159.74 | 555.00 | 0.10 | 30.28 | | | 1225.36 | 3566.70 |
| Loans and Advances & Other Recoverables | | 230.79 | 4681.35 | 3508.53 | 1090.85 | 83.24 | 59.93 | 73.47 | 2.07 | 60.65 | 5834.20 | 3956.68 |
| Creditors | | | 352.75 | 40.31 | 21.81 | 82.52 | 0.34 | | | | 374.90 | 122.83 |
| Other payables | | 0.36 | | | 66.57 | 57.36 | 0.42 | | 8.00 | 8.00 | 74.99 | 65.72 |

24. Segment Reporting

The Company recognises Products & Related Services and Software Services as its two primary segments.

- The operation of Product & Related Services consists of sale of Computer hardware, office automation, networking & system integration products and providing a comprehensive range of IT services, including system maintenance and facility management in different industries, and
- The operation of Software Services includes software development and customization of packaged software and integration.

Secondary segmental reporting is based on the geographical location of customers.

However Software Services and Office Automation & Telecommunication Businesses have been demerged/ transferred with effect from 1st January, 2003 (appointed date), refer to Note-4 above. In this regard the operations of Office Automation & Telecommunication Business prior to the appointed date have been shown separately as a subset of Product & Related Services segment.

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Segment wise performance for the year ended 30th June, 2003

| Primary Segments: | Rs./Lacs | | | |
|--|--|--|----------------------|--------------------------|
| | Product & Related Services | | Software Services | Total |
| | Computer Systems & other related products | Office Automation & Telecommunication | | |
| (i) Revenue | | | | |
| External Revenue | 109744.00 (88624.58) | 52518.61 (30365.93) | 2858.93 (7141.37) | 165121.54 (126131.88) |
| Total Revenue | 109744.00 (88624.58) | 52518.61 (30365.93) | 2858.93 (7141.37) | 165121.54 (126131.88) |
| (ii) Results | 9000.58 (3417.28) | 1914.21 (1560.27) | -60.08 (1308.52) | 10854.71 (6286.07) |
| Less: Unallocable Expenditure | | | | 1238.51 (1640.82) |
| Operating Profit | | | | 9616.20 (4645.25) |
| Add: Other Income (Excluding gains on Exchange Rate Fluctuations) | | | | 765.81 (871.22) |
| Less: Interest (Net) | | | | 805.15 (371.01) |
| Less: Effect of Impairment | 3216.97 (-) | 31.00 (-) | 74.00 (-) | 3321.97 (-) |
| Profit Before Tax | | | | 6254.89 (5145.46) |
| Less: Tax Expense | | | | |
| - Current | | | | 523.60 (280.95) |
| - Deferred | | | | -441.60 (251.05) |
| Profit After Tax | | | | 6172.89 (4613.46) |
| (iii) Segment Assets | 40314.59 (35071.75) | - (9641.68) | - (4915.09) | 40314.59 (49628.52) |
| Unallocated Corporate Assets | | | | |
| a) Liquid Assets | | | | 15196.01 (16229.31) |
| b) Others | | | | 15774.69 (9347.87) |
| Total Assets | | | | 71285.29 (75205.70) |
| (iv) Segment Liabilities | 23266.66 (20094.09) | - (6411.99) | - (481.15) | 23266.66 (26987.23) |
| Unallocated Corporate Liabilities | | | | |
| a) Current Liabilities | | | | 4207.86 (1932.86) |
| b) Deferred Tax Liabilities (Net) | | | | 563.00 (1004.60) |
| c) Loan Funds | | | | 10602.45 (12597.11) |
| Total Liabilities | | | | 38639.96 (42521.80) |
| (v) Capital Expenditure | 530.92 (756.99) | 89.96 (65.85) | 29.75 (93.62) | 650.63 (916.46) |
| (vi) Depreciation | 536.37 (508.00) | 33.40 (64.16) | 95.99 (173.07) | 665.76 (745.23) |
| (vii) Other Non Cash Expenses | 3022.82 (69.11) | 44.85 (50.04) | 74.00 (32.40) | 3141.67 (151.55) |

SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

| Secondary Segments: | | | | | | Rs./Lacs |
|--|--------------------------|---------------------|----------------------|---------------------|-------------------|--------------------------|
| | India | Far East | North America | Europe | Rest of the World | Total |
| (i) Segment Revenue (based on location of customer) | 162635.40 (120075.04) | 599.27 (1459.01) | 1293.00 (3381.15) | 509.87 (1072.01) | 84.01 (143.97) | 165121.54 (126131.88) |
| (ii) Segment Assets (based on location of asset) | 40203.10 (47448.93) | 103.88 (414.53) | - (1375.20) | 7.61 (373.66) | - (16.20) | 40314.59 (49628.52) |
| (iii) Capital Expenditure | 650.63 (916.46) | - (-) | - (-) | - (-) | - (-) | 650.63 (916.46) |

25. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise net profit for the year after tax. Basic earnings per share are computed and disclosed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year, except when results will be anti dilutive.

a) Calculation of EPS (Basic):

| Particulars | <u>30.06.2003</u> | <u>30.06.2002</u> |
|---|-------------------|-------------------|
| Basic: | | |
| Profit after taxes (Rs./ Lacs) | 6172.89 | 4613.46 |
| Weighted average number of shares outstanding | 31,909,459 | 31,909,459 |
| Earnings per share (of Rs. 10/- each) | Rs. 19.35 | Rs. 14.46 |

b) Dilutive impact for Employee Stock Option Scheme has not been considered as the options' exercise price is higher than the prevailing market price of shares. No options have been exercised till 30th June, 2003.

26. Additional disclosure as per Clause 32 of the Listing Agreement

Disclosure of amounts at the year end and the maximum amount of loans/ advances / investments outstanding during the year ended 30th June, 2003.

A. Loans and Advances in the nature of Loans to Subsidiary.

| | |
|--|--------------------|
| a. Name | : HCL Ininet Ltd. |
| b. Balance outstanding at the year end | : Nil |
| c. Maximum amount outstanding during the year ended 30th June,2003 | : Rs. 4217.78 Lacs |

B. Loans and Advances in the nature of loans to Fellow Subsidiaries

| | (I) | (II) |
|---|---------------|-----------------------|
| a. Name | Network Ltd. | Network Overseas Ltd. |
| b. Balance outstanding at the year end | Nil | Nil |
| c. Maximum amount outstanding during the year ended 30th June, 2003 | Rs.45.00 Lacs | Rs.8.00 Lacs |

C. Loans and Advances in the nature of loans where no interest or interest below Section 372 A of Companies Act is charged - Nil.

Loans given to employees under various schemes of the Company have been considered to be out of purview of disclosure requirement.

D. Loans and Advances in the nature of loans to firms/Companies in which directors are interested - Nil.

E. Disclosure of Investment in the Company's own shares

| | |
|---|----------------|
| a. Name of the Loanee | Own HCL Trust |
| b. Balance outstanding at the year end | Rs. 59.63 Lacs |
| c. Maximum amount outstanding during the year ended 30th June, 2003 | Rs. 68.63 Lacs |
| d. Investments made by the loanee | Rs. 76.62 Lacs |
| e. Maximum amount of Investment during the year ended 30th June, 2003 | Rs. 85.62 Lacs |

27 Previous year's figures have been regrouped / recasted, where necessary, to conform to current year's presentation. Current year figures are not comparable with the previous year figures to the extent of demerger of Software Business and transfer of Office Automation & Telecommunication Business from the appointed date of 1st January, 2003.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details

Registration No.

0 2 3 9 5 5

State Code

5 5

Balance Sheet Date

3 0 0 6 2 0 0 3
D D M M Y Y Y Y

Capital Raised During the Year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Issue

N I L

Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

4 3 2 4 7 7 8

Total Assets

4 3 2 4 7 7 8

Sources of Funds

Paid-up Capital

3 1 9 0 9 6

Reserves and Surplus

2 9 4 5 4 3 7

Secured Loans

7 2 6 4 1 9

Unsecured Loans

3 3 3 8 2 6

Application of Funds

Net Fixed Assets

4 9 5 4 5 4

Investments

2 1 2 8 9 0 1

Net Current Assets

1 7 5 6 7 2 3

Misc. Expenditure

N I L

Accumulated Losses

N I L

Performance of Company

Turnover

1 6 6 6 0 3 7 4

Total Expenditure

1 6 0 3 4 8 8 5

(Please tick Appropriate box

Profit/ Loss before Tax

+ 6 2 5 4 8 9

Profit/ Loss After Tax

+ 6 1 7 2 8 9

+ for Profit, - for Loss)

Earning Per Share in Rs.

1 9 . 3 5

Dividend Rate (%)

1 0 0

Generic Name of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No. (ITC Code)

8 4 7 1 0 0

Product Description

C O M P U T E R S

Item Code No. (ITC Code)

8 4 7 1 6 0

Product Description

C O M P U T E R P E R I P H E R A L S

Item Code No. (ITC Code)

8 5 2 4 9 0

Product Description

S O F T W A R E

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To,

The Board of Directors of HCL Infosystems Limited,

1. We have audited the attached Consolidated Balance Sheet of HCL Infosystems Limited and its subsidiary as at 30th June, 2003, the Consolidated Profit and Loss Account and the Consolidated Cash flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the HCL Infosystems Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presumption. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries which were demerged pursuant to a scheme approved by the Hon'ble High Court of Delhi from the appointed date of 1st January, 2003 (Refer Note-2 on Schedule 22). These financial statements reflected total assets of Rs. 5774.12 lacs as at 31st December, 2002 and total revenues of Rs.7054.52 Lacs for the six months period then ended. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of HCL Infosystems Limited and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of HCL Infosystems Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of HCL Infosystems Limited and its subsidiary as at 30th June, 2003;
 - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of HCL Infosystems Limited and its subsidiaries for the year ended on that date;
 - c) in the case of the Consolidated Cash Flow Statement of the consolidated cash flows of HCL Infosystems and its subsidiaries for the year ended on that date.

Place : New Delhi
Dated : 23rd September, 2003

H SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | Schedule | 2003 Rs. / Lacs | | 2002 Rs. / Lacs |
|--|----------|--------------------|-----------|--------------------|
| Sources of Funds: | | | | |
| Shareholders' Funds : | | | | |
| Capital | 1 | 3190.96 | | 3190.96 |
| Reserves and Surplus | 2 | 26458.17 | | 23784.94 |
| Loan Funds: | | | | |
| Secured Loans | 3 | 7230.49 | | 8925.93 |
| Unsecured Loans | 4 | 3447.34 | | 5176.96 |
| | | 40326.96 | | 41078.79 |
| Application of Funds: | | | | |
| Fixed Assets: | | | | |
| Gross Block | 5 | 13470.19 | 15567.62 | |
| Less: Depreciation | | 6988.40 | 7657.69 | |
| Net Block | | 6481.79 | 7909.93 | |
| Capital Work-In-Progress (Including Capital Advances) | | 134.71 | 77.93 | |
| | | 6616.50 | | 7987.86 |
| Investments | 6 | 21850.90 | | 10231.49 |
| Current Assets, Loans & Advances: | | | | |
| Inventories | 7 | 23809.21 | 11532.15 | |
| Sundry Debtors | 8 | 26268.54 | 26793.78 | |
| Cash and Bank Balances | 9 | 9552.46 | 10055.43 | |
| Other Current Assets | 10 | 3897.48 | 3182.11 | |
| Loans and Advances | 11 | 4028.21 | 5311.90 | |
| | | 67555.90 | 56875.37 | |
| Less: Current Liabilities & Provisions | | | | |
| Current Liabilities | 12 | 52115.69 | 31683.83 | |
| Provisions | | 4622.28 | 1819.02 | |
| | | 56737.97 | 33502.85 | |
| Net Current Assets | | 10817.93 | | 23372.52 |
| Deferred Tax: | | | | |
| Deferred Tax Assets | | 2362.52 | 490.72 | |
| Deferred Tax (Liabilities) | | (1320.89) | (1320.98) | (830.26) |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | 13 | - | | 317.18 |
| | | 40326.96 | | 41078.79 |
| Consolidated Significant Accounting Policies | 21 | | | |
| Consolidated Notes to Accounts | 22 | | | |

This is the Balance Sheet referred to in our report of even date

The schedules referred to above form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

H SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

| | <u>Schedule</u> | 2003 <u>Rs. / Lacs</u> | | 2002 <u>Rs. / Lacs</u> |
|---|-----------------|---------------------------|---------------|---------------------------|
| Income | | | | |
| Business Income | 14 | 270507.69 | | 136705.14 |
| Other Income | 15 | 1716.27 | | 899.87 |
| | | <u>272223.96</u> | | <u>137605.01</u> |
| Expenditure | | | | |
| Cost of Sales and Services | 16 | 225294.90 | | 100633.45 |
| Excise Duty | | 8636.90 | | 7312.35 |
| Personnel | 17 | 12772.83 | | 12509.57 |
| Administration, Selling , Distribution and Others | 18 | 10614.73 | | 11458.04 |
| Repairs and Maintenance | 19 | 526.76 | | 553.82 |
| Finance Charges | 20 | 661.03 | | 778.25 |
| Depreciation | | 1860.00 | 1956.65 | |
| Less : Transferred to Revaluation Reserve | | 4.58 | - | 1956.65 |
| Miscellaneous Expenditure Written Off | 13 | 317.18 | | 369.52 |
| Loss on Disposal of Subsidiaries/Business (Net) | 22[2(d)] | 333.86 | | - |
| | | <u>261013.61</u> | | <u>135571.65</u> |
| Profit for the year | | 11210.35 | | 2033.36 |
| Effect of Impairment | | 3384.59 | | - |
| Profit before Tax | | 7825.76 | | 2033.36 |
| Tax Expense | 22(6) | | | |
| -Current [Wealth tax Rs.1.50 Lacs (2002-Rs.2.00 Lacs)] | | 622.22 | 370.11 | |
| -Deferred | | <u>(2061.28)</u> | <u>126.79</u> | 496.90 |
| Profit after Tax | | 9264.82 | | 1536.46 |
| Profit Available for Appropriation | | <u>9264.82</u> | | <u>1536.46</u> |
| Appropriations: | | | | |
| Minority interest to the extent of Paid up Capital | | - | | (0.18) |
| Proposed Dividend | | 3190.95 | | 797.74 |
| Tax on Proposed Dividend | | 408.84 | | - |
| Transfer to General Reserve | | 617.29 | | 461.35 |
| Balance Carried Over | | 5047.74 | | 277.55 |
| Earnings per Share (Basic) of Rs.10/- each (in Rs.) | 22 (12) | 29.03 | | 4.82 |
| Consolidated Significant Accounting Policies | 21 | | | |
| Consolidated Notes to Accounts | 22 | | | |

This is the Profit and Loss Account referred to in our report of even date

The schedules referred to above form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

H SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| A. Cash Flow from Operating Activities | | |
| Profit before tax | 7825.76 | 2033.36 |
| Adjustments for: | | |
| Depreciation | 1855.43 | 1956.65 |
| (Profit)/Loss on sale of Fixed Assets (Net) | 9.65 | 4.52 |
| (Profit)/Loss on disposal of Investments | (601.77) | 65.41 |
| Interest on Borrowings | 1219.83 | 1611.20 |
| Interest and Dividend Income | (732.30) | (1416.43) |
| (Gain)/Loss on Foreign Exchange Fluctuation (Net) | (228.34) | 175.96 |
| Loss on disposal of Subsidiaries/Business | 333.86 | - |
| Liabilities no longer required Written Back | (128.47) | (59.89) |
| Diminution in the value of Current Investments | 0.65 | 69.94 |
| Advances Written Off | - | 50.34 |
| Fixed Assets Written Off | 4.27 | 0.84 |
| Miscellaneous Expenditure Written Off | 317.18 | 369.52 |
| Provision for Doubtful Debts | 234.00 | 118.79 |
| Effect of Impairment | 3384.59 | - |
| | 5668.58 | 2946.85 |
| Operating profit before Working Capital Changes | 13494.34 | 4980.21 |
| Adjustments for: | | |
| Trade and Other Receivables | (11451.01) | (4773.33) |
| Inventories | (12585.43) | (301.59) |
| Trade Payables and Other Liabilities | 25455.44 | 7728.37 |
| | 1419.00 | 2653.45 |
| Cash generated from Operation | 14913.34 | 7633.66 |
| Direct Tax (Paid) / Refund (Net) | 88.07 | (1867.26) |
| Cash from Operating Activities | 15001.41 | 5766.40 |
| Net Cash from Operating Activities (A) | 15001.41 | 5766.40 |
| B. Cash Flow from Investing Activities | | |
| Interest and Dividend Received (Gross) | 1073.06 | 1356.79 |
| Purchase of Fixed Assets | (848.21) | (2399.98) |
| Deferred Payment Credit | - | (16.10) |
| Sale of Fixed Assets | 26.86 | 63.91 |
| Purchase of Investments | (59959.75) | (25003.64) |
| Disposal/Redemption of Investments | 48941.46 | 20535.63 |
| Investment in Subsidiaries | - | (314.42) |
| Consideration Received on Sale of Technical Help Desk Business | 200.00 | - |
| Capital Work-In-Progress (Including Capital Advances) | (61.07) | 311.90 |
| Net cash from / (used in) Investing Activities (B) | (10627.65) | (5465.91) |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|------------------------|-------------------------|
| C. Cash Flow from Financing Activities | | |
| Share Capital Issued | - | 0.18 |
| Interest Paid | (1294.77) | (1307.34) |
| Secured Loans Received/(Paid) | (1060.65) | (478.06) |
| Unsecured Loans Received /(Paid) | (1727.14) | 1332.08 |
| Dividend Paid | (794.17) | (2219.03) |
| Tax on Dividend Paid | - | (227.83) |
| Net cash from Financing Activities | (4876.73) | (2900.00) |
| Translation Adjustment | | |
| Translation Adjustment | - | 135.02 |
| Opening balance of Cash and Cash Equivalents | 10055.43 | 12519.92 |
| Closing balance of Cash and Cash Equivalents | <u>9552.46</u> | <u>10055.43</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (502.97) | (2464.49) |
| Total (A)+(B)+(C) +(D) | <u>(502.97)</u> | <u>(2464.49)</u> |

Notes -

1. The above Cash Flow Statement has been prepared under the indirect method set out in AS-3 issued by Institute of Chartered Accountants of India.
2. The above cash flow does not include the following, as there is no impact on the cash flow:
 - a) demerger of software businesses referred to in Schedule 22 Note 2(a).
 - b) merger of Newage Industries Pvt. Ltd., a wholly owned subsidiary referred to in Schedule 22 Note 2 (b).

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

H. SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | 2003 <u>Rs. / Lacs</u> | 2002 <u>Rs. / Lacs</u> | | |
|---|--|-----------------------------------|---|--|
| 1- Capital (Schedule -22, Note-7) | | | | |
| Authorised: | | | | |
| 8,00,00,000 (2002-8,00,00,000) Equity Shares of Rs. 10/- each | 8000.00 | 8000.00 | | |
| 5,00,000 (2002-5,00,000) Preference Shares of Rs. 100/- each | <u>500.00</u> | <u>500.00</u> | | |
| | <u><u>8500.00</u></u> | <u><u>8500.00</u></u> | | |
| Issued, Subscribed and Paid up: | | | | |
| 3,19,09,459 (2002 -3,19,09,459) Equity Shares of Rs. 10/- each, fully paid up [Including 1,00,89,459 Equity Shares (2002-1,00,89,459) issued pursuant to contract without payment being received in cash and 1,06,36,553 (2002-1,06,36,553) Bonus Shares issued from Share Premium Account] | | | | |
| Out of the total above, 1,63,99,782 (2002-1,60,18,221) Equity Shares are held by HCL Corporation Limited (Formerly Slocum Investment Private Ltd.) the holding company. | 3190.95 | 3190.95 | | |
| Add : Shares Forfeited | <u>0.01</u> | <u>0.01</u> | | |
| | <u><u>3190.96</u></u> | <u><u>3190.96</u></u> | | |
| | | | | |
| 2-Reserves and Surplus (Schedule -22, Note-2) | As at 01.07.2002 <u>Rs. / Lacs</u> | Additions <u>Rs. / Lacs</u> | Deductions/ Adjustments <u>Rs. / Lacs</u> | As at 30.06.2003 <u>Rs. / Lacs</u> |
| General Reserve | 6415.72 (6707.92) | 617.29 (461.35) | 2619.77 (753.55) | 4413.24 (6415.72) |
| Profit and Loss Account | 12682.58 (12405.03) | 5047.74 (277.55) | - (-) | 17730.32 (12682.58) |
| Share Premium | 4306.14 (4306.14) | - (-) | 302.13 (-) | 4004.01 (4306.14) |
| Revaluation Reserve (Adj.) | - (-) | 314.81 (-) | 4.58 (-) | 310.23 (-) |
| Capital Reserve | 302.95 (289.37) | - (13.58) | 302.58 (-) | 0.37 (302.95) |
| Translation Adjustment | 77.55 (-14.07) | (21.76) (91.62) | 55.79 (-) | - (77.55) |
| | <u><u>23784.94</u></u> (23694.39) | <u><u>5958.08</u></u> (844.10) | <u><u>3284.85</u></u> (753.55) | <u><u>26458.17</u></u> (23784.94) |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---------------------------------------|--------------------|--------------------|
| 3- Secured Loans | | |
| (Schedule -22, Note-2) | | |
| Loans and Advances from Banks: | | |
| Cash Credits | 335.92 | 435.07 |
| Foreign Currency Loan | 1944.83 | 4021.08 |
| Deferred Payment Credit | - | 0.19 |
| Term Loan | | |
| Foreign Currency Loan | 1440.15 | - |
| Others | 3509.59 | 4469.59 |
| | <u>7230.49</u> | <u>8925.93</u> |

- a) Cash Credits along with non-fund based facilities, Foreign Currency Loans and Foreign Currency Term Loan from Banks by the parent are secured by way of hypothecation of stock-in-trade, book debts as first charge and by way of second charge on all the immovable and movable assets of the Company. The charge ranks pari-passu amongst Bankers. Loan taken by an Indian subsidiary is secured by way of charge on all movable properties, both present and future, including movable plant and machinery, machinery spares, tools and accessories, present and future of that subsidiary.
- b) Term loan from a Bank taken by the parent is secured by equitable mortgage on all the immovable assets of the Parent Company and hypothecation of all movable assets subject to equitable mortgage of specific assets under term loan from another bank and prior charge in favour of Company's bankers on book debts and stock in trade for working capital facilities. Term loan from another Bank by the parent is secured by equitable mortgage on specific assets.
- c) Amount payable within one year from the Balance Sheet date is Rs.3802.83 Lacs (2002-Rs.4980.47 Lacs).

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---------------------------------------|--------------------|--------------------|
| 4- Unsecured Loans | | |
| (Schedule -22 , Notes 2 & 8) | | |
| Public Deposits | 12.61 | 37.38 |
| Interest accrued and due | 2.51 | 4.99 |
| Short Term Loans and Advances: | | |
| -From Banks -Commercial Paper | 3000.00 | 4500.00 |
| Other Loans and Advances: | | |
| -From a Financial Institution | 259.54 | 394.23 |
| Deferred Lease Obligations | 172.68 | 240.36 |
| | <u>3447.34</u> | <u>5176.96</u> |

Notes:

- 1) Amount payable within one year Rs.133.83 Lacs (2002-Rs.123.72 lacs).
- 2) Public Deposits include unclaimed matured deposits.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

5- Fixed Assets Rs./Lacs (Schedule -22, Note-2)

| | Gross Block | | | | As At 30.6.2003 | Depreciation | | | | Net Block | | |
|--|-------------------|---------------------------------|----------------------------------|---------------------------|--------------------|-------------------|---------------------------------|----------------------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | As At 1.7.2002 | Additions during the year | Deductions during the year | Translation Adjustment | | As At 1.7.2002 | Additions during the year | Deductions during the year | Translation/ Other Adjustment | As At 30.6.2003 | As At 30.6.2003 | As At 30.6.2002 |
| Goodwill | 281.00 | - | 281.00 | - | - | 281.00 | - | 281.00 | - | - | - | - |
| Land - Leasehold | 398.96 | - | - | - | 398.96 | 8.20 | 5.48 | - | 1.17 | 14.85 | 384.11 | 390.76 |
| Land - Freehold | 250.70 | 45.57 | - | - | 296.27 | - | - | - | - | - | 296.27 | 250.70 |
| Buildings | 3458.09 | 225.70 | 98.38 | - | 3585.41 | 513.81 | 176.79 | 7.09 | - | 683.51 | 2901.90 | 2944.28 |
| Plant & Machinery and Air Conditioners | 6434.19 | 492.87 | 868.75 | -0.13 | 6058.18 | 3409.85 | 1175.05 | 626.08 | -0.11 | 3958.71 | 2099.47 | 3024.34 |
| Furniture, Fixtures & Office Equipment | 4455.63 | 366.85 | 1940.53 | -3.62 | 2878.33 | 3279.26 | 462.55 | 1556.17 | -3.01 | 2182.63 | 695.70 | 1176.37 |
| Vehicles | 289.05 | 35.83 | 71.84 | - | 253.04 | 165.57 | 40.13 | 57.00 | - | 148.70 | 104.34 | 123.48 |
| TOTAL | 15567.62 | 1166.82 | 3260.50 | -3.75 | 13470.19 | 7657.69 | 1860.00 | 2527.34 | -1.95 | 6988.40 | 6481.79 | 7909.93 |
| Previous Year | 13254.33 | 2686.59 | 431.96 | 58.66 | 15567.62 | 6010.82 | 1956.65 | 362.68 | 52.90 | 7657.69 | | |
| Capital Work-In-Progress (Including Capital Advances of Rs. 12.99 Lacs (2002-Rs. 11.51 Lacs)) | | | | | | | | | | | 134.71 | 77.93 |
| | | | | | | | | | | | 6616.50 | 7987.86 |

Note : Land - Freehold at Ambattur amounting to Rs. 101.01 lacs (2002-Rs. 101.01 lacs) and building at Mumbai amounting to Rs.92.17 lacs (2002-Rs.92.17 lacs) are pending registration in the name of the Group.

| | | |
|--|-------------------|-------------------|
| | 2003 | 2002 |
| | Rs. / Lacs | Rs. / Lacs |

6- Investments

(Schedule-22, Note-2)

Unquoted (Non-Trade) - Current

| | | |
|---|---------|--------|
| Nil (2002 - 37,269.490) Units of Rs.1000/- each in AllianceCash Manager - Growth Option (Purchased during the year -Nil and Redeemed during the year 37,269.490 Units) | - | 500.00 |
| 1,000,000.000 (2002 - 1,000,000.000) Units of Rs.10/- each in Alliance Term Plan - Growth Option | 100.00 | 100.00 |
| Nil (2002 - 225,835.600) Units of Rs.10/- each in Alliance Mutual Fund - Income Plan-Dividend Option (Redeemed during the year 225,835.600 Units) | - | 23.42 |
| 8,954,975.755 (2002 - 2,238,878.613) Units of Rs.10/- each in Birla Bond Plus - Short Term Plan - Growth Option (Purchased during the year - 6,716,097.142 Units) | 980.00 | 230.00 |
| 798,836.893 (2002 - Nil) Units of Rs.10/- each in Birla Income Plus - Growth Option (Purchased during the year - 798,836.893 Units) | 200.00 | - |
| 940,264.966 (2002 - Nil) Units of Rs.10/- each in Birla Income Plus - Dividend Option (Purchased during the year - 940,264.966 Units) | 99.58 | - |
| 7,666,519.910 (2002 - 7,809,075.888) Units of Rs.10/- each in DSP Merrill Lynch Liquidity Fund - Dividend Option (Purchased during the year - 14,376,595.742,Dividend received & reinvested - 49,043.125 and Redeemed during the year - 14,568,194.845 Units) | 951.07 | 851.19 |
| 983,627.520 (2002 - Nil) Units of Rs.10/- each in DSP Merrill Lynch Bond Fund - Growth Option (Purchased during the year - 1,083,029.654 and Redeemed during the year - 99,402.134 Units) | 200.00 | - |
| 13,180,033.250 (2002 - Nil) Units of Rs.10/- each in Grindlays Cash Fund - Growth Option (Purchased during the year - 232,180,695.894 and Redeemed during the year - 219,000,662.644 Units) | 1500.00 | - |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | 2003 <u>Rs. / Lacs</u> | 2002 <u>Rs. / Lacs</u> |
|---|---------------------------|---------------------------|
| 8,545,196.044 (2002 - Nil) Units of Rs.10/- each in Grindlays Cash Fund - Dividend Option (Purchased during the year - 27,697,492.890, Dividend received & reinvested - 65,927.215 and Redeemed during the year - 19,218,224.061 Units) | 903.98 | - |
| 17,567,266.811 (2002 - 16,897,843.620) Units of Rs.10/- each in Grindlays Super Saver Income Fund - Short Term - Growth Option (Purchased during the year - 9,822,334.509 and Redeemed during the year - 9,152,911.318 Units) | 2016.04 | 1875.00 |
| 5,893,030.446 (2002 - Nil) Units of Rs.10/- each in Grindlays Super Saver Income Fund - IP - Growth Option (Purchased during the year - 5,893,030.446 Units) | 823.88 | - |
| Nil (2002 - 462,107.209) Units of Rs.10/- each in Grindlays Super Saver Income Fund - IP - Dividend Option (Purchased during the year - 2,221,652.338 and Redeemed during the year - 2,683,759.547 Units) | - | 47.50 |
| 11,498,055.345 (2002 - 1,500,000.000) Units of Rs.10/- each in Grindlays Dynamic Bond Fund - Growth Option (Purchased during the year - 12,719,579.185 and Redeemed during the year - 2,721,523.840 Units) | 1267.80 | 150.00 |
| 1,000,000.000 (2002 - Nil) Units of Rs.10/- each in Grindlays Super Saver-Mid Term Plan (Purchased during the year - 1,000,000.000 Units) | 100.00 | - |
| 889,683.428 (2002 - 10,206,526.850) Units of Rs.10/- each in HDFC Liquid Fund - Growth Option (Purchased during the year - 17,328,802.843 and Redeemed during the year - 26,645,646.265 Units) | 108.37 | 1150.00 |
| 13,862,548.350 (2002 - Nil) Units of Rs.10/- each in HDFC Liquid Fund - Dividend Option (Purchased during the year - 22,789,235.565 , Dividend received & reinvested - 39,336.790 and Redeemed during the year - 8,966,023.820 Units) | 1652.85 | - |
| 13,916,143.045 (2002 - 5,208,747.513) Units of Rs.10/- each in HDFC Short Term Plan - Growth Option (Purchased during the year - 8,707,395.532 Units) | 1474.10 | 524.00 |
| 9,340,030.038 (2002 - 501.201) Units of Rs.10/- each in HDFC Short Term Plan - Dividend Option (Purchased during the year - 9,254,289.36, Dividend received & reinvested - 85,239.477 Units) | 1009.26 | 0.05 |
| Nil (2002 - 1,000,000.000) Units of Rs.10/- each in HDFC Fixed Investment Plan - Growth Option (Redeemed during the year - 1,000,000.000 Units) | - | 100.00 |
| 953,488.437 (2002-387,579.028) Units of Rs.10/- each in HDFC Mutual Fund - Income plan - Growth Option (Purchased during the year - 953,488.437 and Redeemed during the year - 387,579.028 Units) | 133.20 | 49.73 |
| 149,358.060 (2002-Nil) Units of Rs.10/- each in JM High Liquidity-Growth Option (Purchased during the year 149,358.060 Units) | 25.00 | - |
| 782,135.327 (2002 - Nil) Units of Rs.10/- each in JM High Liquidity Fund - Daily Dividend (Purchased during the year - 782,135.327 Units) | 81.00 | - |
| 969,739.180 (2002-Nil) Units of Rs.10/- each in Kotak Mahindra K-Bond Growth Option (Purchased during the year 1,635,185.860 and Redeemed during the year - 665,446.680 Units) | 157.28 | - |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| 2,314.739 (2002 - 10,369,763.339) Units of Rs.10/- each in Prudential ICICI Liquid Fund - Growth Option (Purchased during the year - 60,370,327.370 and Redeemed during the year - 70,737,775.970 Units) | 0.34 | 1428.00 |
| 20,287,536.440 (2002 - 10,369,763.339) Units of Rs.10/- each in Prudential ICICI Liquid Fund - Dividend Option (Purchased during the year - 28,691,121.470 , Dividend received & reinvested - 35,109.900 and Redeemed during the year - 8,438,604.930 Units) | 2404.11 | - |
| 9,766,481.126 (2002 - 9,766,481.126) Units of Rs.10/- each in Prudential ICICI Short Term Plan - Growth Option (Purchased during the year - 2,760,778.540 and Redeemed during the year - 2,760,778.540 Units) | 1032.21 | 1024.00 |
| 9,323,215.300 (2002 - Nil) Units of Rs.10/- each in Prudential ICICI Short Term Plan - Dividend Option (Purchased during the year - 9,221,944.540, Dividend received & reinvested - 101,270.760 Units) | 1010.96 | - |
| 4,221,444.231 (2002 - 1,455,674.684) Units of Rs.10/- each in Prudential ICICI Income Fund - Growth Option (Purchased during the year - 4,965,027.177 and Redeemed during the year - 2,199,257.630 Units) | 740.90 | 200.95 |
| Nil (2002 - 1,351,351.000) Units of Rs.10/- each in Prudential ICICI Income Fund - Dividend Option (Redeemed during the year - 1,351,351.000 Units) | - | 141.35 |
| 8,196,136.557 (2002 - Nil) Units of Rs.10/- each in Prudential ICICI Flexible Income Plan - Growth Option (Purchased during the year - 8,196,136.557 Units) | 878.77 | - |
| Nil (2002 - 110,465.031) Units of Rs.1000/- each in Templeton India TMA - Growth Option (Redeemed during the year - 110,465.031 Units) | - | 1535.00 |
| 19,774.570 (2002 - 19,774.570) Units of Rs.1000/- each in Templeton India Short Term Plan - Growth Option (Purchased during the year - 28,284.018 and Redeemed during the year - 28,284.018 Units) | 205.73 | 200.00 |
| 46,381.290 (2002 - Nil) Units of Rs.1000/- each in Templeton India Short Term Plan - Dividend Option (Purchased during the year - 45,810.510, Dividend received & reinvested - 570.780 Units) | 505.65 | - |
| 1,059,186.885 (2002 - Nil) Units of Rs.10/- each in Templeton Floating Rate Fund - Short Term -Dividend Option (Purchased during the year - 2,065,764.516 and Redeemed during the year - 1,006,577.631 Units) | 105.96 | - |
| 491,110.892 (2002 - Nil) Units of Rs.10/- each in Templeton Floating Rate Fund - Long Term -Dividend Option (Purchased during the year - 491,110.892 Units) | 50.00 | - |
| Nil (2002 - 516,582.069) Units of Rs.10/- each in Templeton India Income Fund - Growth Option (Purchased during the year - 505,541.222 and Redeemed during the year - 1,022,123.291 Units) | - | 101.30 |
| 6,774,215.855 (2002 - Nil) Units of Rs.10/- each in Templeton India Income Builder - Growth Option (Purchased during the year - 7,718,240.586 and Redeemed during the year - 944,024.729 Units) | 1132.86 | - |
| | <u>21850.90</u> | <u>10231.49</u> |
| Note :- Net Asset Value of Unquoted (Non-Trade) Current Investment in Mutual Funds as on 30th June'03- Rs.22509.15 Lacs (2002-Rs. 10449.39 Lacs) | <u>21850.90</u> | <u>10231.49</u> |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| 7- Inventories (Schedule -22 , Notes- 2 & 3) | | |
| Raw Materials and Components (Including in Transit) | 2602.52 | 2889.46 |
| Stores and Spares | 3209.00 | 3038.44 |
| Finished Goods (Including in Transit) | 17510.01 | 4768.23 |
| Work - In - Progress | 487.68 | 699.19 |
| Software Work - In - Progress | - | 136.83 |
| | 23809.21 | 11532.15 |
| 8- Sundry Debtors -Unsecured (Schedule -22 , Notes - 2 & 3) | | |
| Debts exceeding six months : | | |
| -Considered Good | 1123.90 | 3773.08 |
| -Considered Doubtful | 145.50 | 499.73 |
| | 1269.40 | 4272.81 |
| Less : Provision for Doubtful Debts | 145.50 | 499.73 |
| Other Debts -Considered Good | 25144.64 | 3773.08 |
| | 26268.54 | 23020.70 |
| | | 26793.78 |
| 9- Cash and Bank Balances (Schedule -22 , Note - 2) | | |
| Cash in hand and in Transit [Cheques in hand Rs.88.68 Lacs (2002-Rs.303.71 Lacs)] | 2757.00 | 2140.30 |
| Balances with Scheduled Banks: | | |
| -On Current Account | 5268.28 | 1965.35 |
| Less : Money held in Trust | 0.50 | 1.25 |
| -On Margin Accounts | 3.28 | 3.28 |
| -On Fixed Deposits | 1562.75 | 4068.94 |
| Less : Money held in Trust | 38.35 | 38.35 |
| Balances with Non -Scheduled Banks : | | |
| -On Current Account | - | 977.67 |
| -On Fixed Deposits | - | 939.49 |
| | 9552.46 | 1917.16 |
| | | 10055.43 |
| 10-Other Current Assets (Schedule -22 , Notes - 2, 3 & 8) | | |
| Deposits | 1018.26 | 1176.95 |
| Prepaid Expenses | 421.21 | 565.04 |
| Lease Rental Recoverable | 2458.01 | 1440.12 |
| | 3897.48 | 3182.11 |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

| | <u>2003</u> | <u>2002</u> |
|--|-----------------|-----------------|
| | Rs. / Lacs | Rs. / Lacs |
| 11-Loans and Advances | | |
| (Schedule -22 , Notes - 2 & 3) | | |
| Unsecured Considered Good | | |
| -Amount recoverable in cash or in kind or for value to be received | 2613.50 | 3153.70 |
| -Advance Tax (Net of Provisions) | 1331.50 | 2011.64 |
| -Balances with Customs, Port Trust and Excise Authorities | 83.21 | 146.55 |
| | <u>4028.21</u> | <u>5311.90</u> |
| 12-Current Liabilities and Provisions | | |
| (Schedule -22 , Note - 2) | | |
| Current Liabilities: | | |
| Acceptances | 12747.28 | 11018.20 |
| Sundry Creditors : | | |
| - Due to SSI Undertakings | 143.95 | 27.42 |
| - Others | <u>27171.12</u> | <u>8335.65</u> |
| Sundry Deposits | 205.84 | 174.37 |
| Interest accrued but not due: | | |
| -On Secured Loans | 287.59 | 356.04 |
| -On Unsecured Loans | 1.85 | 5.86 |
| Investor Education and Protection Fund : | | |
| Unclaimed Dividend* | 46.14 | 42.57 |
| Advances from Customers | 1054.23 | 815.42 |
| Other Liabilities | 5857.52 | 6030.10 |
| Unaccrued Revenue | 4600.17 | 4878.20 |
| | <u>52115.69</u> | <u>31683.83</u> |
| Provisions: | | |
| Proposed Dividend | 3190.95 | 797.74 |
| Tax on Proposed Dividend | 408.84 | - |
| Provision for Tax (Net of Advances) | 37.31 | 156.41 |
| For Warranty Liability | 373.09 | 290.20 |
| For Gratuity and Other Employee Benefits | 612.09 | 574.67 |
| | <u>4622.28</u> | <u>1819.02</u> |
| | <u>56737.97</u> | <u>33502.85</u> |
| * There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at 30th June, 2003. These amounts shall be credited and paid to the fund as and when due. | | |
| 13-Miscellaneous Expenditure | | |
| (to the extent not written off or adjusted) | | |
| - Pre Operative Expenditure | 215.24 | 391.07 |
| Less : Written Off during the year | <u>215.24</u> | <u>175.83</u> |
| - Deferred Revenue Expenditure : | | |
| Market Survey | - | 52.84 |
| Advertisement | 100.56 | 234.62 |
| Web Designing Cost | 1.38 | 8.17 |
| | <u>101.94</u> | <u>295.63</u> |
| Less : Written Off during the year | <u>101.94</u> | <u>193.69</u> |
| | <u>-</u> | <u>101.94</u> |
| | <u>-</u> | <u>317.18</u> |

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 14- Business Income | | |
| Sales and Related Income | 248199.57 | 108846.17 |
| Services | <u>22308.12</u> | <u>27858.97</u> |
| | <u>270507.69</u> | <u>136705.14</u> |
| 15- Other Income | | |
| Interest from Margin Money [TDS Rs. Nil (2002 - Rs.7.89 Lacs)] | - | 23.24 |
| Interest from others | 77.46 | - |
| Dividend from (Non-Trade) Current Investments | 96.04 | 561.11 |
| Miscellaneous Income | 170.66 | 231.12 |
| Insurance Claims | 16.24 | 24.51 |
| Provisions/Liabilities no longer required Written Back | 128.47 | 59.89 |
| Profit on disposal of (Non-Trade) Current Investments (Net) | 601.77 | - |
| Profit on Foreign Exchange Fluctuation (Net) | <u>625.63</u> | <u>-</u> |
| | <u>1716.27</u> | <u>899.87</u> |
| 16-Cost of Sales and Services (Schedule -22 , Note -2) | | |
| Raw Materials & Components Consumed | 38975.07 | 33707.39 |
| Purchase of Finished Goods & Services | 192280.47 | 62154.19 |
| Stores and Spares Consumed | 1864.72 | 1608.30 |
| Power and Fuel | 108.31 | 85.83 |
| Labour and Processing Charges | 305.76 | 199.42 |
| Royalty | <u>4200.46</u> | <u>2952.86</u> |
| | <u>237734.79</u> | <u>100707.99</u> |
| (Increase)/Decrease in stocks of Finished Goods & Work - In - Progress : | | |
| Closing Stock | | |
| -Finished Goods (Including in Transit) | 17510.01 | 4768.23 |
| -Work - In - Progress | 487.68 | 699.19 |
| -Software Work - In - Progress | <u>-</u> | <u>136.83</u> |
| | <u>17997.69</u> | <u>5604.25</u> |
| Closing Stock of Demerged Business as at the Appointed Date | 46.45 | - |
| Opening Stock | | |
| -Finished Goods (Including in Transit) | 4768.23 | 4622.15 |
| -Work - In - Progress | 699.19 | 782.13 |
| -Software Work - In - Progress | <u>136.83</u> | <u>125.43</u> |
| | <u>5604.25</u> | <u>5529.71</u> |
| | <u>(12439.89)</u> | <u>(74.54)</u> |
| | <u>225294.90</u> | <u>100633.45</u> |
| 17 - Personnel | | |
| Salaries, Wages, Allowances, Bonus & Gratuity | 11677.48 | 11281.89 |
| Contribution to Provident Fund & Other Funds | 398.52 | 403.20 |
| Staff Welfare Expenses | <u>832.49</u> | <u>824.48</u> |
| | <u>12908.49</u> | <u>12509.57</u> |
| Less : Operating Cost recovered | <u>135.66</u> | <u>-</u> |
| | <u>12772.83</u> | <u>12509.57</u> |

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 18- Administration, Selling, Distribution and Others | | |
| Rent | 895.88 | 1032.70 |
| Rates and Taxes | 683.38 | 630.91 |
| Printing and Stationery | 245.10 | 256.37 |
| Communication | 567.84 | 730.77 |
| Travelling and Conveyance | 1763.11 | 2177.25 |
| Packing, Freight & Forwarding | 1350.55 | 1067.81 |
| Legal and Professional | 1172.58 | 1012.28 |
| Training and Conference | 253.26 | 304.22 |
| Office Electricity and Water | 442.21 | 427.55 |
| Miscellaneous | 855.72 | 602.20 |
| Insurance | 482.43 | 328.17 |
| Advertisement, Publicity & Entertainment | 674.65 | 674.10 |
| Hire Charges | 270.14 | 315.58 |
| Commission on Sales | 347.49 | 503.04 |
| Loss on Foreign Exchange Fluctuation (Net) | - | 375.23 |
| Loss on Sale of Fixed Assets (Net) | 9.65 | 4.52 |
| Bank Charges | 554.06 | 760.36 |
| Provision for Doubtful Debts | 234.00 | 118.79 |
| Fixed Assets Written Off | 4.27 | 0.84 |
| Loss on Disposal of (Non-Trade) Current Investments (Net) | - | 65.41 |
| Diminution in value of : | | |
| - Long Term Investment | - | 21.18 |
| - Current Investment | 0.65 | 48.76 |
| | <u>10806.97</u> | <u>11458.04</u> |
| Less : Operating Cost recovered | <u>192.24</u> | <u>-</u> |
| | <u>10614.73</u> | <u>11458.04</u> |
| 19- Repairs and Maintenance | | |
| Plant and Machinery | 51.93 | 124.63 |
| Buildings | 29.74 | 12.59 |
| Others | 457.83 | 416.60 |
| | <u>539.50</u> | <u>553.82</u> |
| Less : Operating Cost recovered | <u>12.74</u> | <u>-</u> |
| | <u>526.76</u> | <u>553.82</u> |
| 20- Finance Charges | | |
| (Schedule -22 , Note - 8) | | |
| Interest Paid on : | | |
| - On Fixed Loans | 707.61 | 759.05 |
| - On Public Deposits | 1.10 | 16.69 |
| - On Others | 511.12 | 835.46 |
| | <u>1219.83</u> | <u>1611.20</u> |
| Less : Interest Received : | | |
| - On Lease Rental | 354.05 | 94.26 |
| - On Fixed Deposits [TDS Rs.92.17 Lacs (2002-Rs.68.55 Lacs)] | 165.80 | 504.07 |
| - On Other Loans and Advances [TDS Rs. 8.05 Lacs (2002-Rs.55.77 Lacs)] | 38.95 | 234.62 |
| | <u>558.80</u> | <u>832.95</u> |
| | <u>661.03</u> | <u>778.25</u> |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

SCHEDULE 21 – CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING AND CONSOLIDATION

The Consolidated Financial Statements of HCL Infosystems Ltd and its subsidiaries are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India and Accounting Standard 21 on Consolidation of Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the Parent Company (HCL Infosystems Ltd) for its separate financial statements.

Intra-group balances and intra-group transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered.

2. FIXED ASSETS

Fixed Assets including in-house capitalisation and Capital Work-In-Progress are stated at cost except those which are revalued from time to time on the basis of current replacement cost / value to the Company, net of depreciation.

Assets taken on finance lease on or after 1.7.2001 by the Indian companies are stated at fair value of the assets or present value of minimum lease payments whichever is lower.

3. DEPRECIATION

Depreciation has been calculated under Straight Line Method on:

- a) Buildings capitalised prior to 1.5.1986 at the rates computed in the respective years of acquisition of those assets as per Section 205(2)(b) of the Companies Act, 1956.
- b) Assets acquired on or after 1.5.1986 and before 16.12.1993 on a prorata basis at the rates specified in Schedule XIV of the Companies (Amendment) Act, 1988. These assets are subject to annual technical evaluation for their economic useful life and additional depreciation is charged if there is any reduction in economic useful life as re-evaluated.
- c) Assets acquired on and after 16.12.1993 on a prorata basis based on economic useful life determined by way of periodical technical evaluation. Economic useful lives which are not exceeding those stipulated in Schedule XIV of the Companies Act, 1956 are as under:

| | | |
|----------------------|-------|-------|
| Plant and machinery | 4-6 | years |
| Building- Factory | 25-28 | years |
| - Others | 50-58 | years |
| Furniture & Fixture | 4-6 | years |
| Air Conditioners | 3-6 | years |
| Vehicles | 4-6 | years |
| Office Equipment | 3-6 | years |
| Networking equipment | 3-6 | years |
| Computers | 3-6 | years |

- d) Leasehold land, premises and improvements are amortised over the primary lease period.
- e) The assets taken on finance lease are depreciated over their expected useful lives.

4. INVESTMENTS

Long-term Investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. Any decline in the value of the said Investment, other than a temporary decline, is recognised and charged to Profit and Loss Account.

Current Investments are carried at lower of cost or fair value.

Income from Investments is recognised in the accounts in the year in which it is accrued.

5. INVENTORIES

Raw Materials and components held for use in the production of inventories are valued at cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. If there is a decline in the price of materials / components and it is estimated that the cost of finished goods will exceed the net realisable value, the materials/ components are written down to net realisable value measured on the basis of their replacement cost.

Work-In-Progress and Finished Goods are valued at lower of cost and net realisable value. Cost of Finished Goods and Work-in-Progress includes direct labour and proportionate overhead expenses. Cost is determined on the basis of weighted average.

Stores and Spares are valued at cost. Adequate adjustments are made to the carrying value for obsolescence.

Goods in Transit are valued inclusive of custom duty, where applicable.

Software Work-In-Progress represents the cost of efforts and other costs incurred on contracts to be billed in the subsequent period(s).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

6. FOREIGN CURRENCY

a) Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transactions.

Foreign currency monetary assets and liabilities are restated at the exchange rates prevailing at the year end and the overall net gain/loss including those arising out of fluctuations in exchange rates on settlement during the period is adjusted to the Profit and Loss Account, except in cases of liabilities relating to acquisition of fixed assets which are adjusted in the cost of respective assets.

Foreign currency monetary assets and liabilities covered by forward contracts are stated at the forward contract rates and the difference between the forward rate and the exchange rate at the date of transaction is recognised in the Profit and Loss Account over the life of the contract, except in cases of liabilities relating to acquisition of fixed assets which are adjusted in the cost of respective assets.

b) Translation of Foreign Subsidiaries

The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency for HCL Infosystems Ltd, the parent and its domestic subsidiary. However the U.S. Dollar & Canadian Dollar, Pound Sterling, Australian Dollar and Singapore Dollar are the functional currencies for its foreign subsidiaries located in United States of America, Canada, Bermuda, United Kingdom, Australia and Singapore respectively. The translation of foreign currency into Indian Rupees (reporting currency) is performed:

- (i) For assets and liabilities (both monetary and non-monetary items) using the rate of exchange prevailing on the balance sheet date.
- (ii) for revenues and expenses using average exchange rates prevailing during the reporting period.
- (iii) resulting exchange differences are taken into reserve.

7. RETIREMENT BENEFITS TO EMPLOYEES

- a) Liability for gratuity and leave encashment is provided as determined on actuarial valuation made at the end of the year which is computed using projected unit credit method.
- b) The contributions towards recognised Provident Fund and Superannuation Fund are accounted for on accrual basis.
- c) The Group has no further obligations beyond the yearly provisions and contributions.

8. REVENUE RECOGNITION

- a) Sales, net of discount, are inclusive of excise duty and the related revenue is recognised (after providing for expenses to be incurred connected to such sales) on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.
- b) Service income includes income:
 - (i) From maintenance of products and facilities under maintenance agreements which is recognised in the ratio of period expired to the total agreement period.
 - (ii) From software services:
 - a) The revenue from time and material contracts is recognised based on the time spent as per the terms of contracts.
 - b) In case of fixed priced contracts revenue is recognised on percentage of completion basis. Foreseeable losses, if any, on contract completion are recognised immediately.
 - (iii) Internet Access services: Revenue is recognised on the basis of actual usage of hours by the customer or over the period of the validity of the pack based on the customer agreements.
 - (iv) Virtual private networks: Revenue is recognised on proportionate basis over the period of contract with the customer. One time charges recovered from the customers are recognised as revenue at the commencement of service.
 - (v) Technical help desk: The Group is also engaged in providing technical and administrative help desk support to its various customers through the Web. Revenue for the same is recognised based on the terms of respective agreements.

9. LEASES

- a) Lease transactions entered into prior to 1st July, 2001 by the parent and it's Indian subsidiary:
 - i) Assets leased out are stated at cost and amortised over the primary lease period.
 - ii) Lease rentals in respect to the assets taken/given on lease are recognised in the Profit and Loss Account on accrual basis.
- b) Other lease transactions
 - i) Assets taken under leases where the Company has substantially all the risks and rewards of ownership are classified as Finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

- ii) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on straight line basis over the lease term.
- iii) Profit on sale and leaseback transactions is recognised over the period of the lease.
- iv) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- v) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.
- vi) Initial direct costs relating to the finance lease transactions are charged to Profit and Loss Account.

10. SEGMENT ACCOUNTING

The segment accounting policy is in accordance with the policies consistently used in the preparation of financial statements of the Group. The basis of reporting is as follows:-

- a) Revenue and expenses distinctly identifiable to a segment, are recognised in that segment. Identified expenses include direct material, labour, overheads and depreciation on Fixed Assets. Expenses that are identifiable with/ allocable to segments have been considered for determining segment results.
Allocated expenses include support function costs which are allocated to the segments in proportion of the services rendered by them to each of the business segments. Depreciation on Fixed Assets is allocated to the segments on the basis of their proportionate usage.
- b) Unallocated expenses are enterprise expenses, which are not attributable or allocable to any of the business segment.
- c) Assets and liabilities which arise as a result of operating activities of the segment are recognised in that segment. Fixed Assets which are exclusively used by the segment or allocated on a reasonable basis are also included.
- d) Unallocated assets and liabilities are those which are not attributable or allocable to any of the segments and includes liquid assets like Investments, Bank Deposits and Non-attributable Cash and Bank balances.
- e) Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price which is at par with the prevailing market price.

11. BORROWING COSTS

Borrowing costs to the extent related /attributable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Profit and Loss Account.

12. INCOME TAXES

The current charge for income taxes in the Indian Companies and Foreign Subsidiaries are calculated in accordance with the relevant tax regulations in respective countries.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates as on the balance sheet date. Deferred tax asset is recognized and carried forward when it is reasonably certain that sufficient taxable profits will be available in future against which deferred tax assets can be realised.

13. MISCELLANEOUS EXPENDITURE

For Internet service:

Pre-operative expenditure incurred from the date of incorporation of the subsidiary upto the date of commencement of commercial operations is being deferred and amortised over a period of three years from the date of commencement of commercial operations.

Web site development cost of an Indian subsidiary relating to planning the web site, testing website applications and creating initial graphics etc. till the date the website was thrown open to the users has been accumulated and amortised over a period of two years from that date.

Advertisement and publicity expenses relating to initial launch of the services is being deferred and amortised equally over a period of three years.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

SCHEDULE-22 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS) 21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The subsidiaries, (which along with HCL Infosystems Ltd., the parent, constitute the Group), considered in preparation of Consolidated Financial Statements are as under:-

| Name of the Subsidiary Company | Country of Incorporation | Extent of holding (%) as at 30 th June | |
|--------------------------------------|-----------------------------|--|--------|
| | | 2003 | 2002 |
| HCL Infinet Ltd. | India | 100 | 99.99 |
| Infosystems (Bermuda) Ltd.* | Bermuda | - | 100.00 |
| Infosystems (Europe) Ltd.* | U.K. | - | 100.00 |
| Infosystems (America) Inc. * | U.S.A. | - | 100.00 |
| Insys Inc.* | Canada | - | 100.00 |
| Infosystems Australia Pty. Ltd.* | Australia | - | 100.00 |
| FEC Infosystems Pte Ltd.* | Singapore | - | 100.00 |
| Far East Computers (M) Sdn.Bhd.** | Malaysia | - | 100.00 |
| HCL Infosystems (Malaysia) Sdn.Bhd.* | Malaysia | - | 100.00 |

* Demerged with effect from 1st January, 2003 (Refer Schedule 22 Note 2).

** The Company is under the process of winding up for which necessary documents have been filed with Registrar of Companies (Malaysia). Last financial statements of the Company were drawn on 30th November, 2002.

The reporting date for HCL Infinet Ltd being 31st March, financials are drawn up for the twelve months ended 30th June and the financials for other Subsidiaries are drawn up for the period ended 31st December, 2002 for consolidation purpose.

2. Accounting for Business Combinations:

- a) A scheme of arrangement u/s 391/394 of the Companies Act, 1956 (the "Scheme") approved by the Hon'ble High Court of Delhi has come into effect on 25th July, 2003 from the appointed date of 1st January, 2003. Pursuant to the scheme,
- the Software Business along with its related assets, liabilities and obligations (including investments in overseas subsidiaries) is demerged to HCL Technologies Ltd. for issue of 2 fully paid up equity shares of HCL Technologies Ltd. of Rs. 2/- each for every 9 fully paid up equity shares of Rs.10/- each held by the share holders of the parent.
 - the Office Automation & Telecommunication Business along with its related assets, liabilities and obligations is transferred to the wholly owned subsidiary, HCL Infinet Ltd. at book value for cash consideration.

The scheme has accordingly been given effect to in the accounts in the manner specified in the scheme, in accordance with the various pronouncements issued by the Institute of Chartered Accountants of India and is enumerated below.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

| | Software Business Rs./Lacs | | Office Automation & Telecommunication Business Rs./Lacs | |
|----------------------------|-------------------------------|----------------|---|----------------|
| Net Fixed Assets | 320.62 | | 280.30 | |
| Deferred Tax Assets (Net) | 163.53 | | | |
| Investments | | | 1781.52 | |
| Current Assets | 8073.19 | 8557.34 | 14161.49 | 16223.31 |
| Less: | | | | |
| Loan Funds | 634.79 | | 136.91 | |
| Current Liabilities | 4544.68 | 5179.47 | 12051.86 | 12188.77 |
| Net Asset Value | | 3377.87 | | |
| Adjusted against: | | | | |
| General Reserve | | 2615.49 | | |
| Translation Adj. Reserve | | 55.79 | | |
| Capital Reserve | | 289.00 | | |
| Profit & Loss Account | | 417.59 | | |
| Cash Consideration | | | | 4034.54 |

Pending approval of the Scheme, the parent carried on the operations of Software and Office Automation & Telecommunication businesses as if these businesses were an integral part of the Company. Operating cost incurred by the parent on and after the appointed date of 1st January, 2003 on behalf of the resulting/transferee companies is recovered.

The Profit & Loss Account of the Group includes the results of the demerged business till 31st December, 2002.

- b) During the year, another scheme of arrangement filed u/s 391/394 of the Companies Act, 1956 for merger of Newage Industries Pvt. Ltd. a wholly owned subsidiary with the parent, has been approved by the Hon'ble High Court of Delhi with effect from the appointed date of 1st April, 2002. The merger has been accounted for under the pooling of interest method, in the manner specified in the scheme and is detailed below.

| | Rs./Lacs |
|---------------------------|----------|
| Net Fixed Assets | 327.60 |
| Loss | 3.94 |
| Less: Liabilities | (.03) |
| Revaluation Reserve | (319.22) |
| Adjusted against: | |
| Investment of the Company | (314.42) |
| Share Premium | 302.13 |

Necessary adjustments amounting to Rs. 0.34 Lacs in General Reserve, Rs. 4.41 Lacs in Revaluation Reserve have been made to the above balances and brought forward as on 1st July, 2002 to give effect to in the current year's account. Opening balance in Capital Reserve of Rs. 13.58 Lacs arising out of consolidation has been credited to Profit & Loss Account.

- c) During the year, the Technical Help Desk Business of HCL Infnit Ltd has been transferred to HCL Technologies BPO Limited (formerly HCL E Serve Technologies Limited) with effect from 1st January, 2003 pursuant to an agreement of transfer approved by it's Shareholders for cash consideration, based on the valuation done by independent agency. Prior to the approval of transfer by Software Technology Park of India effective 31st March, 2003, the business was carried out by HCL Infnit Ltd. on behalf of the transferee. The transfer has accordingly been given effect to in the accounts as enumerated below.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

| | <u>Rs./Lacs</u> |
|----------------------------------|-----------------|
| Net Fixed Assets | 117.07 |
| Current Assets ,Loans & Advances | 114.96 |
| Less: | |
| Current Liabilities & Provisions | 102.18 |
| Net Asset | 129.85 |
| Cash Consideration | 200.00 |
| Profit on transfer | 70.15 |

d) Loss on disposal of Subsidiaries/Business (Net) represents

| | <u>Rs./Lacs</u> |
|--|-----------------|
| Loss on disposal of subsidiaries- Note 2(a) | (417.59) |
| Opening balance of Capital Reserve - Note 2(b) | 13.58 |
| Profit on transfer of Business-Note 2 (c) | 70.15 |
| Total Loss (Net) | 333.86 |

3. During the year, the Group has reviewed it's internal norm for recognition of impairment in the value of its various current assets. Consequently, the following assets have been charged off.

| | <u>Rs./Lacs</u> |
|-------------------|-----------------|
| Trade Receivables | 3075.15 |
| Loans & Advances | 148.61 |
| Inventories | 160.83 |
| Total | 3384.59 |

Amounts subsequently realised, if any on this account shall be considered as income in those periods.

4. Estimated value of contracts remaining to be executed on capital account and not provided for (Net of advances) are Rs. 66.07 Lacs (2002-Rs. 60.99 Lacs).

5. Contingent Liabilities:

i) Claims not acknowledged as debts for:

- Excise, Income Tax and Sales Tax demands Rs. 2765.11 Lacs (2002-Rs 4330.57 Lacs)
- Other Sundry Claims Rs.305.38 Lacs (2002-Rs. 181.22 Lacs)

ii) Non fund based facilities amounting to Rs. 56.26 Lacs(2002-Nil) related to the demerged businesses.

6. Taxation :

a) Provision includes Rs. 34.49 Lacs (2002-Rs. 87.35 Lacs) on account of withholding tax deducted at source.

b) The significant components and classification of deferred tax asset and liability on account of timing differences as at 30th June are as follows :-

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Rs./Lacs

| Deferred tax asset | 2003 | | 2002 | |
|---|---------|----------------|--------|-----------------|
| Diminution in the value of Investments | 12.82 | | 13.25 | |
| Allowances for doubtful debts | 33.37 | | 63.98 | |
| De-Merger Scheme expenses | 27.76 | | - | |
| Expense accruals | 333.53 | | 263.77 | |
| Unabsorbed losses | 1954.71 | | 149.39 | |
| Other timing differences | 0.33 | 2362.52 | 0.33 | 490.72 |
| Deferred tax liability | | | | |
| Depreciation | 697.93 | | 418.21 | |
| Other timing differences | 622.96 | 1320.89 | 902.77 | 1320.98 |
| Net deferred tax (liability)/ assets | | 1041.63 | | (830.26) |

- c) In the current year, HCL Ininet Ltd. has recognised deferred tax assets in accordance with condition specified in Accounting Standard 22 on Accounting for Taxes on income that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Pursuant to Note 2 above and based on the future business plan, management is confident of having sufficient taxable income in the immediate future to realise the deferred tax assets.

7. Stock Options :

- a) 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, not exceeding 31,90,200 (2002-31,90,200) options (each option conferring on the employee a right to get one equity share of Rs.10/- each at an exercise price), the Board had approved an offer granting upto 30,18,000 (2002-30,18,000) options at an exercise price of Rs.289/- being the market price at the grant date. Out of the options granted 9,09,500 (2002-6,93,400) options have lapsed and 12,65,100 (2002-6,97,380) options have vested. No options have been exercised till 30th June, 2003.
- b) Pursuant to approval of the shareholders at the Extra-Ordinary General Meeting of HCL Ininet Ltd, a subsidiary, held on 26th August, 2000 for the grant of options to the employees not exceeding 30,00,000 options (each option conferring on the employee right to get one equity share of Rs 10/- each at an exercise price), the Board had approved offers granting 320,500 options at an exercise price of Rs 10/- each. Out of the options granted 1,55,000 (2002-73,000) options have lapsed, no (2002-1,750) option has been exercised during the year and 46,500 (2002-54,750) options have vested till 30th June, 2003.

8. Leases :

a) Finance Leases:

- (i) Assets acquired under sale and leaseback arrangements comprise mainly computers and office equipment. There are no exceptional/ restrictive covenants in the lease agreements.
- (ii) The minimum lease rentals and its present value as at 30th June, 2003 in respect of assets acquired under finance lease are as follows:

| | Minimum Lease Payments | Present Value |
|---|------------------------|-----------------|
| | <u>Rs./Lacs</u> | <u>Rs./Lacs</u> |
| Not later than one year | 96.33 | 88.66 |
| | (96.59) | (91.79) |
| Later than one year and not later than five years | 107.53 | 84.02 |
| | (203.15) | (148.57) |
| Total | 203.86 | 172.68 |
| | (299.74) | (240.36) |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

| <u>Reconciliation :</u> | <u>Rs./Lacs</u> |
|---------------------------------------|--------------------|
| Total Minimum Lease Payments as above | 203.86 (299.74) |
| Less: Future Finance charges | 31.18 (59.38) |
| Net Present Value | 172.68 (240.36) |

Note: Previous year's figures are given in brackets.

- (iii) The Group has given on finance lease certain assets/inventories. These comprise computers and office equipment. The lease has a primary period, which is fixed and non-cancellable. There are no exceptional/ restrictive covenants in the lease agreements.
- (iv) The gross investment in the assets given on finance lease as at 30th June, 2003 and its present value as at that date are as follows:

| | Gross Investment <u>Rs./Lacs</u> | Present Value <u>Rs./ Lacs</u> |
|---|-------------------------------------|-----------------------------------|
| Not later than one year | 1074.78 (578.81) | 967.88 (530.55) |
| Later than one year and not later than five years | 2407.82 (1297.23) | 1487.40 (852.82) |
| Later than five years | 4.29 (51.23) | 2.73 (23.45) |
| Total | 3486.89 (1927.27) | 2458.01 (1406.82) |

| <u>Reconciliation :</u> | <u>Rs./Lacs</u> |
|--------------------------------|----------------------|
| Gross Investment | 3486.89 (1927.27) |
| Less : Unearned Finance Income | 1028.88 (520.45) |
| Net Present Value | 2458.01 (1406.82) |

[includes minimum sub lease receivable Rs 231.53 Lacs (2002 - Rs. 335.60 Lacs)]

b) Operating Lease:

(i) Cancellable Operating leases

- a) The Group has taken various residential /commercial premises under cancellable operating leases. These leases are normally renewable on expiry.
- b) The rental expense in respect of operating leases is Rs. 796.92 Lacs. (2002-Rs 815.23 Lacs).

(ii) Non cancellable leases

- a) The future minimum lease payments under non cancellable operating leases are:

| | <u>Rs./Lacs</u> |
|---|--------------------------|
| Not later than one year | 18.00 (101.73) |
| Later than one year and not later than five years | 18.00 (37.67) |
| Total | 36.00 (139.40) |

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

b) Lease Payments recognised in the Profit & Loss Account for the year ended 30th June, 2003.

| | <u>Rs./Lacs</u> |
|------------------------|-----------------|
| Minimum Lease Payments | 117.40 |
| Contingent Rents | - |

Note: Previous year's figures are given in brackets.

9. Future lease commitments amounts to Rs. 179.86 Lacs for the transaction entered into prior to 1st July, 2002.

10. Disclosure of related parties/ related party transactions.

(i) **Holding Company:**

HCL Corporation Ltd.

(ii) **Related parties with whom transactions have taken place during the year and/or balances exist**

Fellow Subsidiaries:

HCL Technologies Ltd. and its Subsidiaries, HCL Global Alliance Ltd.,

HCL Peripherals Ltd. and its Subsidiaries.

Associates & others (where there is significant influence):

HCL Perot Systems Ltd., OWNHCL Trust, Shri Sivasubramaniya Nadar Educational & Charitable Trust.

(iii) **Key Management Personnel**

a) **Directors:**

Mr Ajai Chowdhry.

Mr. T.S. Purushothaman.

Mr. Ravi Thumboochetty.

b) **Other Key Management Personnel:**

Mr. J. V. Ramamurthy.

Mr. K. R. Radhakrishnan.

Mr. Manohar Lal Taneja.

Mr. Rajendra Kumar.

Mr. Rajiv Shesh.

Mr. Rohit Gandhi.

Mr. Sandeep Kanwar.

Mr. Saurav Adhikari.

Mr. S. Pattabiraman.

Mr. Suman Ghose Hazra.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

(iv) Summary of Consolidated Related Party disclosures

(Rs/lacs)

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| A. Transaction details | Holding Company | | Fellow Subsidiaries | | Associates & Others | | Key Management Personnel | | Total | |
|--|------------------------|--------|----------------------------|---------|--------------------------------|--------|---------------------------------|--------|--------------|---------|
| | Jun-03 | Jun-02 | Jun-03 | Jun-02 | Jun-03 | Jun-02 | Jun-03 | Jun-02 | Jun-03 | Jun-02 |
| Sales & Related Income | 3.06 | 0.58 | 2635.65 | 1052.77 | 206.82 | 142.62 | | 0.56 | 2845.53 | 1196.53 |
| Services | | 35.00 | 1485.65 | 2066.07 | 9.71 | 9.36 | | | 1495.36 | 2110.43 |
| Other Income | | | 79.94 | 80.58 | 0.71 | 0.08 | | 21.07 | 80.65 | 101.73 |
| Demerger/Transfer of Business | | | 2815.49 | | | | | | 2815.49 | |
| Interest Income | | | | 170.18 | | | | | | 170.18 |
| Purchase of Goods | | | 442.88 | 2894.51 | | | | | 442.88 | 2894.51 |
| Purchase of Services | | 7.57 | 355.30 | 315.41 | | | | | 355.30 | 322.98 |
| Donations Given | | | | | | 48.00 | | | | 48.00 |
| Diminution in value of Investments | | | | | | 21.18 | | | | 21.18 |
| Impairment/Debts written off | 232.77 | | 182.54 | 50.34 | | | | | 415.31 | 50.34 |
| Assets Purchased | | | 15.33 | 760.52 | | | | | 15.33 | 760.52 |
| Assets Sold | | 25.00 | | 0.19 | | | | 1.43 | 1.43 | 25.19 |
| Remuneration | | | | | | | 550.22 | 471.21 | 550.22 | 471.21 |
| Reimbursements towards expenditure | | | | | | | | | | |
| (a) Received | 3.02 | 0.08 | 67.47 | 151.69 | 0.75 | 16.69 | | | 71.24 | 168.46 |
| (b) Made | 2.94 | | 11.23 | | | | | | 14.17 | |
| B. Amount due to / from related parties | Holding Company | | Fellow Subsidiaries | | Associates & Others | | Key Management Personnel | | Total | |
| | Jun-03 | Jun-02 | Jun-03 | Jun-02 | Jun-03 | Jun-02 | Jun-03 | Jun-02 | Jun-03 | Jun-02 |
| Accounts Receivables | 2.90 | 1.98 | 280.00 | 715.19 | 8.90 | 30.28 | | | 291.80 | 747.45 |
| Loans & Advances & Other Recoverables | | 232.44 | 1103.15 | 84.44 | 59.93 | 82.88 | 2.07 | 60.65 | 1165.15 | 460.41 |
| Creditors | | | 79.57 | 111.24 | 0.34 | 27.22 | | | 79.91 | 138.46 |
| Other Payables | | 0.36 | 66.57 | 57.36 | 0.42 | | 8.00 | 8.00 | 74.99 | 65.72 |

Note: All transactions with related parties have been entered into in the normal course of business.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

11. Segment Reporting

The Group recognises the following segments as its primary segments.

- a) The operations of Product & Related Services consists of sale of Computer Hardware & system integration products and providing a comprehensive range of IT services, including system maintenance and facility management in different industries.
- b) The operation of Software Services includes software development and customization of packaged software and integration which has been demerged as referred to in Note 2 above.
- c) Internet & Related Services include Internet related products & services consist of Internet Access services, Virtual Private Network, other connectivity services and sale of related hardware.
- d) The businesses of Office Automation, Telecom products and services consist of sale of telecommunication products, office equipment products and related comprehensive maintenance services.
- e) Others comprises primarily Technical help desk operations, which has been transferred as referred to in Note 4 above and consultancy services.

Secondary segmental reporting is based on the geographical location of customers. These locations are categorised into India, North America, Far East, Europe and rest of the World based on the presence of its customers in such locations.

However Software services & development business has been demerged with effect from 1st January, 2003 (appointed date) refer to Note-2 above.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Consolidated Segment wise performance for the year ended 30th June, 2003

| Primary Segments : | Product & Related Services | | Software Services | Internet & Related Services | Others | Intersegment Elimination | Rs./lacs |
|--|--------------------------------|---------------------------------------|------------------------------|-------------------------------|---------------------------|------------------------------|---------------------------------|
| | | | | | | | Total |
| | Computer Systems | Office Automation & Telecommunication | | | | | |
| (i) Revenue | | | | | | | |
| External Revenue | 110084.84 (90682.82) | 150641.02 (30361.97) | 6636.16 (14427.51) | 2814.91 (951.69) | 330.76 (281.15) | | 270507.69 (136705.14) |
| Intersegment Revenue | 287.93 (577.98) | 1517.25 (3.96) | 15.90 (49.20) | 386.51 (53.09) | - (-) | -2207.59 (-684.23) | |
| Total Revenue | 110372.77 (91260.80) | 152158.27 (30365.93) | 6652.06 (14476.71) | 3201.42 (1004.78) | 330.76 (281.15) | -2207.59 (-684.23) | 270507.69 (136705.14) |
| (ii) Results | 9133.76 (3783.85) | 4785.12 (1560.27) | -151.98 (1244.71) | -1251.65 (-2589.37) | -61.05 (-48.71) | | 12454.20 (3950.75) |
| Less: Unallocable Expenditure | | | | | | | 1221.69 (2039.01) |
| Operating Profit | | | | | | | 11232.51 (1911.74) |
| Add: Other Income (Excluding gains on Exchange Rate Fluctuations) | | | | | | | 972.73 (899.87) |
| Loss on disposal of Subsidiaries/Business (Net) | | | | | | | -333.86 (-) |
| Less: Interest (Net) | | | | | | | 661.03 (778.25) |
| Less: Effect of Impairment | 3216.97 (-) | 42.00 (-) | 74.00 (-) | 51.62 (-) | | | 3384.59 (-) |
| Profit before Tax | | | | | | | 7825.76 (2033.36) |
| Less: Tax Expense | | | | | | | 622.22 (370.11) |
| - Current | | | | | | | -2061.28 (126.79) |
| - Deferred | | | | | | | |
| Profit after Tax | | | | | | | 9264.82 (1536.46) |
| (iii) Segment Assets | 39176.20 (36628.18) | 27509.75 (9641.68) | - | 2184.07 (2732.60) | - | - | 68870.02 (56957.39) |
| Unallocated Corporate Assets | | | | | | | |
| a) Liquid Assets | | | | | | | 23375.30 (16267.66) |
| b) Deferred Tax Assets | | | | | | | 2362.52 (490.72) |
| c) Others | | | | | | | 3777.98 (2186.84) |
| Total Assets | | | | | | | 98385.82 (75902.61) |
| (iv) Segment Liabilities | 22913.90 (20844.51) | 28171.19 (6411.99) | - | 1442.41 (3082.27) | - | - | 52527.50 (32783.94) |
| Unallocated Corporate Liabilities | | | | | | | |
| a) Current Liabilities | | | | | | | 4210.47 (718.91) |
| b) Deferred Tax Liabilities | | | | | | | 1320.89 (1320.98) |
| c) Loan Funds | | | | | | | 10677.83 (14102.89) |
| Total Liabilities | | | | | | | 68736.69 (48926.72) |
| (v) Capital Expenditure | 531.29 (763.37) | 409.93 (65.85) | 36.48 (115.83) | 185.71 (444.39) | - | - | 1163.41 (1538.48) |
| (vi) Depreciation | 538.57 (522.81) | 72.29 (64.16) | 114.82 (219.44) | 707.44 (601.82) | - | - | 1433.12 (1434.66) |
| (vii) Other Non Cash Expenses | 3027.44 (69.11) | 98.00 (50.04) | 277.43 (135.37) | 18.85 (-) | - | - | 3421.72 (254.52) |

Consolidated Segment wise performance for the year ended 30th June,2003

| Secondary Segments: | India | Far East | North America | Europe | Rest of the World | Total |
|--|--------------------------|----------------------|----------------------|---------------------|--------------------|--------------------------|
| 1 Segment Revenue (based on location of customer) | 263104.98 (120426.01) | 3344.92 (7732.73) | 2758.44 (6773.10) | 890.69 (1469.26) | 408.66 (304.04) | 270507.69 (136705.14) |
| 2 Segment Assets (based on location of asset) | 68689.45 (50303.56) | 103.88 (4560.29) | 62.96 (1709.33) | 12.85 (292.93) | 0.88 (91.28) | 68870.02 (56957.39) |
| 3 Capital Expenditure | 1155.97 (1509.89) | 3.78 (18.70) | 1.89 (7.38) | 0.93 (2.51) | 0.84 (-) | 1163.41 (1538.48) |

Note: Previous year's figures are given in brackets.

12. Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise net profit for the year after tax. Basic earnings per share are computed and disclosed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year, except when results would be anti dilutive.

a) Calculation of EPS (Basic and Diluted):

| Particulars | June-2003 | June-2002 |
|---|------------|------------|
| Basic | | |
| Profit after taxes (Rs./Lacs) | 9264.82 | 1536.64 |
| Weighted average number of shares outstanding | 31,909,459 | 31,909,459 |
| Earnings per share of Rs. 10/- each (in Rs.) | 29.03 | 4.82 |

b) Dilutive impact for Employee Stock Option Scheme has not been considered as the options' exercise price is higher than the prevailing market price of shares. No options have been exercised till 30th June, 2003.

13. Previous year's figures have been regrouped / recasted, where necessary, to conform to current year's presentation. Current year figures are not comparable with the previous year figures to the extent of demerger of Software Business and rearrangement of Office Automation & Telecommunication Business with effect from the appointed date of 1st January, 2003.

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(3) AND 212(5) OF THE COMPANIES ACT, 1956 AS ON 30TH JUNE, 2003

- 1) Name of the Subsidiary Company : HCL Inffinet Ltd.
- 2) Financial Year to which accounts relates : 31st March, 2003
- 3) Holding Company's interest as at close of financial year of the Subsidiary Company
- a) Shareholding (No. of Shares) : 19506750
- b) Extent of Holding (%) : 100%
- 4) Net aggregate amount of Subsidiary Company's profits after deducting its losses or vice versa, so far as it concerns members of holding company which are not dealt with in the Company's accounts.
- a) For the year ended 31st March , 2003 : Rs. 1629.52 Lacs
- b) For previous financial years : (Rs. 5618.26 Lacs)
- 5) Net aggregate amount of Subsidiary Company's profits after deducting its losses or vice versa, so far as it concerns members of holding company which are dealt with in the Company's accounts.
- a) For the year ended 30th June , 2003 : Nil
- b) For previous financial years : Nil
- 6) Material changes close of financial year of the subsidiary company and the end of the Holding Company w.r.t. Subsidiaries Fixed Assets, Investments, money : No Change

*Infosystems (Bermuda) Ltd., Infosystems (Europe) Ltd., Infosystems (America) Inc., Insys Inc., Infosystems Australia Pty. Ltd., FEC Infosystems Pte. Ltd., HCL Infosystems (Malaysia) Sdn. Bhd. and Far East Computers (M) Sdn. Bhd. have been demerged to HCL Technologies Ltd., with effect from 1st January, 2003.

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S.BHATTACHARYA
Director

Place : New Delhi
Dated : 23rd September, 2003

K.R.RADHAKRISHNAN
Company Secretary

HCL INFINET LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Third Annual Report together with the Audited Annual Accounts for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

Rs./Lacs

| | Year ended 31 st March, 2003 | Year ended 31 st March, 2002 |
|---|---|---|
| Sales & Other Income | 42361 | 1199 |
| Profit/(Loss) before Interest, Depreciation & Taxes | 518 | (2217) |
| Finance Charges | 43 | 395 |
| Depreciation and Amortization | 1077 | 946 |
| Profit/ (Loss) before Tax | (602) | (3558) |
| Provision for Taxation -Deferred Tax Asset | 2232 | - |
| Profit/ (Loss) after taxation | 1630 | (3558) |

During the year under review, the Office Automation Division of HCL Infosystems Ltd. has been transferred to your Company with effect from 1st January, 03 pursuant to a scheme of arrangement approved by the order of the Hon'ble High Court of Delhi and certified by the Registrar of Companies on 25th July, 2003.

The Office Automation Division is engaged in sales and services of products like Copiers, LCD Projectors, Digital Printers, Cellular hand sets, Telecom Switching equipments and ITES products and services.

BUSINESS HIGHLIGHTS

Networking and Internet related products & services division:

During the year your Company consolidated its position in the market area of networking services by acquiring some key corporate customers. Currently this division has over 200 corporate customers spread throughout the country.

Significant improvement in the key processes like Customer Support, Help Desk and Project Management has helped the Company deliver satisfied level of services to customers. The International Data Corporation (IDC) has rated your Company in June 03 as the Best in "Quality of Services" & "Customer Care" for Broadband & Internet Leased Line Services in India.

Your Company is at the forefront of developing global, scalable, high-performance solutions that bridge current technology

investments with the future. An array of services like Networking (for Data, Voice and Video), Internet, VOIP, Co-location, Contact Center Infrastructure has helped the Company to address the Enterprise Networking and Value added service requirements within the Closed User Group (CUG) and with their Extended partners.

Office automation & Telecom products & services division: -

The market for cellular handsets witnessed a major growth during the previous year with rapid additions in the mobile subscriber base. This has been a significant factor in the growth of sales and services business of cellular handsets of the Company during the year. With the tie up with the market leader Nokia, your Company has taken leadership position in this area.

The other office automation products like Copiers and Digital Printers and Telecom Switches grew at a steady rate and your Company has been in the forefront in all these business areas.

Your directors have pleasure in sharing with you that the company's gross income has gone up from Rs.12 Cr to Rs. 424 Crores due to the addition of Office automation and Telecom Division business during the year and growth in the networking services line.

During the year your Company sold its Technical Help Desk (THD) business activity to HCL Technologies BPO Services Limited (a subsidiary company of HCL Technologies Ltd.) for a consideration of Rs.200 lacs.

FUTURE OUTLOOK

Post restructuring, your Company is poised to derive optimum benefits from the synergies existing in the Networking services division and Office automation division and utilise this opportunity to consolidate its position in the market.

Your Company is also in the process of creating value added services in the IT enabled services and Business Processing Solutions (BPO) areas through the Networking Services Division. These services focuses on delivering networking solutions specifically designed to address Banking, Finance, and other services segments.

AUDIT COMMITTEE

As per the requirements of Section 292A of the Companies Act, 1956, an Audit Committee consisting of three directors has already been formed to review various areas of Accounts and Audit including internal control systems and their adequacy. The Committee met twice during the financial year ended March 31, 2003.

DIRECTORS

During the year Mr. Saurav Adhikari, President and Chief Executive Officer of the Company had submitted his resignation and in his place Mr.J.V.Ramamurthy has been appointed as Additional Director upto the date of the forthcoming Annual general meeting pursuant to Article 92 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

HCL INFINET LIMITED

In accordance with the Articles of Association of the Company, Mr. Ajai Chowdhry and Mr. Ravi Thumboochetty, Directors, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors of the Company, M/s. Price Waterhouse, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The comments of the Auditors read with Notes to the Accounts are self-explanatory.

PERSONNEL

Inter-personnel relations in the Company during the period under review continued to be peaceful and harmonious. The Board wishes to place on record their appreciation for the contributions made by all the employees to the operations of the Company during the year under review.

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 Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is appended to and forms part of this Report.

PARTICULARS OF EMPLOYEES

There are no employees who are in receipt of remuneration exceeding the limits prescribed under Sub - Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that 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 31st March, 2003 and of the Profit of the Company for the said year;

- iii) that 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;
- iv) that the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to thank the Government authorities, Bankers, Financial Institutions and Shareholders for their co-operation and assistance extended to the Company.

On behalf of the Board of Directors

AJAI CHOWDHRY

CHAIRMAN

23rd August, 2003

INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION 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

The Company's operation does not warrant any measures to be taken for energy conservation and/or for additional investment for reduction in energy consumption.

B. TECHNOLOGY ABSORPTION AND INNOVATION

Since the nature of business activities of the Company does not require any investment, no comments are made in this regard.

C. FOREIGN EXCHANGE EARNINGS / OUTGO

During the period under review, the Company's earnings in foreign currency were Rs.520.94 Lacs. The expenditure in foreign currency including imports during the year amounted to Rs. 3542.33 Lacs.

On behalf of the Board of Directors

AJAI CHOWDHRY

CHAIRMAN

23rd August, 2003

HCL INFINET LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF HCL INFINET LIMITED

1. We have audited the attached Balance Sheet of HCL Infinet Limited, as at 31st March, 2003 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Central Government of India in terms of subsection (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
(b) Certain fixed assets of the Company have been physically verified during the year by the management pursuant to the policy of verifying all the assets in a phased manner over two years and no material discrepancies between the book records and the physical inventory have been noticed.
 - ii. The fixed assets of the Company have not been revalued during the year.
 - iii. The stock of finished goods and stores and spares at all its locations have been physically verified by the management during the year. Confirmations for stocks lying with third parties has been received from some parties.
 - iv. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - v. The discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
- vi. In our opinion, the valuation of stocks has been fair and proper in accordance with the normally accepted accounting principles followed in India and is on the same basis as in the preceding year, where applicable.
- vii. In our opinion, the rates of interest and the terms and conditions of unsecured loan taken by the company during the year, from a party listed in the register maintained under Section 301 of the Act are not prejudicial to the interests of the company. In terms of sub-section (6) of Section 370 of the Act, provisions of this Section are not applicable to the Company on or after 31st October 1998.
- viii. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of this Section are not applicable to the Company on or after 31st October 1998.
- ix. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where stipulated.
- x. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, components of access packs, plant and machinery, equipment, and similar assets and for the sale of goods.
- xi. Considering that the purchases from/sales to any of the parties listed in the register maintained under Section 301 of the Act, are of special nature and have a special purpose, the transactions for such purchases of goods and materials from/sale of goods, materials and services to parties aggregating to Rs.50, 000 or more in value are reasonable having regard to the prevailing market prices for such goods, materials and services.
- xii. The company has a system of determining unserviceable or damaged stocks on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
- xiii. The company has not accepted any deposits from the public.
- xiv. As the value of scrap generated during the year is not considered to be significant, no detailed quantitative records have been maintained therefor. Proper records have, however been maintained by the Company for the sale of realizable scrap.
- xv. In our opinion, the Company's present internal audit

- system is commensurate with its size and nature of business.
- xvi. The Cost accounting records have been prescribed by the Central Government of India under section 209(1)(d) of the Act to be maintained from next accounting year.
- xvii. The Company has regularly deposited during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
- xviii. At the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, sales tax and customs duty which were due for more than six months from the date they became payable.
- xix. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to the Profit and Loss Account, nor have we been informed of such case by the management, other than those payable under contractual obligations and / or accepted business practices.
- xx. The company is not a sick Industrial Company within the meaning of Clause (o) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- xxi. In respect of services rendered:
- a. In our opinion, the company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of business. Considering the nature of services rendered, it is not considered necessary to have a system of allocation of consumption of materials and stores to the relative jobs.
 - b. Considering the nature of services rendered, it is not considered to be necessary to have allocation of manhours utilised to the relative jobs.
 - c. In our opinion, there is a reasonable system of authorization at proper levels with necessary controls on the issue of stores and the related system of internal controls of the company is commensurate with the size of the Company and the nature of its business.
- xxii. In respect of trading activities, damaged goods have been determined at the time of physical verification pursuant to Company's laid down procedures and consequential adjustments, which have not been significant, have been made in the accounts.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act;
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2003; and
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

H. Singh
 Partner
 For and on behalf of
 Price Waterhouse
 Chartered Accountants

Place: New Delhi
 Dated: 23rd August, 2003

HCL INFINET LIMITED

BALANCE SHEET AS AT 31ST MARCH

| | <u>Schedule</u> | <u>2003</u> <u>Rs./Lacs</u> | <u>2002</u> <u>Rs./Lacs</u> |
|--|-----------------|--------------------------------|--------------------------------|
| Sources of Funds: | | | |
| Shareholders' Funds : | | | |
| Capital | 1 | 1950.68 | 1950.68 |
| Loan Funds: | | | |
| Secured Loans | 2 | - | 3490.41 |
| Unsecured Loans | 3 | 5647.47 | 662.90 |
| | | <u>7598.15</u> | <u>6103.99</u> |
| Application of Funds: | | | |
| Fixed Assets: | | | |
| Gross Block | 4 | 3489.31 | 3119.54 |
| Less: Depreciation | | 1642.28 | 1016.50 |
| Net Block | | <u>1847.03</u> | <u>2103.04</u> |
| Capital Work-In-Progress (Including Capital Advances) | | 14.13 | 148.17 |
| | | 1861.16 | 2251.21 |
| Investments | 5 | 4169.47 | - |
| Current Assets, Loans & Advances: | | | |
| Inventories | 6 | 4327.60 | 10.20 |
| Sundry Debtors | 7 | 6748.58 | 244.05 |
| Cash and Bank Balances | 8 | 4635.10 | 79.96 |
| Other Current Assets | 9 | 2428.08 | 401.12 |
| Loans and Advances | 10 | 373.50 | 32.38 |
| | | <u>18512.86</u> | <u>767.71</u> |
| Less: Current Liabilities & Provisions | 11 | | |
| Current Liabilities | | 22970.93 | 2911.21 |
| Provisions | | 194.66 | 18.12 |
| | | <u>23165.59</u> | <u>2929.33</u> |
| Net Current Assets | | (4652.73) | (2161.62) |
| Deferred Tax Asset(net) | 20(5) | 2231.51 | - |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | 12 | - | 396.14 |
| Profit and Loss Account | | <u>3988.74</u> | <u>5618.26</u> |
| | | <u>7598.15</u> | <u>6103.99</u> |
| Significant Accounting Policies | 19 | | |
| Notes to Accounts | 20 | | |

This is the Balance Sheet referred to in our report of even date.

The schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board of Directors

H.SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman

J.V.RAMAMURTHY
President and
Chief Executive Officer

Place: New Delhi
Dated: 23rd August, 2003

S.RAJARAMAN
Company Secretary

HCL INFINET LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH

| | <u>Schedule</u> | <u>2003</u> Rs./Lacs | <u>2002</u> Rs./Lacs |
|---|-----------------|-------------------------|-------------------------|
| Income | | | |
| Business Income | 13 | 42216.37 | 1193.27 |
| Other Income | 14 | 74.19 | 6.17 |
| Gain on Transfer of Business | 20(2) | 70.15 | - |
| | | <u>42360.71</u> | <u>1199.44</u> |
| Expenditure | | | |
| Cost of Sales and Services | 15 | 37210.59 | 392.84 |
| Network Operating Cost | | 1550.52 | 1378.83 |
| Personnel | 16 | 1059.78 | 392.71 |
| Administration, Selling, Distribution and Others | 17 | 2020.64 | 1252.10 |
| Finance Charges | 18 | 43.29 | 394.75 |
| Depreciation | | 681.74 | 630.09 |
| Miscellaneous Expenditure written-off | | 396.14 | 316.19 |
| | | <u>42962.70</u> | <u>4757.51</u> |
| (Loss) for the year before Tax | | (601.99) | (3558.07) |
| Tax Expense | | | |
| -Deferred Tax Credit | 20(5) | 2231.51 | - |
| Profit/(Loss) after Tax for the Year | | 1629.52 | (3558.07) |
| (Loss) brought forward from Previous Year | | (5618.26) | (2060.19) |
| (Loss) carried to the Balance Sheet | | (3988.74) | (5618.26) |
| Basic earnings per share (Rs. per Equity Share of Rs. 10/- each) | 20 (18) | 8.35 | (18.24) |
| Diluted earnings per share (Rs. per Equity Share of Rs. 10/- each) | 20 (18) | 3.97 | - |
| Significant Accounting Policies | 19 | | |
| Notes to Accounts | 20 | | |

This is the Profit and Loss Account referred to in our report of even date

The schedules referred to above form an integral part of the Profit and Loss Account.

For and on behalf of the Board of Directors

H.SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman

J.V.RAMAMURTHY
President and
Chief Executive Officer

Place: New Delhi
Dated: 23rd August, 2003

S.RAJARAMAN
Company Secretary

HCL INFINET LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH

| | | 2003 Rs. / Lacs |
|---|------------|--------------------|
| A. Cash Flow from Operating Activities | | |
| Profit for the year | | (601.99) |
| Adjustments for: | | |
| Depreciation | 681.74 | |
| (Profit)/Loss on Sale of Fixed Assets(net) | 3.56 | |
| (Profit)/Loss on Disposal of Investments(net) | (13.43) | |
| Interest on Borrowings | 143.82 | |
| Interest Income | (100.53) | |
| (Profit)/Loss on Foreign Exchange Fluctuation (Net) | 18.50 | |
| Miscellaneous Expenditure Written off | 396.14 | |
| Gain on Transfer of Business | (70.15) | |
| Bad Debts Written off | 27.41 | |
| Provision for Doubtful Debts | 37.97 | |
| Permanent Diminution in Value of Long Term Investment | 4.18 | |
| Liabilities no Longer Required Written Back | (22.98) | |
| Effect of Alignment of Accounting Policy (Refer Schedule 20, Note - 15) | 18.61 | 1124.84 |
| Operating profit before Working Capital Changes | | 522.85 |
| Adjustments for: | | |
| Trade and other Receivables | 972.50 | |
| Inventories | (158.92) | |
| Trade Payables and other Liabilities | 4748.10 | 5561.68 |
| Cash Generated from Operation | | 6084.53 |
| Direct Tax (Paid)/ Refund | | (23.03) |
| Cash from Operating Activities | | 6061.50 |
| Net Cash from Operating Activities | (A) | 6061.50 |
| B. Cash Flow from Investing Activities | | |
| Interest Received | 100.53 | |
| Purchase of Fixed Assets | (823.54) | |
| Sale of Fixed Assets | 45.19 | |
| Purchase of Investments | (8350.00) | |
| Disposal/Redemption of Investments | 5975.48 | |
| Purchase of Long Term Investment | (4.18) | |
| Capital Work-In-Progress (Including Capital Advances) | 150.79 | |
| Consideration Received on Transfer of Business (Refer Schedule 20, Note - 2) | 200.00 | (2705.73) |
| Net cash from / (used in) Investing Activities | (B) | (2705.73) |

HCL INFINET LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH

| | | 2003 <u>Rs. / Lacs</u> |
|---|----------------|---------------------------|
| C. Cash Flow from Financing Activities | | |
| Interest Paid | (171.82) | |
| Secured Loans Received/(Paid) | (3490.41) | |
| Unsecured Loans Received / (Paid) | <u>4861.60</u> | <u>1199.37</u> |
| Net Cash from Financing Activities | (C) | <u>1199.37</u> |
| Opening Balance of Cash and Cash Equivalents | | <u>79.96</u> |
| Closing Balance of Cash and Cash Equivalents | | <u>4635.10</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 4555.14 |
| Total (A) + (B) + (C) | | <u><u>4555.14</u></u> |

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in the accounting standard - 3 issued by the institute of chartered accountants of india.
2. This being the first year of applicability of accounting standard - 3, previous year's figures have not been given.
3. The above cash flow does not include the impact of acquisition of office automation and telecommunication business referred to in Schedule 20, Note - 1

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board of Directors

H.SINGH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman

J.V.RAMAMURTHY
President and
Chief Executive Officer

Place: New Delhi
Dated: 23rd August, 2003

S.RAJARAMAN
Company Secretary

HCL INFINET LIMITED

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH

| | 2003 Rs./Lacs | 2002 Rs./Lacs |
|--|------------------|------------------|
| 1- Capital | | |
| (Schedule - 20, Note - 12) | | |
| Authorised | | |
| 6,50,00,000 (2002-2,00,00,000) Equity Shares of Rs. 10/- each | 6500.00 | 2000.00 |
| | <u>6500.00</u> | <u>2000.00</u> |
| Issued, Subscribed and Paid up | | |
| 1,95,06,757 (2002 - 1,95,06,757) Equity Shares of Rs. 10/- each, fully paid up (wholly owned subsidiary of HCL Infosystems Limited) | 1950.68 | 1950.68 |
| | <u>1950.68</u> | <u>1950.68</u> |
| 2- Secured Loans | | |
| Loans and Advances | | |
| From Banks : | | |
| Term Loan | - | 2000.00 |
| Foreign Currency Loan | - | 1490.41 |
| | <u>-</u> | <u>3490.41</u> |
| Non fund based facilities not included above in the form of Letter of Credit etc. are secured by a Corporate Guarantee given by HCL Infosystems Limited, the holding company. | | |
| 3- Unsecured Loans | | |
| (Schedule -20 , Notes - 1 and 14) | | |
| Short Term Loans and Advances: | | |
| - From a corporate | 113.68 | 648.96 |
| - Interest accrued and due | - | 13.94 |
| Other loans and advances: | | |
| 53,69,130 nos. of interest free optionally convertible bonds of Rs.100/- each issued to HCL Infosystems Limited, the holding Company | 5369.13 | - |
| (First tranche of 42,17,780 bonds of Rs.4217.78 Lacs are optionally convertible on 21st April, 2004) | | |
| Deferred Lease Obligations | | |
| Amount payable within one year Rs. 86.22 lacs (2002 - nil) | 164.66 | - |
| | <u>5647.47</u> | <u>662.90</u> |
| Short term advances from a corporate in the current year represents utilisation by the company of Cash credit facilities sanctioned to HCL Infosystems Limited, the holding company. | | |

HCL INFINET LIMITED

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH

4- FIXED ASSETS

(Schedule 20, Notes 1 & 2)

Rs. /Lacs

| Description | Gross Block | | | As At 31.3.2003 | Depreciation | | | Net Block | | |
|--|-------------------|---------------------------------|----------------------------------|--------------------|-------------------|---------------------------------|----------------------------------|--------------------|--------------------|--------------------|
| | As At 1.4.2002 | Additions during the year | Deductions during the year | | As At 1.4.2002 | Additions during the year | Deductions during the year | As At 31.3.2003 | As At 31.3.2003 | As At 31.3.2002 |
| OWNED ASSETS: | | | | | | | | | | |
| Buildings | - | 47.34 | - | 47.34 | - | 0.21 | - | 0.21 | 47.13 | - |
| Plant and Machinery and Networking Equipment | 2718.02 | 282.77 | 105.67 | 2895.12 | 774.34 | 571.53 | 29.28 | 1316.59 | 1578.53 | 1943.68 |
| Furniture, Fixtures and Office Equipment | 93.49 | 148.10 | 57.86 | 183.73 | 35.11 | 42.25 | 13.81 | 63.55 | 120.18 | 58.38 |
| Software | 223.12 | - | - | 223.12 | 181.52 | 29.51 | - | 211.03 | 12.09 | 41.60 |
| Computers | 69.04 | 107.28 | 41.75 | 134.57 | 20.70 | 35.18 | 5.65 | 50.23 | 84.34 | 48.34 |
| Vehicles | - | 5.43 | - | 5.43 | - | 0.67 | - | 0.67 | 4.76 | - |
| OWNED ASSETS LEASED OUT: | | | | | | | | | | |
| Plant and Machinery and Networking Equipment | 15.87 | - | 15.87 | - | 4.83 | 2.39 | 7.22 | - | - | 11.04 |
| Total | 3119.54 | 590.92 | 221.15 | 3489.31 | 1016.50 | 681.74 | 55.96 | 1642.28 | 1847.03 | 2103.04 |
| Previous Year | 2690.76 | 440.31 | 11.53 | 3119.54 | 388.62 | 630.09 | 2.21 | 1016.50 | | |
| Capital Work-in-Progress | | | | | | | | | 14.13 | 148.17 |
| (Including Capital Advances of Rs. 11.66 Lacs (2002 - Rs.8.69 Lacs)) | | | | | | | | | 1861.16 | 2251.21 |

Note:

Building at Mumbai amounting to Rs.47.34 Lacs (2002 - Nil) is pending registration in the name of the Company .

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 5 - Investments | | |
| (Schedule -20, Note - 1) | | |
| Unquoted (Non-Trade)-Current | | |
| Prudential ICICI Liquid Plan 1,68,94,319.91 units of Rs.10/- each. (Purchased during the year 2,90,72,122.97 units and sold during the year 1,21,77,803.06 units.) | 2501.43 | - |
| Grindlays Cash Fund 1,49,13,677.67 units of Rs.10/- each, (Purchased during the year: 5,23,82,736.53 and sold during the year 3,74,69,058.86 units.) | 1668.04 | 4169.47 |
| Note: Net Asset value as on 31st march 2003 - Rs.4191.00 lacs | | |
| Unquoted (Trade) - Long Term | | |
| (Schedule - 20, Note - 19) | | |
| 2,11,800 (2002 - 1,10,000) Equity Shares of Rs.10/- each fully paid up in Asian Age Infinet Private Limited | 21.18 | 11.00 |
| Less: Permanent Diminution in Value of Investments | | |
| - Opening Balance | 11.00 | - |
| - Additions during the year | 10.18 | 21.18 |
| | <u>4169.47</u> | <u>-</u> |

HCL INFINET LIMITED

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| 6 - Inventories (Schedule -20 , notes - 1 and 2) | | |
| Stores, spares and components (including in transit) | 905.15 | 7.59 |
| Finished goods (including in transit) | 3422.45 | 2.61 |
| | <u>4327.60</u> | <u>10.20</u> |
| 7 - Sundry Debtors-Unsecured (Schedule -20 , Notes - 1 and 2) | | |
| Debts Exceeding Six months : | 255.69 | 14.67 |
| -Considered Good | 95.85 | - |
| -Considered Doubtful | 351.54 | 14.67 |
| Less : Provision for Doubtful Debts | <u>95.85</u> | <u>-</u> |
| Other Debts-Considered Good | 6492.80 | 229.38 |
| | <u>6748.58</u> | <u>244.05</u> |
| 8 - Cash and Bank Balances (Schedule -20 , Notes - 1 and 2) | | |
| Cash in Hand and in Transit | 421.84 | 36.68 |
| [Cheques In Hand Rs.152.97 Lacs (2002 - Rs.32.65 Lacs)] | | |
| Balances With Scheduled Banks: | | |
| - On Current Account | 2745.76 | 37.32 |
| - On Fixed Deposits | 1467.50 | 5.96 |
| | <u>4635.10</u> | <u>79.96</u> |
| 9 - Other Current Assets (Schedule - 20, Notes - 1, 2 and 14) | | |
| Deposits | 288.49 | 194.01 |
| Prepaid Expenses | 154.87 | 207.11 |
| Lease Rental Recoverable | 1984.72 | - |
| | <u>2428.08</u> | <u>401.12</u> |
| 10- Loans and Advances - Unsecured (Schedule - 20, Notes-1 and 2) | | |
| Amount recoverable in cash or in kind or for value to be received | | |
| - Considered Good | 349.54 | 31.45 |
| - Considered Doubtful | <u>-</u> | <u>6.00</u> |
| [Maximum amount due from officers of the company during the year is Rs.21.62 Lacs (2002 - Nil)] | | |
| Advance Tax | 23.96 | 0.93 |
| | <u>373.50</u> | <u>38.38</u> |
| Less: Provision for Doubtful Advances | <u>-</u> | <u>6.00</u> |
| | <u>373.50</u> | <u>32.38</u> |

HCL INFINET LIMITED

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|--|--------------------|--------------------|
| 11- Current Liabilities and Provisions (Schedule -20 , Notes - 1, 2 and 6) | | |
| Current Liabilities: | | |
| Acceptances | 3899.57 | 43.45 |
| Sundry Creditors | | |
| - Other Than SSI Undertakings | 14994.74 | 1572.72 |
| Sundry Deposits | 15.55 | - |
| Interest Accrued But Not Due On Secured Loans | - | 14.07 |
| Advances from Customers | 292.93 | 80.56 |
| Other Liabilities | 1743.85 | 518.14 |
| Unaccrued Revenue | 2024.29 | 682.27 |
| | <u>22970.93</u> | <u>2911.21</u> |
| Provisions: | | |
| For Warranty Liability | 67.52 | - |
| For Gratuity and other Employee Benefits | 127.14 | 18.12 |
| | <u>194.66</u> | <u>18.12</u> |
| | <u>23165.59</u> | <u>2929.33</u> |
| 12 - Miscellaneous Expenditure (to the extent not written off or adjusted) (Schedule - 20, Note - 13) | | |
| -Pre operative Expenditure | 258.99 | 434.37 |
| Less : Written Off During The Year | 258.99 | 175.38 |
| | <u>-</u> | <u>258.99</u> |
| - Deferred Revenue Expenditure : | | |
| Advertisement | 134.07 | 268.14 |
| Web Designing Cost | 3.08 | 9.82 |
| | <u>137.15</u> | <u>277.96</u> |
| Less : Written Off During The Year | 137.15 | 140.81 |
| | <u>-</u> | <u>137.15</u> |
| | <u>-</u> | <u>396.14</u> |

HCL INFINET LIMITED

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 13 - Business Income | | |
| Sales and Related Income | 38982.25 | 361.78 |
| Services | 3234.12 | 831.49 |
| | <u>42216.37</u> | <u>1193.27</u> |
| 14-Other Income | | |
| Insurance Claims | 6.08 | 0.12 |
| Provisions/Liabilities No Longer Required Written Back | 22.98 | - |
| Profit on Disposal of (Non Trade) Current Investments (Net) | 13.43 | - |
| Profit on Sale of Fixed Assets (Net) | - | 0.67 |
| Miscellaneous Income | 31.70 | 5.38 |
| | <u>74.19</u> | <u>6.17</u> |
| 15-Cost of Sales and Services | | |
| Purchase of Finished Goods & Services | 40423.92 | 297.48 |
| Consumption of Stores, Spares And Components | 173.60 | 88.50 |
| Labour and Processing Charges | 32.91 | - |
| | <u>40630.43</u> | <u>385.98</u> |
| (Increase)/Decrease in Stocks of Finished Goods | | |
| Closing Stock | | |
| - Finished Goods (Including in Transit) | 3422.45 | 2.61 |
| | <u>3422.45</u> | <u>2.61</u> |
| Opening Stock | | |
| - Finished Goods (Including in Transit) | 2.61 | 9.47 |
| | <u>2.61</u> | <u>9.47</u> |
| | <u>(3419.84)</u> | <u>6.86</u> |
| | <u>37210.59</u> | <u>392.84</u> |
| 16 - Personnel | | |
| Salaries,Wages,Allowances,Bonus & Gratuity | 981.92 | 363.81 |
| Contribution to Provident Fund & Other Funds | 30.43 | 11.00 |
| Staff Welfare Expenses | 47.43 | 17.90 |
| | <u>1059.78</u> | <u>392.71</u> |

HCL INFINET LIMITED

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH

| | 2003 Rs. / Lacs | 2002 Rs. / Lacs |
|---|--------------------|--------------------|
| 17 - Administration, Selling, Distribution and Others | | |
| Rent | 117.39 | 34.13 |
| Rates and Taxes | 121.24 | 2.52 |
| Printing and Stationery | 17.02 | 6.01 |
| Communication | 58.38 | 23.08 |
| Travelling and Conveyance | 147.85 | 58.94 |
| Packing, Freight and Forwarding | 83.14 | 4.20 |
| Legal and Professional | 252.81 | 157.04 |
| Facility Management and Support Services | 350.56 | 539.34 |
| Training and Conference | 33.97 | 5.08 |
| Office Electricity and Water | 32.54 | 5.88 |
| Miscellaneous | 32.38 | 10.07 |
| Insurance | 77.52 | 7.49 |
| Advertisement and Publicity | 141.09 | 136.87 |
| Hire Charges | 4.06 | 3.54 |
| Commission on Sales | 141.53 | 14.83 |
| Loss on Foreign Exchange Fluctuation (Net) | 63.37 | 32.04 |
| Loss on Sale of Fixed Assets (Net) | 3.56 | - |
| Bank Charges | 50.62 | 12.53 |
| Bad Debts Written off | 27.41 | - |
| Provision for Doubtful Debts and Advances | 37.97 | 6.00 |
| Permanent Diminution in Value of Long Term Investment: | | |
| During the Year | 10.18 | 11.00 |
| Less: Written off from Existing Provision | 6.00 | - |
| Repair and Maintenance: | | |
| - Plant and Machinery | 97.41 | 101.36 |
| - Buildings | 10.00 | - |
| - Others | 96.03 | 80.15 |
| Effect of Alignment of Accounting Policy (Schedule - 20, Note - 15) | 18.61 | - |
| | <u>2020.64</u> | <u>1252.10</u> |
| 18-Finance Charges | | |
| Interest Paid on : | | |
| - Fixed Loans | 47.04 | 255.21 |
| - Intercorporate Deposits | 38.34 | 123.49 |
| - Others | 58.44 | 18.81 |
| Less : Interest Received on: | | |
| - Lease Rental | 88.56 | - |
| - Fixed Deposits | 11.97 | 2.76 |
| [TDS Rs 1.82 Lacs (2002-Rs.0.41 Lacs)] | <u>43.29</u> | <u>394.75</u> |

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared on mercantile basis under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

2. FIXED ASSETS

Fixed assets and capital work in progress are stated at cost, net of depreciation. These costs include directly attributable cost of bringing the asset to its working condition for its intended use and allocated general borrowing costs.

Assets taken on finance lease on or after 01.04.2001 are stated on fair value of the assets or minimum lease payments, whichever is lower.

3. DEPRECIATION

Depreciation on fixed assets is provided on a prorata basis using the straight-line method based on the useful lives of the assets as estimated by way of periodical technical evaluation by the management. Assets acquired from HCL Infosystems Limited, the holding company consequent to acquisition of Office Automation and Telecommunication Business have been depreciated over the remaining useful life of the asset. Individual assets costing less than Rs. 5,000 are depreciated fully in the year of acquisition.

Economic useful lives which are not exceeding those stipulated in Schedule XIV of the Companies Act, 1956 are as under :

| | |
|------------------------|------------|
| Buildings | 58 years |
| Plant and machinery | 4-6 years |
| Networking equipment | 5 years |
| Computers | 3 -5 years |
| Software | 1-3 years |
| Office equipment | 3 -6 years |
| Air conditioners | 3 -6 years |
| Furniture and Fixtures | 4-6 years |
| Vehicles | 4-6 years |

Basis of depreciation for the assets given on operating lease is consistent with the normal depreciation policy of the Company for similar assets.

Assets taken on finance lease on or after 01.04.2001 are depreciated over their expected useful lives.

4. INVESTMENTS

Long-term investments are stated at cost of acquisition inclusive of expenditure incidental to acquisition. Any decline in the value of the said investment, other than a temporary decline, is recognized and charged to the Profit and Loss Account.

Current investments are carried at lower of cost or fair value.

Income from investments is recognised in the accounts in the year in which it is accrued.

5. INVENTORIES

Stores and Spares and other components are valued at cost. Adequate adjustments are made to the carrying value for any obsolescence.

Finished goods are valued at lower of cost and net realizable value. Cost is determined on the basis of the weighted average method.

Goods in transit are valued inclusive of custom duty, where applicable.

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

6. FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities are restated at the exchange rate prevailing at the year end and the overall net gain/loss including those arising out of fluctuations in exchange rates on settlement during the period is adjusted to the Profit and Loss Account, except in case of liabilities relating to acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

Foreign currency liabilities/assets covered by forward contracts are stated at the forward contract rates and the difference between the forward rate and the exchange rate at the date of transaction is recognized in the Profit and Loss Account over the life of the contract, except in case of liabilities relating to acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

7. MISCELLANEOUS EXPENDITURE

Pre-operative expenditure incurred by the Company from the date of incorporation upto the date of commencement of commercial operations is being deferred and amortised over a period of three years from the date of commencement of commercial operations.

Advertisement and publicity expenses relating to initial launch of the services is being deferred and amortised equally over a period of three years.

The website development cost relating to planning the web site, testing website applications and creating initial graphics etc., till the date the website was thrown open to users has been accumulated and amortised over a period of two years from that date.

8. RETIREMENT BENEFITS TO EMPLOYEES

Liability for gratuity and leave encashment is provided as determined on actuarial valuation made at the end of the year which is computed using Projected Unit credit Method.

Company's contributions towards recognised provident fund and superannuation fund are accounted for on accrual basis.

9. REVENUE RECOGNITION

(a) Sales, net of discount, and the related revenue is recognised (after providing for expenses on such sale) on transfer of all significant risk and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.

(b) Service income:

(i) **Virtual private networks:** Revenue is recognised on proportionate basis over the period of contract with the customer. One time charges recovered upfront from the customer are recognised as revenue at the commencement of services.

(ii) **Maintenance of products:** The Company is engaged in providing maintenance of products under maintenance agreements which is recognized in the ratio of period expired to the total agreement period or on completion of services.

(iii) **Technical help desk:** The company has been engaged in providing technical and administrative help desk support to its various customers. Revenue for the same is recognised based on the terms of respective agreements.

10. LEASES

(a) Lease transactions entered into prior to April 1, 2001:

i) Assets leased out are stated at cost and amortized over the primary lease period.

ii) Lease rentals in respect to the assets taken/given on lease are recognised in the Profit and Loss Account on accrual basis.

(b) Lease transactions entered into on or after April 1, 2001:

i) Assets taken on leases where the Company has substantially all the risks and rewards of ownership are classified as Finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

- ii) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss account on a straight line basis over the lease term.
- iii) Profit on sale and leaseback transactions is recognised over the period of the lease.
- iv) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale period of the lease so as to yield a constant rate of return on the net investment in the lease.
- v) Assets leased out under operating leases are capitalised. Rental income is recognised on a straight line basis over the lease term.
- vi) Initial direct costs relating to the finance lease transactions are charged to Profit and Loss account.

11. SEGMENT ACCOUNTING

The segment accounting policy is in accordance with the policies consistently used in the preparation of financial statements of the company. The basis of reporting is as follows:-

- (a) Revenue and expenses distinctly identifiable to a segment, are recognised in that segment. Identified expenses include direct material, labour, overheads and depreciation on Fixed Assets. Expenses that are identifiable with/ allocable to segments have been considered for determining segment results.

Allocated expenses include support function costs, which are allocated to the segments in proportion of the services rendered by them to each of the business segments. Depreciation on Fixed Assets is allocated to the segments on the basis of their proportionate usage.

- (b) Assets and Liabilities which arise as a result of operating activities of the segment are recognised in that segment. Fixed Assets which are exclusively used by the segment or allocated on a reasonable basis are also included.
- (c) Unallocated assets and liabilities are those which are not attributable or allocable to any of the segments and includes liquid assets like Investments, Bank Deposits and non-attributable Cash and Bank balances.

12. INCOME TAXES

The Current charge for Income Taxes is calculated in accordance with the relevant tax regulations.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates as on the balance sheet date. Deferred tax asset is recognised and carried forward when it is virtually certain that sufficient taxable profits will be available in future against which deferred tax assets can be realised.

13. BORROWING COST

Borrowing cost to the extent related / attributable to the acquisition/construction of qualifying assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Profit & Loss Account.

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 20 - NOTES TO ACCOUNTS

1. A scheme of arrangement under section 391/394 of the Companies Act, 1956 ("the Scheme") approved by the Honourable High Court of Delhi has come into effect on 25th July, 2003 from the appointed date of 1st January, 2003.

Pursuant to the scheme, the Office Automation and Telecommunication Business along with its related assets, liabilities and obligations has been transferred from the company's holding company, HCL Infosystems Limited to the Company at book value for cash consideration.

The scheme has accordingly been given effect to in the accounts in the manner specified in the scheme and in accordance with the various pronouncements issued by The Institute of Chartered Accountants of India and is shown below:

| Particulars | Rs./Lacs | |
|---------------------|-----------------|---|
| | | Office Automation and Telecommunication Business |
| Net Fixed Assets | 280.30 | |
| Investments | 1781.52 | |
| Current Assets | <u>14161.49</u> | 16223.31 |
| Less: | | |
| Loan Funds | 136.91 | |
| Current Liabilities | <u>12051.86</u> | 12188.77 |
| Net Book Value | | 4034.54 |
| Cash Consideration | | 4034.54 |

2. During the year, the Technical Help Desk Business of the company has been transferred to HCL Technologies BPO Limited (Formerly HCL E Serve Technologies Limited) with effect from 1st Jan 2003 pursuant to an agreement of transfer approved by the shareholders for cash consideration, based on valuation done by an independent agency. Prior to the approval of the transfer by the Software Technologies Park of India effective from 31st March, 2003, the business was carried out by the Company on behalf of the buyer. The transfer has accordingly been given effect to in the accounts as below:

| Particulars | Rs./Lacs | |
|----------------------------------|----------|------------------------------|
| | | Technical Help Desk Business |
| Net Fixed Assets | | 117.07 |
| Current Assets, Loans & Advances | | 114.96 |
| Less: | | |
| Current Liabilities & Provisions | | 102.18 |
| Net Book Value | | 129.85 |
| Cash Consideration | | 200.00 |
| Gain on transfer of business | | 70.15 |

3. Estimated value of contracts remaining to be executed on capital account and not provided for (Net of advances) is Rs. 11.66 Lacs (2002 - Rs.27.88 Lacs).

4. Contingent Liabilities:

Claims not acknowledged as debts in respect of sundry claims for Rs.17.12 Lacs (2002 - NIL)

5. Taxation:

- a) In the current year, in accordance with the conditions specified in Accounting Standard - 22 on "Accounting for taxes on income" the company has recognised deferred tax asset on the basis that sufficient future taxable income will be available against which such deferred tax asset can be realised.

Pursuant to Note - 1 above and based on the future business plan, management is confident of having sufficient taxable income in the immediate future to realise the deferred tax asset.

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- b) The significant components and classification of deferred tax asset and liability on account of timing differences are as follows:

| | | Rs./Lacs |
|--|----------------|----------------|
| Deferred tax assets | | |
| Diminution in the value of Investments | 3.65 | |
| Provision for doubtful debts | 13.64 | |
| Deferred Expenditure | 23.04 | |
| Expense accruals | 6.46 | |
| Unabsorbed losses | 2645.63 | |
| | <u>2645.63</u> | <u>2692.42</u> |
| Less:- | | |
| Deferred tax liabilities | | |
| Depreciation | 443.89 | |
| Other Timing Differences | 17.02 | |
| Net deferred tax asset | <u>17.02</u> | <u>460.91</u> |
| | | <u>2231.51</u> |

6. There are no amounts due to Small Scale Industrial Undertakings as on the Balance Sheet date.

7. Quantitative Information

- A. Information in respect of purchase of finished goods and services

| | Nos. | Value (Rs./Lacs) |
|-----------------|--------|---------------------|
| Photocopiers | 3352 | 3872.19 |
| Cellular Phones | 650451 | 32913.61 |
| EPABX Systems | 268 | 1248.85 |
| Others | | 2389.27 |
| | | (297.48) |
| | | <u>40423.92</u> |
| | | <u>(297.48)</u> |

Figures in brackets are in respect of 2002.

Note:

Purchase of finished goods and services includes inventories of Office Automation and Telecommunication Business as on appointed date of Rs.3347.03 lacs acquired under the scheme of arrangement (Schedule 20, Note - 1)

- B. Stocks and Sales:

| Class of Products | Unit | Sales | | Opening Stock | | Closing Stock | |
|-------------------|------|--------|-------------------|---------------|-------------------|---------------|-------------------|
| | | Qty | Value Rs./Lacs | Qty | Value Rs./Lacs | Qty | Value Rs./Lacs |
| Photocopiers | Nos. | 2372 | 3263.16 | NIL | NIL | 980 | 1492.64 |
| Cellular Phones | Nos. | 640374 | 33366.46 | NIL | NIL | 10077 | 855.86 |
| EPABX Systems | Nos. | 138 | 902.29 | NIL | NIL | 130 | 497.06 |
| Others | | | 1450.34 | | 2.61 | | 576.89 |
| | | | (361.78) | | (9.47) | | (2.61) |
| | | | <u>38982.25</u> | | <u>2.61</u> | | <u>3422.45</u> |
| | | | (361.78) | | (9.47) | | (2.61) |

Figures in brackets are in respect of 2002.

8. Value of Imports calculated on CIF basis:

| | 2003 (Rs./Lacs) | 2002 (Rs./Lacs) |
|----------------------|--------------------|--------------------|
| a) Stores and spares | 99.21 | - |
| b) Capital goods | 17.74 | 231.14 |
| c) Traded items | 3232.10 | - |
| | <u>3349.05</u> | <u>231.14</u> |

9. Expenditure in Foreign Currency:

(On actual payment basis)

| | 2003 | 2002 |
|------------------|---------------|--------------|
| a) Travel | 6.06 | 2.72 |
| b) Warranty fees | 17.90 | 16.74 |
| c) Others | 169.32 | 17.69 |
| | <u>193.28</u> | <u>37.15</u> |

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

| | | |
|-------------------------------------|---------------|-----------------|
| 10. Earning in Foreign Currency: | | <u>Rs./Lacs</u> |
| a) Commission | 7.01 | - |
| b) FOB value of exports | 498.31 | 147.82 |
| c) Others (Warranty support income) | 15.62 | - |
| | <u>520.94</u> | <u>147.82</u> |

| | | |
|------------------------------|-------------|-------------|
| 11. Remuneration to Auditor: | | |
| As Auditor | 4.00 | 3.25 |
| <u>In Other Capacity :</u> | | |
| Tax Audit Fee | 0.75 | 0.75 |
| Company Law & Other Matters | 1.50 | 0.50 |
| Out-of-pocket Expenses | 0.25 | 0.19 |
| | <u>6.50</u> | <u>4.69</u> |

12. Pursuant to approval of the shareholders at the extra-ordinary general meeting held on August 26, 2000 for grant of options to the employees of the Company, its holding and subsidiary companies not exceeding 30,00,000 options (each option conferring on the employees a right to get one equity share of Rs. 10/- each at an exercise price), the board has approved offers granting 3,20,500 (2002 - 3,20,500) options at an exercise price of Rs. 10/- each.

The following is the summary of the transactions of stock options during the year:

| | | |
|--|---------------|----------------|
| | <u>2003</u> | <u>2002</u> |
| Options outstanding at the beginning of the year | 245,750 | 320,500 |
| Exercised during the year | - | (1750) |
| Lapsed due to cessation of employment | (156,250) | (73,000) |
| Options outstanding at the end of the year (including 46,500 (2002 - 54,750) options vested as at the end of the year) | <u>89,500</u> | <u>245,750</u> |

13. Miscellaneous expenditure (to the extent not written off or adjusted) which represented pre-operative and certain deferred revenue expenses which was being amortized in accordance with accounting policy referred to in schedule 19 has been fully charged off during the year as management perceives no future benefit arising out of such expenditure. Consequently profit of the company for the current year and miscellaneous expenditure (to the extent not written off or adjusted) is lower by Rs. 83.61 lacs.

14. Leases

Finance Leases

- A. Assets acquired under sale and lease back arrangements comprise of Office equipment. There are no exceptional / restrictive covenants in the lease agreements
- B. The Minimum Lease rentals as on March 31, 2003 and present value of minimum lease payments in respect of assets acquired under finance lease are as follows:

| | | |
|---|------------------------|-----------------|
| | | <u>Rs./Lacs</u> |
| | Minimum Lease Payments | Present Value |
| Not later than one year | 103.23 | 94.61 |
| Later than one year and not later than five years | 95.40 | 70.05 |
| Later than five years | - | - |
| Total | 198.63 | 164.66 |
| Total Minimum Lease Payments as above | | 198.63 |
| Less: Finance costs | | 33.97 |
| Net Present Value | | 164.66 |

C. The Company has given on finance lease certain inventory and assets taken on lease under sale and lease back agreements. These comprise of office equipment. The lease has a primary period, which is fixed and non-cancellable. There are no exceptional / restrictive covenants in the lease agreements.

D. Total future minimum sublease payments expected to be received under non-cancelable sub-leases as at March 31, 2003 – Rs. 245.76 lacs (2002 - NIL)

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- E. The gross investment in the assets given on finance lease as at March 31, 2003 and its present value as at that date are as follows:

| | <u>Gross Investment</u> | <u>Rs./Lacs</u> <u>Present Value</u> |
|---|-------------------------|---|
| Not later than one year | 849.91 | 763.61 |
| Later than one year and not later than five years | 2050.05 | 1221.11 |
| Later than five years | - | - |
| Total | 2899.96 | 1984.72 |
| Gross Investment | | 2899.96 |
| Less: Unearned Finance Income | | 915.24 |
| Net Present Value | | 1984.72 |

Operating Leases

Cancelable Operating Lease

- A. The company has taken various residential / commercial premises under cancelable operating leases. These are normally renewable on expiry.
- B. The rental expense in respect of operating leases was Rs 103.89 lacs (2002 - Rs.34.13 lacs)

Non Cancellable Operating Lease

- A. The company has taken computer systems on non-cancelable operating leases, the future minimum lease payments in respect of which are:

| | <u>Rs./Lacs</u> <u>As at March 31, 2003</u> |
|---|--|
| Not later than one year | 18.00 |
| Later than one year and not later than five years | 22.50 |
| Later than five years | - |
| Total | 40.50 |

- B. Minimum Lease payments recognised in the Profit and Loss Account for the year ended March 31, 2003 was Rs13.50 lacs

15. The accounting policy on leases of acquired business of Office Automation and Telecommunication Business has been aligned to the Company's policy of accounting for leases in accordance with Accounting Standard - 19 for leases entered into on or after 01.04.2001. The consequential impact of Rs. 18.61 lacs till the appointed date (Refer Note - 1 above) has been charged off to the profit and loss account.

16. Disclosure of related parties and related party transactions.

(i) **Ultimate Holding Company:**

HCL Corporation Limited (Formerly Slocum Investment Private Limited).

(ii) **Holding Company:**

HCL Infosystems Limited.

(iii) **List of Parties where control exists/existed:**

Joint Venture:

Asian Age Infinet Private Ltd.

(iv) **Other related parties with whom transactions have taken place during the year and/or balances exist**

Fellow Subsidiaries:

HCL Technologies Ltd and its Subsidiaries, HCL Global Alliance Ltd,

HCL Peripherals Ltd and its Subsidiaries.

Others (where there is significant influence):

HCL Perot Systems Limited, Sri Sivasubramaniya Nadar Educational & Charitable Trust.

(v) **Key Management Personnel**

A) Directors:

Mr. J V Ramamurthy

Mr. Saurav Adhikari

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

B) Other Key Management Personnel:

Mr. D. Mohanty
 Mr. M Ashok Kumar
 Mr. M. Chandrashekhran
 Mr. P. S. Ravishankar
 Mr. P. V. Ramadas
 Mr. R. Mahendran
 Mr. S Murali
 Mr. S. Rajaraman
 Mr. V. Rajendren

All transactions with related parties have been entered into in the normal course of business.

(vi) Summary of Related party disclosures

| (A) Transaction Details | Holding Company | | Fellow Subsidiaries | | Associates and Others | | Key Management Personnel | | (Rs./Lacs) Total | |
|---|--------------------------|--------|---------------------|--------|-----------------------|-------|--------------------------|-------|---------------------|---------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | Sales and related income | 210.29 | | 511.18 | | 7.86 | | | | 729.33 |
| Services | 413.34 | 718.45 | 759.20 | 234.57 | 2.31 | | | | 1174.85 | 953.02 |
| Other income | 7.99 | 5.26 | | | | | | | 7.99 | 5.26 |
| Purchase of goods | 49.32 | 52.48 | 30.29 | 206.62 | | | | | 79.61 | 259.10 |
| Purchase of services | 386.56 | 689.69 | 43.11 | 41.14 | | | | | 429.67 | 730.83 |
| Permanent diminution in value of investments | | | | | 4.18 | 11.00 | | | 4.18 | 11.00 |
| Provision for doubtful advances | | | | | | 6.00 | | | | 6.00 |
| Interest expense | 39.77 | 123.49 | | | | | | | 39.77 | 123.49 |
| Acquisition of Office Automation and Telecommunication Business | 4034.54 | | | | | | | | 4034.54 | |
| Transfer of Technical Help Desk Business | | | 200.00 | | | | | | 200.00 | |
| Asset given on operating lease | | 15.87 | | | | | | | | 15.87 |
| Assets purchased | 43.25 | 67.43 | 0.84 | 13.94 | | | | | 44.09 | 81.37 |
| Assets sold | 10.55 | | | | | | | | 10.55 | |
| Remuneration | | | | | | | 72.60 | 55.80 | 72.60 | 55.80 |
| Reimbursement towards expenditure: | | | | | | | | | | |
| a) Received | 14.00 | 5.22 | 33.61 | | | | | | 47.61 | 5.22 |
| b) Made | 74.54 | 29.53 | 2.97 | | | | | | 77.51 | 29.53 |
| <hr/> | | | | | | | | | | |
| b) Amount due to/ from related parties | Holding Company | | Fellow Subsidiaries | | Associates and Others | | Key Management Personnel | | Total | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Accounts receivables | 69.13 | 79.78 | 388.14 | 65.39 | 7.55 | | | | 464.82 | 145.17 |
| Loans and Advances | 45.43 | 0.81 | 3.70 | | | | 17.48 | 7.05 | 66.61 | 7.86 |
| Creditors | 5957.62 | 979.84 | | 206.81 | | | | | 5957.62 | 1186.65 |
| Other payables | 274.23 | 232.19 | | | | | | | 274.23 | 232.19 |
| Short term loan and advance taken | 113.68 | 648.96 | | | | | | | 113.68 | 648.96 |
| Interest accrued & due | | 13.94 | | | | | | | | 13.94 |
| Issue of optionally convertible bonds | 5369.13 | | | | | | | | 5369.13 | |

17. Segment Reporting

The company recognizes Office Automation and Telecommunication products and services, Networking and Internet related products and services, and Others comprising mainly of Technical Helpdesk operations, as its three primary segments.

- The business of Office Automation and Telecommunication products and services consists of sale of telecommunication products, office equipments products and comprehensive maintenance services relating to these.
- The business of Networking and Internet related products and services consist of Internet access services, Virtual Private Network, other connectivity services and sale of related hardware.
- Others business segment comprises of Technical Help Desk operations representing IT enabled services, which has been transferred as referred to in Note 2 above.

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Segment revenue from transactions with other segments have been effected on the same basis as the Company uses for sale with external customers.

Secondary segmental reporting is based on the geographical location of customers.

| Primary Segments: | | | | | Rs./Lacs |
|-------------------------------------|--|---|---------------|---------------------------|------------------|
| | Office Automation & Telecommunication Business | Networking & Internet related products & services | Others | Inter-segment elimination | Total |
| i) Revenue | | | | | |
| External revenue | 39,054.69 | 2,738.50 | 423.18 | - | 42,216.37 |
| Inter segmental revenue | 83.95 | 25.87 | | (109.82) | - |
| Total Revenue | 39,138.64 | 2,764.37 | 423.18 | (109.82) | 42,216.37 |
| ii) Results | 1,199.96 | (1,896.51) | (6.51) | - | (703.04) |
| Operating Profit | | | | | (703.04) |
| Add:Other income | | | | | 74.19 |
| Add:Profit on transfer of business | | | | | 70.15 |
| Profit/(Loss) Before Interest & Tax | | | | | (558.70) |
| Less : Interest (net) | | | | | 43.29 |
| Profit/(Loss) Before Tax | | | | | (601.99) |
| Less: Deferred Tax credit | | | | | 2,231.51 |
| Profit After Tax | | | | | 1,629.52 |
| iii) Segment Assets | 16,052.55 | 2,830.01 | - | | 18,882.56 |
| Unallocated Corporate Assets | | | | | |
| - Liquid assets | | | | | 5,636.97 |
| - Deferred tax asset(Net) | | | | | 2,231.51 |
| - Advance tax | | | | | 23.96 |
| Total Assets | | | | | 26,775.00 |
| iv) Segment Liabilities | 15,980.91 | 3,150.14 | - | | 19,131.05 |
| Unallocated Corporate Liabilities | | | | | |
| - Current liabilities | | | | | 4,034.54 |
| - Loan funds | | | | | 5,647.47 |
| Total Liabilities | | | | | 28,813.06 |
| v) Capital Expenditure | 283.50 | 188.76 | 118.66 | | 590.92 |
| vi) Depreciation | 18.89 | 628.49 | 34.36 | | 681.74 |
| vii) Other Non Cash Expenses | 79.03 | 18.63 | 8.60 | | 106.26 |

Secondary Segments:

| | India | United States of America | Europe | Rest of the world | Total |
|---|-----------|--------------------------|--------|-------------------|----------|
| (i) Segment Revenue (Based on location of customer) | 41,695.43 | 429.66 | 46.25 | 45.03 | 42216.37 |
| (ii) Segment Assets (Based on location of asset) | 18,800.71 | 76.92 | 4.35 | 0.58 | 18882.56 |
| (iii) Capital Expenditure | 590.92 | | | | 590.92 |

This being the first year of applicability of Accounting Standard - 17 on "Segment Reporting", previous year's figures have not been given.

HCL INFINET LIMITED

SCHEDULE TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

18. Earnings per Share :

The earnings considered in ascertaining the Company's earnings per share comprises net profit/(loss) for the year after tax. Basic earnings per share are computed and disclosed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year, except when results will be anti-dilutive.

| | Year ended 31 st March, 2003 | Year ended 31 st March, 2002 |
|---|--|--|
| Weighted average number of shares outstanding | 1,95,06,757 | 1,95,05,458 |
| Profit/(Loss) for the year (Rs./Lacs) | 1629.52 | (3558.07) |
| Basic Earnings per share (Rs.) | 8.35 | (18.24) |

| | Year ended 31 st March, 2003 |
|---|--|
| Profit/(Loss) for the year (Rs./Lacs) (A) | 1629.52 |
| No. of shares considered as basic weighted average shares outstanding | 1,95,06,757 |
| Add: Effect of dilutive issue of stock options to be converted (weighted average) | 2,05,120 |
| Add: Effect of potential interest free optionally Convertible bonds (weighted average) | 2,12,94,980 |
| Number of shares considered as weighted average shares and potential shares outstanding (B) | 4,10,06,857 |
| Diluted Earnings per share (Rs.) [(A)/(B)] | 3.97 |

19. Asian Age Infinet Private Limited (a joint venture between HCL Infinet Limited and Asian Age Holdings Limited) has ceased all operations as on 30th June, 2002 and had applied to Registrar of Companies under section 560 of the Companies Act, 1956 for its name to be struck down from the records. Intimation dated 24th February, 2003 has been received from Registrar of Companies approving the dissolution of the company with effect from 24th May, 2003. All losses of the joint venture has been absorbed on proportionate basis by the joint venture partners.

20. Disclosure as per clause 32 of the listing agreement of HCL Infosystems Limited, the holding Company:

- a) No loans and advances in the nature of loans have been given during the year to any subsidiary, associate or firms/ Companies in which the directors are interested.
- b) Loans to employees (including Directors) under various schemes of the Company have been considered to be outside the purview of disclosure requirements.

21. Previous year's figures have been regrouped / recasted, where necessary, to conform to current year's presentation. The current year's figures are not comparable with the previous year to the extent of acquisition of Office Automation and Telecommunication business and transfer of Technical Help Desk business.

HCL INFINET LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details

Registration No.

1 0 3 5 9 9

State Code

5 5

Balance Sheet Date

3 1 0 3 2 0 0 3
D D M M Y Y Y Y

Capital Raised During the Year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Sources of Funds

Total Liabilities

0 0 3 0 7 6 3 7 4

Total Assets

0 0 2 6 7 7 5 0 0

Paid-up Capital

0 0 0 1 9 5 0 6 8

Reserves and Surplus

N I L

Secured Loans

N I L

Unsecured Loans

0 0 0 5 6 4 7 4 7

Application of Funds

Net Fixed Assets

0 0 0 1 8 6 1 1 6

Investments

0 0 0 4 1 6 9 4 7

Net Current Assets

- 4 6 5 2 7 3

Misc. Expenditure

N I L

Accumulated Losses

0 0 0 3 9 8 8 7 4

Performance of Company

Turnover

0 0 4 2 3 6 0 7 1

Total Expenditure

0 0 4 2 9 6 2 7 0

(Please tick Appropriate box

Profit/ Loss before Tax

- 6 0 1 9 9

Profit/ Loss After Tax

0 0 0 1 6 2 9 5 2

+ for Profit, - for Loss)

Earning Per Share in Rs.

8 . 3 5

Dividend Rate (%)

- -

Generic Name of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No. (ITC Code)

8 5 2 5 0 0

Product Description

T E L E C O M M U N I C A T I O N P R O D U C T S

Item Code No. (ITC Code)

9 0 0 9 0 0

Product Description

O F F I C E A U T O M A T I O N P R O D U C T S

Item Code No. (ITC Code)

N O T A P P L I C A B L E

Product Description

I N T E R N E T S E R V I C E S P R O V I D E R