ANNUAL REPORT
2007-2008

PIONEERING PRODUCT INNOVATION

DELIVERING BEST PRACTICES IN SYSTEM INTEGRATION

CREATING MARKETS & EXPANDING GEOGRAPHIES

HCL INFOSYSTEMS LTD.

CONTENTS

Dear Stakeholder,

We live in a world of opportunities and challenges. We are seeing a resurgent India, an India that is on a growth curve. In this era of immense possibilities, your company HCL Infosystems is uniquely positioned to address the opportunities that are being thrown up.

Today, ICT has become a core infrastructure that is critical to the functioning of businesses and governance. We are witnessing an era of convergence in the ICT infrastructure backbone that organisations are setting up to keep all parts of the business connected, to increase productivity levels, and provide information and intelligence "on tap".

We are also witnessing the convergence of "adjacent technologies" into the core ICT infrastructure with emergence of concepts like integrated security & surveillance solutions, mobile workforce automation solutions, electronic payment gateways, integrated command and control systems, integration of shop floor equipments with centralised MIS etc.

With over three decades of domain expertise in these core technology fields, your company is transforming itself into a powerful system integration & services company. We are gaining momentum especially through our System Integration business while we continue our focus on being pioneers in the Indian ICT products and solutions arena.

Your company continues to be the torchbearer, being the first to bring products based on the power of new technology to Indian consumers. Your company was the first in India and among the first few globally to launch the new product category called the ultra portable laptop, a product that brings to consumers true computing experience while on the move.

The growth and success of any organisation rests on the strong foundation of its people. Your company has built one of the largest multi-technology talent pools in the ICT industry, and has nurtured a mature home grown management team to lead your company to new heights.

Our initiatives in the area of ICT Training, Education and Retail that we took last year received encouraging response and we can proudly say that these are trend setters in the industry and are poised to take your company to new frontiers.

I am proud to state that your company has also taken a leadership position in offering environment friendly products to consumers. HCL laptops, desktops & servers are RoHS compliant and your company has a comprehensive WEEE policy to encourage safe disposal of e-waste.

This year we once again take ahead our brand campaign "Technology that touches lives"; technology that makes a difference to the world we live in. It is our commitment to bring the best value in technology to Indian customers, to deepen the penetration of ICT in our country and do our bit in bridging the digital divide.

I would like to thank you, fellow stakeholders, for your interest and constant support in HCL's progress and the faith you have reposed in the future of your company.

With warm regards,

Ajai Chowdhry

CORPORATE INFORMATION

BOARD OF DIRECTORS	**Chairman & Chief Executive Officer** Ajai Chowdhry **Whole-time Director & Chief Operating Officer** J.V. Ramamurthy **Directors** S. Bhattacharya D.S. Puri R.P. Khosla E.A. Kshirsagar Anita Ramachandran T.S. Purushothaman Narasimhan Jegadeesh V.N. Koura
CHIEF FINANCIAL OFFICER	Sandeep Kanwar
COMPANY SECRETARY	Sushil Kumar Jain
AUDITORS	Price Waterhouse, Gurgaon
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 The Hongkong and Shanghai Banking Corporation Limited
REGISTERED OFFICE	806, Siddharth, 96, Nehru Place, New Delhi - 110 019.
CORPORATE OFFICE	E - 4, 5, 6, Sector XI, Noida - 201 301 (U.P.)
WORKS	• R.S. Nos: 34/4 to 34/7 and part of 34/1, Sedarapet, Puducherry - 605 111. • R.S. Nos: 107/5, 6 & 7, Main Road, Sedarapet, Puducherry - 605 111. • Plot No 78, South Phase, Ambattur Industrial Estate, Chennai - 600 058. • Plot No SPL. A2, Thattanchavadi, Industrial Area, Puducherry - 605 009. • Plot Nos. 1, 2, 27 & 28, Sector 5, 11E, Rudrapur, Distt. - Udham Singh Nagar, Uttarakhand - 263 145.

FIVE YEAR FINANCIAL OVERVIEW

Revenue and Profitability (Consolidated)

Rs/Crores

YEAR ENDED JUNE 30	**2008**		2007	2006	2005	2004
Total Revenue	**12605**		11855	11455	7787	4412
PBIDT	**489**		454	396	308	238
Interest	**40**		10	(1)	(3)	9
Depreciation	**19**		15	12	15	18
Profit before Tax	**430**		429	385	296	211
Provision for Tax	**130**		113	105	68	36
Profit after Tax (PAT)	**300**		316	280	228	175
Profit available for Appropriation	**904**		792	640	491	352
Equity Dividend	**137**		135	135	103	68
Basic Earning Per Share (Rs.)*	**17.6**		18.7	16.7	13.7	10.9
PBIDT (%)	**4%**		4%	3%	4%	5%
Profit before Tax/Revenue (%)	**3%**		4%	3%	4%	5%
Return on Net worth (%)	**30%**		37%	40%	41%	41%
Return on Capital Employed (%) #	**34%**		40%	48%	46%	44%
Equity Dividend (%)	**400%**	**	400%	400%	310%	210%

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

**** Includes interim dividends aggregating to 300% and proposed final dividend of 100% amounting to Rs. 103 Crores and Rs. 34 Crores respectively**

 # Calculated on "PBIT"

Assets and Liabilities (Consolidated)

Rs./Crores

AS AT JUNE 30	**2008**	2007	2006	2005	2004
Sources of Funds					
Equity Funds	**34**	34	34	33	33
Reserves and Surplus	**982**	826	664	521	390
Loan Funds	**354**	236	84	82	72
Deferred Tax Liabilities (Net)	**7**	12	11	7	5
Total	**1377**	1108	793	643	500
Application of Funds					
Net block	**170**	151	98	76	66
Investments	**215**	272	295	143	219
Current Assets	**2704**	2160	1543	1287	912
Current Liabilities	**1712**	1475	1143	863	697
Net Current Assets	**992**	685	400	424	215
Total	**1377**	1108	793	643	500

OVERVIEW

India is poised to see strong growth in years to come, veiling the current volatile market trends and inflation worries. Large investments are planned across various sectors by private, PSU and government initiatives.

BUSINESS OUTLOOK

This year, IT industry is expected to grow by 20% over 2007, as per IDC, which is amongst the highest rates of growth in the world. With employment to 2.13 crore households already in place, the National e-Governance Plan (NEGP) is surging ahead with investments of Rs. 23,000 crores planned for initial five years, for identified core projects.

The current technology trends in ICT point to increasing convergence of data, voice and networks, so that different devices can be networked/managed onsite and remotely. A computer at the heart of every ICT solution is clearly the emerging trend and is likely to follow for years ahead. Evolving on the media front, India is becoming a hub for creativity and animation. With an anticipated demand of Rs. 2200 crores of broadcasting equipment by 2011, the country is anticipated to ride on the digitisation wave, in all aspects encompassing content creation, broadcasting etc.

The power sector reforms are focusing on rural electrification, substation automation and management of both demand and supply sides through smart metering and audits. India is progressively joining the world forces in adapting to Green practices and energy conservation. The services sector too is bound to accelerate in providing last mile connectivity through Broadband Penetration, Roll Out and Value Added Services.

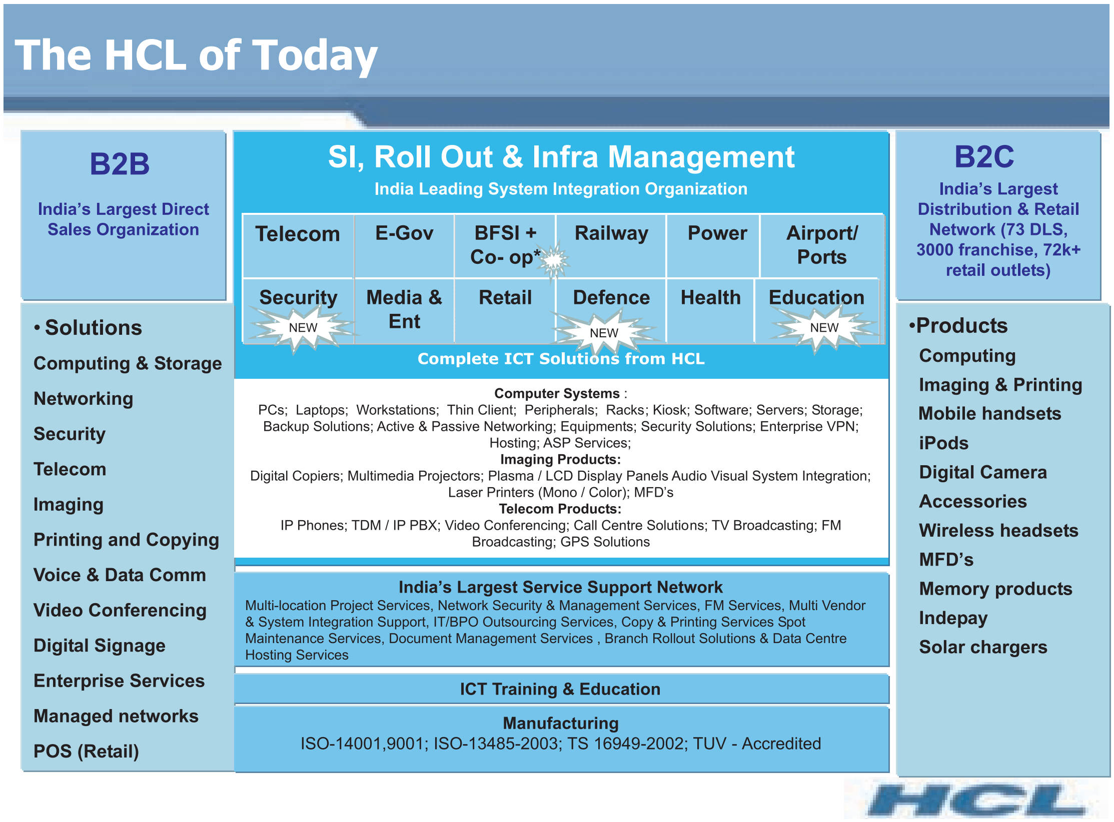
Infrastructure will continue to pave the way for developing India on a faster scale and investments are planned in several areas, e.g. modernisation of Airports with the latest ICT equipments being deployed for security and vigilance, baggage clearance, flight arrival and departure systems, passenger and luggage check in systems. The Ministry of Railways has formally announced the plans for technology upgradation in railways in areas like passenger information system, automatic train controls, and signalling etc.

Today, IT has gained an active role in the industry functioning rather than just being the facilitator. It is playing much larger roles in economic reforms and financial inclusion across the country. For BFSI Institutions, IT not only enables them to understand their customer's needs and service them better, but also to automate operations and strengthen systems. Healthcare industry has now embarked upon technology in areas like digitisation of patient records and medical history, hospital information systems, picture archival and control systems and tele-medicine.

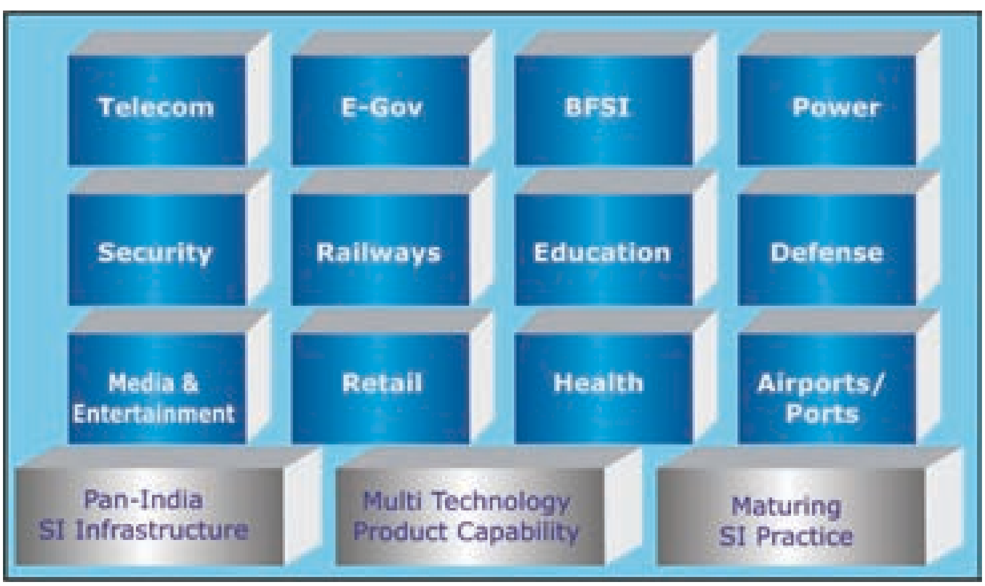
With consumers enjoying higher purchasing power and lifestyle preferences, these investments are creating opportunities for technology equipments, digital lifestyle products and system integration.

THE HCL OF TODAY

HCL over its three decades of leadership in the Indian ICT Market has set new benchmarks and has created newer markets. What began as a dream to build computers for the Indian market around the then newly emerging technology of microprocessor, HCL today is India's premier information enabling and country's leading ICT system integrator and Distribution Company.



HCL's strong foundation is in its ability to understand technology & its investment of quality time in building customer and partner relationships for over three decades. HCL is today an organisation that offers the full spectrum of Information, office automation, technology products and services to its customers. HCL has been consistently ranked as a market leader in India for various product categories both its own and those of its partners. The Company over the last three decades has built the countries largest multi-technology ICT product Service Network with a direct presence in over 360 locations across the country and an equally strong franchisee service network. Further HCL is today India's largest vertically integrated ICT manufacturing house with its State-of the-Art manufacturing facilities at Rudrapur, Chennai and Puducherry.



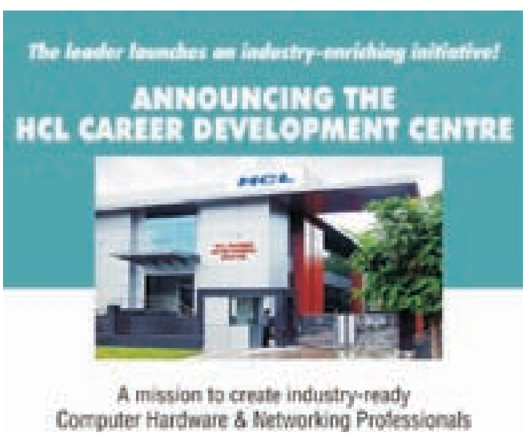
HCL is leveraging its core ICT competency to harness new opportunities in India. The company has taken a number of new initiatives to strengthen its presence in the previous years newly identified SI verticals. Today, HCL is a leading System Integrator in the country. HCL's system integration and services initiatives saw the Company winning and executing projects in a number of new solutions areas across sectors like telecom, eGovernance, BFSI, power, airports and health.

HCL has developed matured SI capabilities & practices and has delivered to its credit some of the most prestigious large SI projects in the country. HCL has exhibited enterprise in eGovernance vertical with setting up of the state vide area network at the block level as the backbone infrastructure for the state government.

HCL has also executed the setting up of operations & command centre for the country's four major airports. HCL has demonstrated time and again its core capabilities to execute large scale ICT projects in the fields of defence, BFSI, power, telecom, Infrastructure, eGovernance and so on.

In order to strengthen its BFSI System Integration Portfolio, the Company this year acquired a niche Banking Software Product Company. This year, HCL also bagged an international SI contact from Government of India, where HCL will implement IT Infrastructure for prestigious Pan-African e-Network project for tele-education & tele-medicine, also connecting heads-of-the-states of 53 African countries through data, voice and video.

With the emergence of digital lifestyle products as a new market over the last decade, HCL has built India's largest distribution and retail chain for such products. On a network of 73 HCL Digilife stores, over 3000 franchisees and more than 100,000 retail outlets in more than 5000 towns and cities of India, HCL has by far the largest value added distribution network in India and it has built up partnership with leading brands such as Apple, Kodak, Toshiba, Nokia, Microsoft, Konica Minolta among others.



HCL Digilife stores, a unique concept in our country, are a one-stop window for ICT consumers to experience a comprehensive range of digital lifestyle products, including Notebooks, PC's, digital cameras, MP3 players, mobile phones, LCD's, Plasma TV's and related accessories.

This unique concept of HCL Digilife stores has become the most awarded retail chain in year 2007-08 after winning six prestigious retail awards from renowned retail industry bodies.

HCL has always had strong internal training systems in place and had created hardware, software and networking professionals over the years. Previous year marked HCL's foray in to high-end **ICT Education & Training** with the launch of HCL Career Development Centers across India. With an objective to meet the increasing demand for skilled professionals, HCL CDCs impart students' real world practical training on enterprise-wide ICT deployment and integration assignments to transform them into industry-ready professionals.

HCL has seen a very encouraging response to this initiative and today, there are HCL CDCs across the country offering specially designed courses in high-end infrastructure hardware, software, and middleware and networking integration

Computer Systems and Related Services

In terms of total commercial desktop PC shipments, HCL yet again leads the market for the financial year 2007-08.

HCL also introduced several new models of desktops and notebooks; India's first notebook with Prism engraved design, notebooks with 250 GB storage.

HCL added a unique technology of 1 GB Turbo memory, in its laptops, which results in more battery life, quicker boot time and unmatched performance. The Company also unveiled a range of leaptop accessories, like HCL Leaptop shines, car and USB chargers, Mouse phones, USB TV turners and mobile printers.

HCL also introduced The HCL WINBee Thin Client that maximizes the performance and in-turn the organizations profitability while providing utmost economy. The Thin Client makes it easy for IT administration and technology migrations, since it is customized to the application it is used for. Its power consumption is very low. Being as secured and robust as it is, it offers better management tools for all business computing networks. HCL WINBee Thin Clients are the pioneers in the Indian Market and have bagged the "Best Thin Client Technology Provider" Award from VARIndia for 3 consequent years.

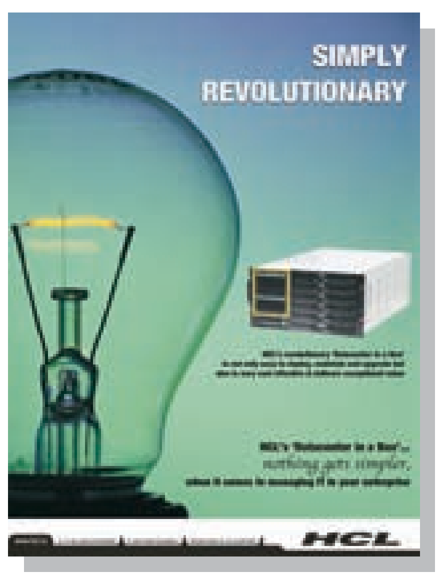
HCL has retained its position as a premier provider of 360 degree ICT solutions to enterprises in India. Keeping with its commitment to bring the latest in computing technologies from across the world, HCL has tied up with various partners to deliver state of the art products and total solutions to its customers.


HCL leaptops into history

Launches no-frills ultra-portable laptop for below Rs 14,000

In January 2008, HCL introduced the next generation, ultra portable, sub Rs. 14K laptops for the first time in India. The new range of Leaptops are sleek and light weight, yet offers a full PC functionality with true internet experience, heralding in a new product category which holds the promise of being the future of personal mobile computing.

Taking forward its offerings for the market for rack server, HCL introduced innovative products like 'The New Data Centre in a box' solution based on latest Xeon and Quad Core technology. HCL also unveiled its new Quad-Socket HCL High-End Enterprise server IGL 4700 FC based on Intel's latest 7300 series of Quad core Xeon MP Processors. The new server packs extreme performance in a dense package, with 16 computing cores in a mere 7-inch (4U) form factor that delivers significantly higher performance.



Designing and launching the computing solutions, customised as per the domestic market requirements, continues to be the Company's strength. Among these solutions is the launch of Professional Workstation 2008 Series for MCAD and DCC Professionals. Based on New Intel Platform, Core Micro architecture Processors and next generation Nvidia Quadro FX370, the new workstation takes application performance to new levels by featuring industry's first unified architecture. The workstation is specifically designed and targeted towards professionals in the field of digital content creation, Mechanical computer aided design.

HCL products are customised for various user verticals which are being manufactured and tested specially for Indian conditions. HCL's multi-technology, multi product offering to customers ensures that they have the convenience and benefit of sourcing their IT products and solutions from a single source. Also, HCL's ability to roll out services through its direct support infrastructure across the country saw it win, support and maintain large IT contracts. HCL products come with the HCL 'Best-Assured' seal that assures customers that only new, original and highest quality parts and components have been used in the manufacturing.

The strengths of the company are Pan India support network, technology leadership, trusted vendors & customers, differentiation and innovation in products.

Threat to the Company is Indian market gaining priority focus for Global Vendors.

Telecommunication and Office Automation Products

During the year under review, HCL has further consolidated its position in the distribution of Nokia Cellular Phones & Digital Lifestyle products. India will be entering a second phase of growth with the mobile market beginning to reach into rural India. The mobile market has already grown to be the second largest in the world in terms of subscribers after China, having overtaken USA with 261mn subscribers at the end of March 2008. Over the next five years, BMI forecasts an average annual growth rate of over 30% so that, by the end of 2012, there should be 620mn mobile subscribers in India, representing 51.5% penetration. 3G licensing is expected in 2008, and there could be as many as 5mn 3G subscribers by the end of 2008, with this figure set to grow to 71.5mn by the end of 2012, which would mean 11.5% of all mobile subscribers connected to 3G networks. Another significant growth area in India¹s telecom market is the use of WiMAX and it is estimated by that there could be as many as 12mn users by the end of 2012.

HCL has plans to do aggressive portfolio additions in memory products, navigation devices and IT accessories. HCL is also looking at getting into tie-ups with players in the field of Gaming consoles, Alternative Power and Content & Services.

On the imaging products, HCL has retained its leadership position in sales of Digital multi-function products and Multimedia projectors. HCL has consolidated its presence in color and high end MFDs, resulting in a growth of 110%, while achieving 60% growth in business volume for networked MFDs. The robust growth in print services area has helped the company to progressively promote "Print Services" as solutions to various government departments, PSUs and Multinationals. HCL is now focusing on growing transactional and security printing areas and has taken steps to address the color graphics segment.

In the Audio Visual System Integration segment, HCL has significantly contributed to government education initiatives and also won several deals from MNC clients as well. HCL is now focusing on creating solutions in allied areas like e-classroom and high end digital signage solutions. Several new tie-ups have been firmed up to offer solutions in the transactional and security printing areas.

HCL with its insatiable desire to provide world class product and services to every person in the country will continue to expand its Office Automation (OA) channel strength. HCL anticipates increasing the channel strength by more than 50% OA products in this fiscal. HCL has enhanced its solutions offering in specialized segments like homeland security, education and fleet management. HCL has explored opportunities in the SME market by bundling SIP based PBX with SIP IP phones to widened its offerings in the telecommunication domain with IP based Voice and Video conferencing solutions. HCL will also target hospitality verticals and green field customers for end to end voice and data solutions. HCL has also established its presence in the area of Media and Entertainment during this period.

Internet and related services

The Company's subsidiary, HCL Infinet offers a complete range of network solutions like Virtual Private Network, Internet, Network Management Services, Data Centre and Co-location Services and Value Added Services like Internet Telephony and Enterprise Mailing Solutions. With multi-homing, fully redundant, carrier agnostic backbone the company has created a reliable network infrastructure which is trusted by customers for supporting critical applications.

Looking at the market potential, HCL Infinet has planned manifold increase of its Pan India POP infrastructure. After expansion, HCL Infinet aims to have direct presence in over 860 locations in the Network Services market across India. The first phase of expansion has started covering over 300 business potential towns of the country. This will help HCL Infinet to arrive at an average last mile distance and increase its wireless penetration across India

QUALITY INITIATIVES

During the year, there have been several initiatives taken by the Company on the quality front. HCL has scored very well on '**customer satisfaction'** in our annual survey this year with an overall high score in Product Quality, Support Services, Sales & Marketing and Delivery & Order fulfillment. The "Loyalty" figure attained in the survey is the highest recorded so far, indicating preference for repeat purchase by customers to be "Very likely" for HCL Products & Support Services.

The Customer Satisfaction initiatives in the year 2007-08 for HCL have been excellent and eventful. HCL moved up to number 2 position in IT Services rating of DQ-IDC CSA 2008, scoring highest points in Technical expertise of service provider as well as Sales & Marketing and Pre-contract Stage.

Your company launched the Enterprise Response Centre for providing remote support services and managed support services; customers now experience quicker response and resolution to their service requests. It also enabled your Company to utilise its very highly skilled resources better by consolidating them at "Centers of Excellence", resulting in improved productivity and accessibility to customers. Your company has received appreciation from many customers for this new initiative.

On the manufacturing front, the Puducherry Manufacturing Operations and Uttarakhand Manufacturing Operations have undergone and successfully completed the Audit for Quality Management Systems (ISO 9001 – 2001) and Environment Management Systems (EMS 14001-2004).

This year HCL has won the Elcina – Dun & Bradstreet Quality award for the Product quality and "Certificate of Merit" for Environment Management.

HCL has achieved ISO 27001:2005 security certification for the HCL Data Centre located at Noida. Further, the HCL Career Development Centre business vertical and the Enterprise Software Solutions were ISO 9001:2000 certified this year.

RISKS & CONCERNS AND RISK MITIGATION

As part of HCL's risk mitigation policy, the Company has a process of tracking business risk in all areas of operation. The top management of the Company takes periodic reviews under the business and environment risk analysis reporting by the respective business heads.

The growing success of ICT industry is in its ability to evolve and offer new technology that delivers better efficiency to businesses. At the same time technology obsolescence is a key risk in ICT industry & therefore strong inventory control mechanism and road map tracking of all technology vendors are undertaken by the Company.

With the switching costs at the end of the product life cycles, consumers tend to evaluate new products in the market. Hence constant innovations and newer offerings by HCL bridge this technology gap. Market trend analysis indicates shift of consumer preferences in PC market from desktops to laptops, the Company has taken proactive steps to initiate risk by introducing HCL Leaptops, now the youngest & fastest growing brand in the country.

On the distribution front HCL enjoys an enhanced diversified portfolio of world class brands, that enjoy the extensive Pan India reach created by the Company.

With the paradigm shift towards the small form factor PCs, HCL was the first to introduce its ultra portable range of leaptops called as HCL Mileap. Attrition is one of the major risks which organisations are facing today. And also with the increasing demand and limited availability of specialized & adroit workforce for the ICT domain, identifying, recruiting and retaining this talent is vital. HCL has strong HR policies that attracts and retain best of industry talent and also imparts training through knowledge portals to enhance the skill set of the employees. HCL has implemented ISO 9000 certified processes for recording & archiving of information that ensures business continuity planning.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has in place adequate systems for internal control that are commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use or losses, executing transactions with proper authorisation and ensuring compliance of corporate polices.

The company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down.

The Internal audit is based on an Audit Plan, which is reviewed each year in consultation with the Audit Committee. The Internal Audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operations such as accounting and finance, procurement, employee engagement, travel, insurance, IT processes, safeguarding of assets and their protection against unauthorised use, among others.

The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews reports submitted by the Internal Auditors. Suggestions for improvement are considered by the Management and the Audit Committee follows up on the implementation of corrective actions.

HUMAN RESOURCE DEVELOPMENT

The employee strength has increased from 5082 in 2007 to 5753 in 2008. HR initiatives have been aligned to support the transformation and growth of the business through strong and innovative People Practices, Policies, Systems and Processes, that empower and engage people.

People initiatives include streamlining of the internal Leadership Development Process coupled with effective recruitment and performance management, sustained by more clear and transparent employee communication.

Talent engagement activities continue to strengthen the bonds within the HCL family through regular get togethers, shared celebration of all festivals, unified employee campaigns towards Healthy living, Environment Conservation and various Social causes.

We continue to promote Indian traditions and recognise talent in diverse areas, through the much acclaimed HCL Concert Series-a tribute to excellence in human endeavour.

Internal Employee Engagement Survey results have indicated an anticipated rise in the engagement scores in comparison to previous years, along with a higher response rate with 73% of all employees participating in the survey.

External surveys by IDC–Dataquest & BT–TNS Mercer have both ranked the company amongst the Best Employers of 2007.

DISCLAIMER

Certain statements made in this report relating to the Company's objectives, projections, outlook, estimates, etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such estimates or projections etc., whether expressed or implied. Several factors including but not limited to economic conditions affecting demand and supply, government regulations and taxation, input prices, exchange rate fluctuation, etc., over which the Company does not have any direct control, could make a significant difference to the Company operations. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on any forward looking statements. The MD&A should be read in conjunction with the Company's financial statements included herein and the notes thereto. Information provided in this MD&A pertains to HCL Infosystems Limited and its subsidiaries on a consolidated basis, unless otherwise stated.

CONSOLIDATED FINANCIAL PERFORMANCE

The Management's Discussion and Analysis on Financial Statements and Segment Performance given below should be read in conjunction with the Financial Statements and related notes for the year ended June 30, 2008.

RESULTS OF OPERATIONS (Rs. crores)

	Financial Year ended	
	2007-2008	**2006-2007**
Gross Business Income	**12605**	**11855**
Net Business Income	12447	11672
Cost of Sales	11393	10796
Gross Profit	1054	876
Operating Expenses	607	471
Depreciation	19	15
Operating Profit	**428**	**389**
Other Income	42	50
Finance Costs (net)	40	11
Profit Before Tax	430	429
Tax Expense	130	113
Profit After Tax	**300**	**316**

QUARTERLY HIGHLIGHTS (Rs. crores)

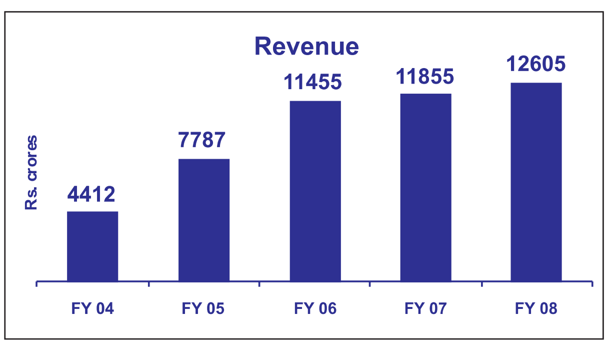
	Financial Year ended 2007-2008			
	Q1	**Q2**	**Q3**	**Q4**
Gross Business Income	**3127**	**3306**	**3017**	**3155**
Net Business Income	3087	3265	2980	3115
Cost of Sales	2843	2996	2701	2853
Gross Profit	244	269	279	262
Operating Expenses	141	156	155	155
Depreciation	4	5	5	5
Operating Profit	**99**	**108**	**119**	**102**
Other Income	14	18	5	5
Finance Costs (net)	8	10	11	11
Profit Before Tax	105	116	113	96
Tax Expense	33	34	32	31
Profit After Tax	**72**	**82**	**81**	**65**

Gross Business Income

Consolidated Revenue for the year grew by 6% to Rs. 12605 crores in financial year ended 2008 from Rs. 11855 crores in financial year ended 2007.

Services revenue grew by 35% from Rs. 360 crores to Rs. 485 crores in the current year.

The Compounded Annual Growth Rate (CAGR) for the preceding five years is 30%.



Gross Margins

Gross margins for the current year grew to Rs. 1054 crores (8.4% of sales) from Rs. 876 crores (7.4% of sales) in the previous year.

Operating Expenses

a) Personnel Costs

During the financial year ended 2008, personnel costs increased to Rs. 301 crores as compared to Rs. 227 crores in financial year ended 2007.

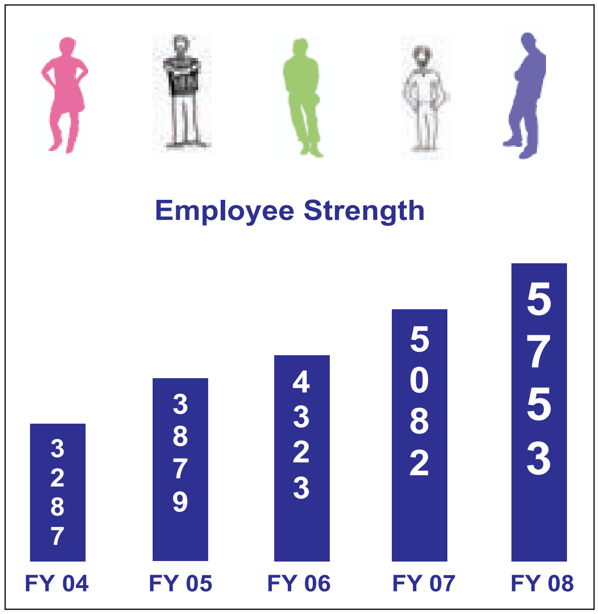
Employee costs as a percentage to sales increased from 1.9% to 2.4% in current financial year. This is due to increase in headcount and annual appraisals.

The increase in manpower is primarily to cater to the growing SI business, Services and New Initiatives.

b) Administration, Selling, Distribution, Repairs and Other Expenses

These mainly include freight, advertisement & business promotion, communication, travel, rent, repairs and other expenses.

During the financial year ended 2008, expenses increased to Rs. 306 crores as compared to Rs. 244 crores in financial year ended 2007.



The increase over last financial year ended 2007 is primarily for advertising & business promotion, freight and travel.

Operating Profit

Operating profit grew to Rs. 428 crores for financial year ended 2008 as compared to Rs. 389 crores for financial year ended 2007.

Other Income

Other income mainly includes investment income, exchange fluctuation gains and miscellaneous incomes.

Other income for the current year is Rs. 42 crores as compared to Rs. 50 crores in financial year ended 2007.

Exchange Fluctuation Gains

During the financial year ended 2008, the Rupee: USD rate showed considerable volatility.

Exchange Fluctuation Gains included in other income for the current year are Rs. 2 crores as against Rs. 19 crores in the last financial year.

Finance Costs (Net)

This mainly includes interest on borrowings, interest on import credits and interest income on lease rentals.

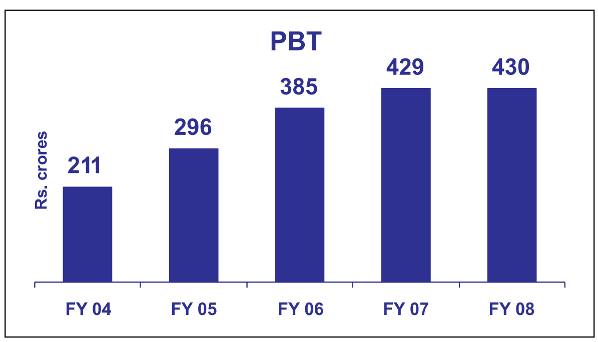
Finance costs (net) are Rs. 40 crores in the financial year ended 2008 as compared to Rs. 11 crores in financial year ended 2007.

The increase in finance cost is primarily due to increased borrowings for System Integration business and increased interest rate scenario.

Profit Before Tax

Profit before tax is Rs. 430 crores for financial year ended 2008.

The Compounded Annual Growth Rate (CAGR) for five preceding years is 19%.



Tax Expense

The provision for current tax, fringe benefit tax and deferred tax for the year is Rs. 130 crores.

Effective Tax rate for the year is 29% as compared to 25% in the previous year. This is due to:

- One of the manufacturing facilities completed 5 years of production and moved to a higher incidence of tax under section 80 IB.

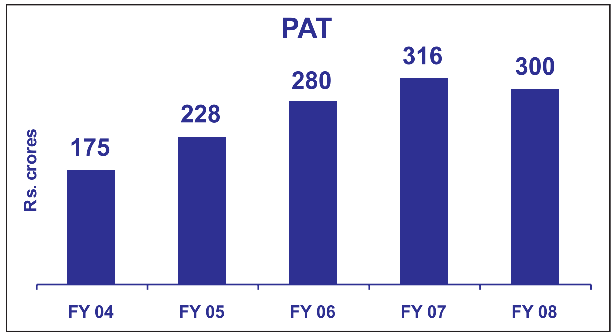
- Growth in System Integration business, which is primarily executed from full tax zone.

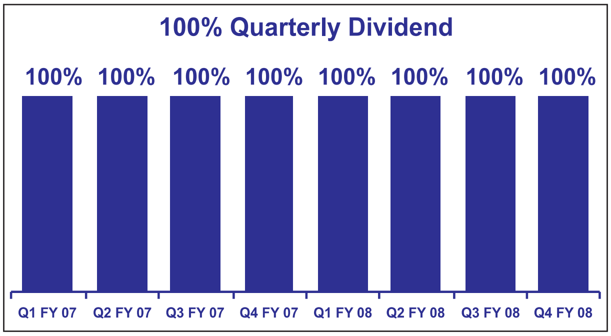
Profit After Tax

Profit after Tax for financial year ended 2008 is Rs. 300 crores.

Earnings Per Share

In 2008, Basic EPS is Rs. 17.6 and Diluted EPS is Rs. 17.4.





Dividend

The Board recommends a final dividend of Rs. 2 per share (100% per fully paid up equity share) to shareholders. This will be paid, subject to shareholders approval on October 24, 2008.

When combined with interim dividends of Rs. 6 per share, total dividend paid & proposed for 2008 is Rs. 8 per share (400% per fully paid up equity share), amounting to Rs. 160 crores including dividend distribution tax.

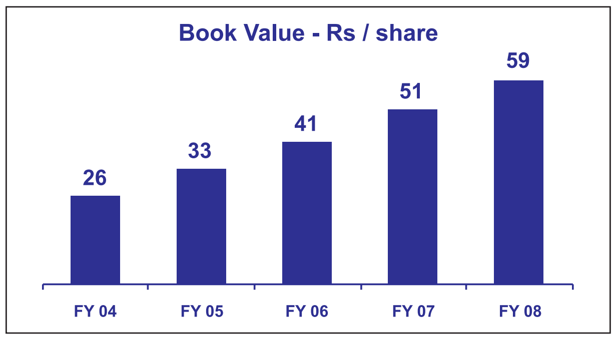
FINANCIAL CONDITIONS

Net Worth / Shareholders Fund

Net Worth grew from Rs 860 crores as at previous year-end to Rs. 1016 crores as at June 30, 2008.

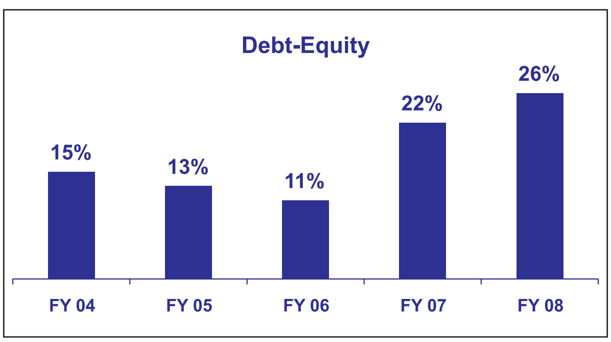
Paid up capital as at June 30, 2008 is Rs. 34.2 crores comprising of 17.1 crores equity shares of Rs. 2/- each.

Reserves & Surplus are Rs. 982 crores at the current year-end after appropriating Rs. 160 crores for three quarterly interim and final dividends.



The company has two Employee Stock Option Schemes namely Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005.

20 lakh equity shares were allotted under the Employee Stock Option Schemes during the current financial year.



Borrowings

Loan Funds as on June 30, 2008 increased to Rs. 355 crores from Rs. 236 crores as on June 30, 2007, primarily for deployment in System Integration business.

The Debt-Equity [Debt/(Debt+Equity)] is 26%.

Fixed Assets

Net block as at June 30, 2008 grew to Rs.170 crores from Rs. 151 crores as at June 30, 2007.

The capital expenditure in 2008 mainly related to investment in the office premises and infrastructure.

Inventories

Inventories as at June 30, 2008 are Rs. 899 crores as compared to Rs. 792 crores as at June 30, 2007.

Inventory turnover on sales in the current financial year is 14 times as against 15 times in previous year.

Debtors

Debtors as at June 30, 2008 are Rs. 1248 crores as against Rs. 1005 crores as at June 30, 2007.

Debtors as number of days of sales is 36 days as on June 30, 2008 as compared to 31 days as on June 30, 2007.

Liquid Assets

As on June 30, 2008, company's liquid assets are Rs. 216 crores as against Rs. 288 crores as on June 30, 2007.

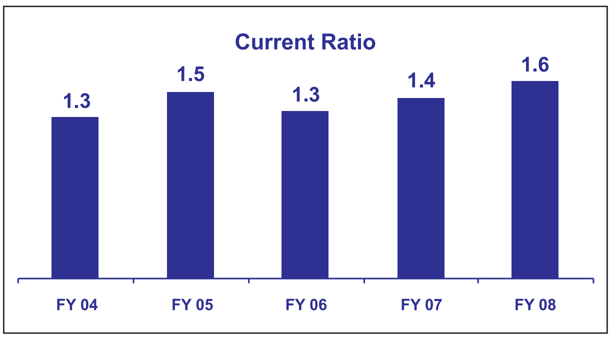
Cash in hand and balances with bank in collection / disbursement accounts (other than liquid assets) totalled to Rs. 319 crores as compared to Rs. 198 crores as at June 30, 2007.

Other Current Assets

Other current assets as at June 30, 2008 totalled Rs. 239 crores as against Rs. 166 crores as at June 30, 2007. The increase is primarily in prepaid expenses and unbilled revenue.

Current Liabilities & Provisions

On June 30, 2008, company had current liabilities and provisions of Rs. 1712 crores as against Rs. 1475 crores as on June 30, 2007. The increase is primarily due to increase in vendor liability.



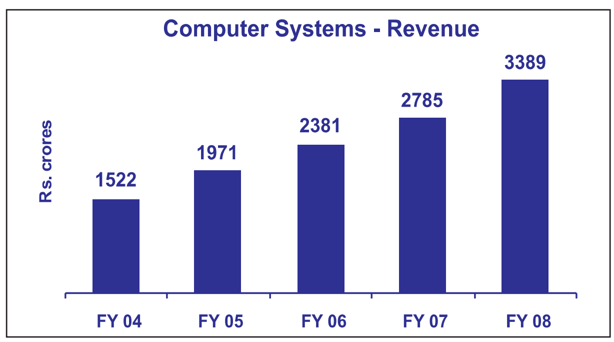
Segment Performance

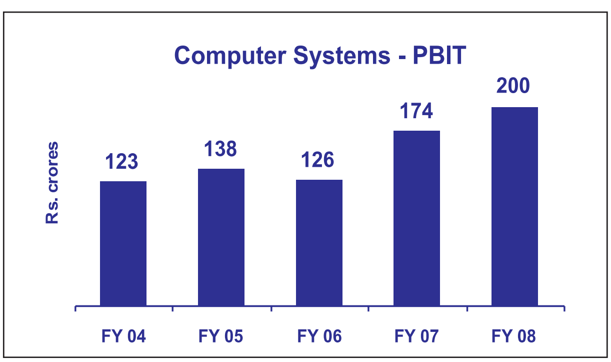
The company has identified three primary segments namely Computer Systems and related products & services, Telecommunication & Office Automation and Internet & related services.

Computer Systems and Related Products & Services

The segment operations comprise of sale of Computer hardware, IT services including system maintenance, facilities management etc and System Integration in different industry verticals.

Computer Systems business revenues increased by 22% in financial year ended 2008 to Rs. 3389 crores from Rs. 2785 crores.





Services business grew 47% over last financial year.

The company continued to focus on System Integration business with revenues growing by over 100% in the current year. System Integration projects have longer term implementation cycle involving additional resource deployments which are funded through vendor credits/ financing and other borrowings.

Computer Systems business PBIT grew by 14% in financial year ended 2008 to Rs. 200 crores from Rs. 174 crores.

PBIT (excluding Exchange fluctuations) grew by 25% in financial year ended 2008.

As on June 30, 2008, Computer Systems business employed capital of Rs. 953 crores as against Rs. 654 crores as on June 30, 2007. The increase is mainly due to deployment in the growing System Integration business.

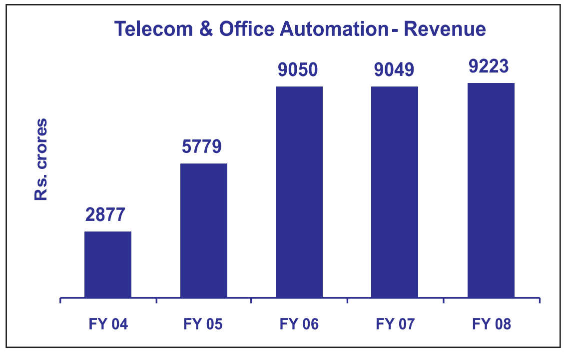
Segment capital employed includes Rs. 145 crores for operating cash balance as at June 30, 2008 compared to Rs. 107 crores as at last year end.

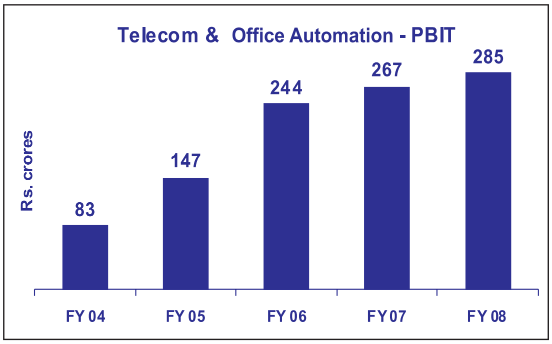
Telecommunication & Office Automation

The segment operations comprise of distribution of telecommunication products, office automation products and related comprehensive maintenance and allied services.

Telecom and Office Automation business revenues grew by 2% in financial year ended 2008 to Rs. 9223 crores from Rs. 9049 crores.

The company completed the realignment of the territories to Nokia India.





PBIT of the segment grew by 7% in financial year ended 2008 to Rs. 285 crores from Rs. 267 crores.

As on June 30, 2008 Capital Employed of the segment is Rs. 178 crores as against Rs. 125 crores as on June 30, 2007.

Internet and Related Services

The segment provides Virtual Private Network, Internet Access services and other connectivity services.

Revenue of the segment for the current year is Rs. 41 crores.

SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

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

Our initiatives include e.g. sponsorship and participation in fund raising events, organisation of blood donation camps, donation of computers to NGOs, and encouraging employees to take steps to save the environment. We have conducted several community volunteer initiatives in order to sensitise employees towards social issues. These include for example visits to old age homes and orphanages.

Initiatives like participating in exclusive job fairs for people with disabilities, providing additional facilities and support have been undertaken to promote employment of people with disabilities. We actively promote inclusion of all classes of society and diversity in workforce. We extended additional support to women employees and your Company is among the first IT technology company that made a policy to encourage recruitment from the smaller towns and remote areas of the country more than two decades back.

- **ICT training and education for weaker section of the society**

  As an initiative to improve and inspire the lives of today's youth by providing ICT education, HCL will provide free education to students from weaker section of the society at its Career Development Centre in Mayur Vihar, New Delhi. The HCL Career Development Centre will provide underprivileged students with course material, practical classes and hands on training, communication skills, pre-placement, placement activities and guest lectures. This program has encouraged the activities of the selection and enrolment of economically weak students made by Arsha Dharma Parishad.

- **HCL Mindia**

  Mindia is all about saluting the prowess of the Indian Mind. At HCL, we believe that it is the Indian mind that is responsible for our country's standing and growth today. To celebrate the prowess of the Indian Mind, HCL has enunciated the concept of Mindia. Mindia is an apt manifestation of basic feeling that binds all Indians together, that of being "Proud to Be an Indian". The HCL Mind Conclaves aim to bring on an interactive platform where illustrious minds of India share their perspective about the greatness & distinctness of the Indian Mind. HCL Mind Conclaves are a series of events organised across the country to propagate the thought 'Mindia'. The Conclave has already covered 24 cities across the country since its inception.

- **HCL Concert Series**

  HCL Concert Series is yet another initiative taken up by HCL, in association with India Habitat Centre, Delhi and The Music Academy, Madras. Through this initiative, HCL provides a renowned platform to upcoming talents in the Indian performing art forms of the country. HCL 'Expressions of the Mind' is the salutation to the 'Gurus' of Indian classical dance and music. This way HCL strives to showcase the excellence in Indian arts and culture to discerning audiences and the series promises to present hundreds of concerts featuring a variety of artists over several years of its continuation.

MOVING TOWARDS A SUSTAINABLE FUTURE

HCL firmly believes that integrating sustainability issues within our core business would be of strategic importance in accomplishing our vision of "creating tomorrow's enterprise together". We believe that the three key areas of sustainability for HCL's future success would depend upon how we plan and act upon the following:

- Bringing about innovation and technological changes
- Attracting and retaining talent
- Taking a lead on managing environmental issues such as climate change and e-waste

> "Today, more than any other time, Information and Communication Technology is enabling a foundation on which a whole generation will empower themselves."
>
> Mr. Ajai Chowdhry, Chairman & CEO
> HCL Infosystems

HCL has contributed immensely to the growth and prosperity of the nation through its core business function of bringing IT knowledge and education to the millions in this country. Since its inception, HCL has grown from a hardware equipment company to India's premier ICT enabling, System Integration and distribution company. HCL has become India's leading "information enabler" empowering the future generation in achieving its aspirations through knowledge and education. Our key sustainability impact is to make knowledge accessible through our products and services to a burgeoning pool of talent in every city and small town of India. The relentless pursuit of this vision has led to HCL emerging as a leading player in various segments of the domestic IT market, comprising IT products, solutions and related services. This includes personal computers, servers, imaging, voice and video solutions, networking products, TV and FM Broadcasting solutions, communication solutions, system Integration, ICT education and training, digital lifestyle solutions and peripherals.

Keeping in mind our ambition and the importance of creating value for all our stakeholders, HCL is gearing up to meet the sustainability challenges of the future. The Company has therefore embarked on an approach to understand the lifecycle of its products. Our sustainability strategy would address some of the key sustainability issues of the IT products sector. We intend to bring about changes in our sustainability performance by measuring and reporting at regular intervals. The estimates of a few performance indicators are presented here, drawing upon some standard indicators of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. We plan to increase the scope of this report gradually.

HCL has identified the following key issues with regard to the environment:

- Energy consumption and CO_2 emission footprint reduction
- Elimination of harmful chemicals (RoHS compliance)
- E-waste management

HCL has formulated an e-safe policy in which our commitment to protect the environment in all life-cycle stages of our products is highlighted. This is complemented by an e-waste management policy. Our chemical policy includes the phasing out of harmful substances from our products. Copies of the policies can be found on our website: www.hclinfosystems.in. We are committed to environmental sustainability and continuously work to explore and implement new ways to preserve and improve the environment. Environmental efforts at HCL are focused in two key areas:

- Applying our technology expertise to help solve environmental challenges
- Reducing the company's environmental footprint

As a start in the reporting process, we have included the following manufacturing and office locations to estimate our sustainability performance and shall gradually include more locations:

- 4 HCL manufacturing plants (Pantnagar, Puducherry (2 plants) and Chennai).
- HCL Offices at Sector VIII and Sector XI, Noida.
- HCL Office at Ballard Estate, Mumbai.
- Nokia Care Centre at Sector II, Noida.
- Nokia Service Centre at East Patel Nagar, New Delhi.
- HCL Hyderabad Location Centre.

Our environmental performance at a glance:

The table below gives estimated average figures for the mentioned locations:

Indicators	Total	Per Working Person
Energy Consumption (KWh/Year)	70,90,339	2916.63
Fuel Consumption (KL/Year)	118	0.05
Water Consumption (KL/Year)	49,640	20.42
CO2 Emission (MT/Year)	7,399	3.04
Solid Wastes (kg/Year)	14,61,325	601.12
e- waste (Kg/Year)	18,100	7.45
Other Hazardous Waste: solid (Used Batteries) (kg/year)	50	0.02
Other Hazardous Waste: liquid (Lube Oil)(l/year)	2,225	0.92
Waste Recycled (Kg/Year)	10,46,857	430.63

1. Environmental initiatives to minimise product impact:

We are presently studying the environmental impacts of our products and have already initiated several initiatives to minimise these impacts:

i) Elimination of harmful chemicals

We endeavour to integrate within our business emerging laws, regulations and environmental requirements. Therefore, we have taken the following measures with regard to chemicals in our products:

a) RoHS compliance

RoHS is a directive that fosters the restriction of harmful chemicals, such as lead, cadmium, mercury and others from electronic products. In 2006, HCL has initiated its RoHS compliance programme.

Since 1st January 2008, all HCL laptops, desktops, workstations and servers are RoHS compliant.

There are a few end of generation assemblies and certain low volume accessories which are not yet RoHS compliant. These will be phased out in due course of time with the upgradation in product design and new models.

b) Other initiatives

HCL has so far identified the following substances to be eliminated from its products:

PVC – We have committed to phase out all PVC across all product range by 2009

BFRs – We have committed to phase out all BFRs across all product range by 2010

Phthalates – Our tentative timeline for phase out is 2012

Beryllium and its Compound – Our tentative timeline for phase out is 2015

Antimony and its Compounds – Our tentative timeline for phase out is 2015

HCL is working closely with its suppliers in order to achieve this timeline.

ii) Energy efficiency and safety

HCL follows two steps for improving the energy efficiency of its green PC models:

- Choosing the right hardware for a green PC (e.g. using motherboards with Dynamic Energy Saver (DES) technology), and
- Setting the right tuning of the software to support green computing.

These methods have resulted in energy conservation of 20 to 33 % for our green PC models (depending on the model) and 75 % for the monitors.

A wide range of HCL products is Energy Star 4.0 compliant and has ACPI mode for power saving, as well as UL certification for safety.

Responsible building design and operations in India. HCL invests in new technology to ensure that its buildings are efficient and take advantage of alternative energy opportunities. We anticipate participation in the US Green Building Council LEED (Leadership in Energy and Environmental Design) program through CII in India. We hope that the newer buildings in India would use 10 to 15 percent less energy than older buildings do.

iii) E-waste

E-waste or electronic waste consists of all kinds of electronic equipment which has reached the end of its useful life. Since some parts of the electronic equipment can contain hazardous substances, e-waste has to be handled in a proper manner in order to avoid damage to environment and health. In India, the amount of e-waste generated is expected to grow from 1,461,80 tonnes in 2005 to more than 8,00,000 tonnes by 2012 (Source: MOEF guidelines, March 2008).

HCL is committed to enhancing the reusability of personal computers and other devices so that they are kept in use and out of the waste stream as long as possible and so that they can be recycled properly when they reach the end of their useful life. We understand that this is an important issue which needs to be addressed and have initiated the following measures:

- Initiation of an internal audit process for generation and recycling of e-waste.
- Product design keeping in mind the easy dismantling and recovery or reuse of parts.
- Enabling all users to have their product recycled by an authorised recycling agency through on-line e-waste recycling request registration.
- E-waste generated in any of our HCL facilities is either sent to the recycler or to our test and repair centers for reuse.
- As a manufacturing company we require that all vendors abide by the applicable environmental laws and follow environmental practices that reflect the spirit of those laws.

iv) Packaging

We have started using bio-degradable carton boxes and buffers for packaging our products. This would greatly reduce the environment load of plastics and other non-biodegradable substances that typically require being land filled.

HCL received awards in the categories of "Environment" and "Quality" at the Elian - Dun & Bradstreet Awards for Excellence in Electronics, 2006/07.

2. Carbon sequestration to forestry initiatives

We practice various tree planting activities around our plants and real estates, such as the Hyderabad Training Centre, Pantnagar plant and our Noida office. On World Earth Day and Environment Day, we have distributed saplings to our employees who were involved in the plantation of trees.

3. Rain water harvesting

We promote rainwater harvesting initiatives in our Puducherry Sedrapet plant, harvesting about 18 lakh litres of water annually.

4. Corporate Citizenship

Another important measure of our company's commitment to corporate citizenship is the way we conduct business and work productively with all our stakeholders. At HCL, everything we do is guided by corporate values, codes of conduct, and company policies that, for example, ensure diversity and fair business practices among vendors and suppliers, provide for good stewardship of the environment in the way we create and package our products, and support collaboration with governments and industry on important technology issues such as emerging requirements and climate security.

We are constantly expanding our understanding of what we must do to be a responsible leader and a good corporate citizen, and we are always seeking new ways to put partnerships and innovation to work to make a difference. Our citizenship efforts represent our mission and values in action, and they underscore how creativity and a spirit of innovation can make a difference, not only in the products we create and market, but in the way we give back to communities in India and internationally.

By working together with our many partners to solve challenging problems, we are optimistic that HCL Infosystems can continue to help make positive and lasting contributions to society and to the IT industry in India.

5. Financial Inclusion

Despite efforts of many public and private sector banks to spread their network in rural India, there are still more than 185 million Indians in rural areas who do not have access to banking services. Problems such as long distances to the nearest bank branch, illiteracy, lack of confidence in banking systems and reduced connectivity in rural areas are some of the challenges banks have to cope with.

IT based solutions can offer new ways of reaching banking services to rural India. HCL has conceptualised a special product and service offering for banks and financial institutions, enabling them to spread their services across to so far underserved rural areas. This is in line with HCL's endeavour to contribute to the prosperity of all through Information and Communication Technology.

HCL provides complete solutions around its internet enabled, handheld smart devices, which enable financial transactions in rural areas. Transactions can be done at low cost with biometric authentication (fingerprint), bringing banking at the doorstep of the account holder. All transactions are done in the local language.

To the Members,

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Accounts for the financial year ended 30th June, 2008.

Financial Highlights

(Rs. in Crores)

Particulars		Consolidated		Parent Company	
		2007-08	2006-07	**2007-08**	2006-07
Net Sales and other income		12489.36	11721.79	12451.38	11682.85
Profit before Interest, Depreciation and Tax		488.48	454.02	490.58	453.09
Finance Charges		39.73	10.50	39.76	10.55
Depreciation		18.62	14.81	16.35	12.55
Profit before Tax		430.13	428.71	434.47	429.99
Provision for Taxation:	Current	131.50	105.90	131.50	105.90
	Fringe Benefit	4.11	4.15	3.85	4.03
	Deferred	(-)5.63	2.71	(-)5.63	2.21
Net Profit after Tax		300.15	315.95	304.75	317.85
Profit available for appropriation		903.72	791.64	893.38	777.10
Appropriations					
Interim Dividend		102.61	101.39	102.61	101.39
Proposed Dividend		34.23	33.91	34.23	33.91
Tax on Dividend (including Interim Dividend)		23.27	20.98	23.26	20.98
Transfer to General Reserve		30.47	31.79	30.47	31.79
Balance of Profit carried forward to next year		713.14	603.57	702.81	589.03

Scheme of Amalgamation

During the year under review, a Scheme of Amalgamation u/s 391/394 of the Companies Act 1956, (the Scheme) for amalgamation of Stelmac Engineering Private Limited (Stelmac), the wholly owned subsidiary with the Company was approved by the Hon'ble High Court of Delhi vide its order dated December 07, 2007, which came into effect from January 30, 2008 from the appointed date i.e. April 1, 2007.

Accordingly, the results of Company on standalone basis for the year ended June 30, 2008 include the results of Stelmac for the 15 month period from April 1, 2007 to June 30, 2008, the impact of which is not material. Please also refer to 'Note 23' on Scheme of Amalgamation given in Notes to Accounts in this report.

Performance

The consolidated net revenue of the Company was Rs. 12489.36 crores as against Rs. 11721.79 crores in the previous year. The consolidated profit before tax was Rs. 430.13 crores as against Rs. 428.71 crores in the previous year.

Your Directors are pleased to recommend final Dividend @ 100% on the fully paid-up equity shares of Rs.2/- each for the financial year ended on 30th June, 2008. During the first nine months, three interim (quarterly) dividends of 100% each were declared taking the total dividend for the year 2007-08 to 400%.

Operations

A review of operations of the businesses of your Company for the year ended June 30, 2008 is provided in the Management Discussion and Analysis Report forming part of the Annual Report.

Awards & Recognition

This year your Company's Founder Chairman & CEO, Mr. Ajai Chowdhry was honoured with **Dataquest 'IT Person of the Year 2007'** in recognition of over three decade of his service to the Indian IT industry. He also received the **'CEO of the year 2008'** award by IT People Awards for excellence in IT.

The year that went by witnessed numerous recognitions for your company. HCL received **three Channels Choice 2007 awards for Relationship Management, After Sales Support & Commercial Terms** from DQ Channels, based on an IDC channel satisfaction survey. HCL Infosystems won **Brand-of-Excellence Award** at VARIndia Forum 2007. HCL bagged IMM **'Top Organization Award 2007'** for Excellence at 34th World Marketing Congress. HCL also won **India's Most Preferred Personal Computer Brand** by CNBC AWAAZ Consumer Awards 2007 and was also awarded **'Amity Corporate Excellence Award 2007'** for its distinct vision, innovation, competitiveness and sustenance.

HCL bagged several awards and accolades from leading industry players for its technological innovation and quality of service and delivery across its range of products and solutions. HCL won global award in "**Innovation Excellence on Intel Architecture**" from **Intel Corporation**. **HCL was awarded the best iPod distribution partner for Apple for the 2nd year in succession**. HCL has received the **Excellence award, as the winner of 'Nokia Formula for Success'** contest in November 2007.

HCL received a number of accolades from the retail industry - **Images Retail Forum 2007- Most Admired Retailer, Var India 2007 – No.1 Retail Company, Franchise India 2007 – Best in Specialty Retailing, Asia Retail Congress - 2008 Retailer of**

Year –Consumer Durable, FAI & Franchisee Plus 2008- Supportive Franchisor and **FAI & Franchisee Plus 2008- Franchisee Innovativeness**.

The company was also felicitated by its partners as it won **recognition from Toshiba as its most trusted partner**. HCL won '**Toshiba Color Copier Champion Award 2007'** for improving overall customer approach and better technical capability. HCL also won "**No.1 award in sales and marketing**" from Toshiba Corporation for seventh consecutive year in a row. HCL has been awarded Ericsson's **Premium Partner** status for its enterprise products and also HCL has been awarded the **Platinum partner** Certification for Video Conferencing Products from Tandberg. The company also won **'Best Emerging Channel'** award for Audio System Integration from Polycom.

HCL also won awards in 'Environment Management' and 'Quality' categories at the **Elcina-Dun & Bradstreet Awards for Excellence in Electronics**, 2006-07.

Employee Stock Option Plan

Employee Stock Option Scheme 2000

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

Employee Stock Based Compensation Plan 2005

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

Credit Ratings

The credit rating by ICRA continued at 'A1+' rating indicating highest safety to the Company's Commercial Paper program, which was enhanced from Rs. 75 crores to Rs. 325 crores.

During the year under review, Fitch has assigned 'AA-(ind)', long term credit rating to the Company, indicating stable outlook.

Fixed Deposits

As on June 30, 2008, 6 depositors whose deposits including interest amounting to Rs. 0.87 Lacs had become due for repayment did not claim their deposits. During the year, fixed deposits amounting to Rs. 0.64 Lacs, including interest of Rs. 0.04 Lacs, have been repaid to the depositors. Deposits amounting to Rs. 5.63 Lacs, including interest of Rs. 0.76 Lacs, have been transferred to Investor Education and Protection Fund pursuant to the provisions of Section 205A of the Companies Act, 1956.

Listing

The shares of the Company are listed at The Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

Directors

In accordance with the Articles of Association of the Company, Mr. D.S. Puri, Mr. E.A. Kshirsagar and Mr. V.N. Koura, Directors retire by rotation and being eligible, offer themselves for re-appointment.

Corporate Governance Report and Management Discussion and Analysis Statement

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

Directors' Responsibility Statement

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

a. 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. appropriate accounting policies have been selected and applied consistently, and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2008 and of the profit of the Company for the said period;

c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

d. the annual accounts have been prepared on a going concern basis.

Auditors & Auditors' Report

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

Personnel

Your company has built one of the most comprehensive and highly skilled multi technology ICT organisations in the country today. Through its various employee engagement initiatives, your Company continue to build a strong relationship between manager and staff to create the ideal work environment.

HR initiatives have been aligned to support growth of the business through strong processes and practices that empower and engage people.

Your company was ranked amongst Top 3 in the Best Employer Study 2007 conducted by IDC-Dataquest and obtained the highest employees satisfaction scores. Your company was ranked amongst Top 13 in the 'Best Companies to Work For' Study 2007, conducted by BT, Mercer & TNS.

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

The information as are required to be provided in terms of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 have been set out in the annexure to the Directors' report. However, in terms of the provisions of section 219(1)(b)(iv) of the said Act, the Annual Report is being sent to the members of the Company excluding the said information. Any member interested in obtaining the said information may write to the Company Secretary at the registered office of the Company.

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

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

Particulars of subsidiaries

On the Scheme of Amalgamation for merger of Stelmac Engineering Private Limited (Stelmac), the wholly owned subsidiary of the Company, becoming effective, Stelmac has been dissolved without winding up.

A wholly owned subsidiary in the name and style of HCL Security Limited has been incorporated on March 19, 2008, to pursue the business of providing security and surveillance solutions. HCL Security will close its first financial year on June 30, 2009.

On acquisition of the entire share capital of Natural Technologies Private Limited (NTPL), a company engaged in the business of banking software solutions, NTPL has become a wholly owned subsidiary of the Company with effect from May 5, 2008. A Scheme of Amalgamation for merging NTPL with the Company has been filed with the Hon'ble High Courts of Delhi and Rajasthan.

The Company has obtained permission from Ministry of Corporate Affairs, Government of India vide their letters of even number 47/112/2008-CL-III, dated 26.03.2008 and 17.07.2008 for not annexing the accounts of the wholly owned subsidiaries, namely HCL Infinet Limited and NTPL, respectively.

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

Acknowledgement

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

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

On behalf of the Board of Directors

Sd/-
AJAI CHOWDHRY
Chairman and Chief Executive Officer

September 02, 2008

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

A. Conservation of Energy

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

HCL ecoSafe Policy clearly recognises the importance of products that are energy efficient and help customers cut costs of ownership and attain broader goals of protecting the environment. All our products have been incorporated with Green PC features and ACPI mode for power saving.

All our manufacturing facilities practice various measures to reduce power consumption by using natural light during daytime, installing different capacity DG sets that consume optimum amount of diesel as per required load. Some of the measures taken for energy conservation are as under:

1. Made S3 as the default sleep state in all the products shipped with Microsoft Windows OS, so that the product automatically enters into standby state after specified amount of system in-activity.
2. Working on releasing energy efficient green PC which can save 20–25% of power than Normal Desktop PC.
3. Compliance for MPR-II certification for CRT monitors.
4. Compliance for TCO'03 certification for LCD monitors.
5. Energy star 4.0 certification has been awarded to all our ES series of desktops.
6. Initiated actions for moving to SMPS with active or passive power factor correction as option.
7. Initiated actions for moving to 80plus high efficiency SMPS as option.
8. Adopting new generation Intel's low power consuming CPU's.
9. Adopted DDR2 / DDR3 memories in almost all the products for lowering the power consumption.
10. Periodic energy audit for optimum utilisation of power consumption.
11. Rain water harvesting.
12. Sourcing cabinets in SKD form in India and assembling in-house, allowed us to reduce the transportation and effective recycling of the packing pallets translate into saving many environmental resources.
13. Daily monitoring of power consumption to detect abnormal increase.
14. Regular maintenance of equipment on a monthly basis to ensure that it does not consume higher power than normal.
15. Practicing switching off power consuming equipment when not required.
16. Use of energy efficient metal halide, CFL lamps and electronic ballast for all lights which reduce power consumption.
17. Construction of artesian borewell to draw water from 260 ft. depth without using any electricity.
18. Use of spot air conditioning as per requirement, instead of continuous, complete air-conditioning.
19. Installation of hot air exhausts systems in our Reliability Testing area, and under deck insulation in our production hall to reduce the AC requirement.
20. Installation of sun film on window glasses to reduce the heat load.
21. Installation of a capacitor bank to reduce power consumption.
22. Installation of solar water heaters at our training centre in Hyderabad.
23. Presently in the process of quantifying its carbon footprint. Have envisaged projects under the CDM (Clean Development Mechanism) of the Kyoto Protocol.

All our four manufacturing plants are ISO 14001 compliant

B. Research & Development

1. Product Innovation and Engineering :

Last year, your Company had witnessed significant growth in its line of products. The company introduced a series of new products for its Server, Desktop, Workstation, Notebook, Thinclients, POS ranges of systems under various brands like Infiniti Global Line, Infiniti Xcel Line, NetManager, Infiniti Challenger, Infiniti Pro, Infiniti Orbital, Beanstalk, Busybee, Ezeebee, Infiniti Powerlite and BeePOS.

Keeping its promise & heritage of always being the first to introduce the latest in technology for Indian markets at an affordable price, your company, in January launched MiLeap series, India's first full functional, ultra portable range of laptops that offer true mobile internet computing experience at a price point starting from Rs.13,990/-.

HCL Labs designed and released the ultra portable range of MiLeap series which is fully RoHS compliant with low energy footprint design.

HCL also added new products to the small and medium enterprise segment with the launch of its next generation '**HCL–Datacenter in a Box**'. This offers **Simplified IT Infrastructure** solution with power-packed Blade Servers in one system that Integrates storage, computing and networking. This integrated solution is not only easy to deploy, maintain and upgrade but is also **very cost effective** and **delivers exceptional value**.

HCL has launched NetEdge Box which replaces network access controlled devices, network security devices, routers, ip PBX etc. This is an innovative and unique breakthrough in technology and can be easily configured by anyone, having software skill is not at all mandatory.

A full range of server products featuring 45nm technology CPU both in 1way & 2way server products were launched by your company.

New technology like space saving 2.5" SAS hard disk drive with storage bay, PCIGen 2 expansion slot and ISMS 2.0 management software powered by Microsoft System Centre Essentials released.

Under Green computing initiative, as a market leader, HCL has come out once again with new environment friendly desktop computers called ES series consuming very low power and meeting Energy Star 4.0 requirements. HCL's new eco friendly range of PC's featuring the latest in technology smart power converter circuit which consumes 20 to 25% less power.

Under display product range, new TFT monitor series was launched with TCO'03 certification.

To take care of end user safety and to meet international standards, HCL released a complete range of UL® certified desktop, notebook & server products. The company also launched HCL Busybee Content player targeting digital signage applications thus creating a new market segment.

HCL has developed encryption software that will compress encrypted files and folders with password protection. HCL has also released a hard disk eraser and wipe tool that enables permanent deletion of the required confidential information from your PC, thus safeguarding any misuse of information & non-recovery at any time later.

HCL has also developed a multifunction lock. This device enables a person to restrict access to the PC. It defines and restricts access to certain applications/ internet as required by the specific user.

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

In January 2008, HCL introduced the next generation, ultra portable, sub Rs. 14K laptops for the first time in India. The new range of Leaptops are sleek and light weight, yet offers a full PC functionality with true internet experience, heralding in a new category which holds the promise of being the future of personal mobile computing.

'MiLeap' is targeted at consumer who needs to stay connected, informed, entertained and productive anytime and anywhere. It is lightweight and small in size makes it so convenient, that one does not think twice about carrying it to the office, home, gym or park, or using it in a train, bus, plane or metro.

HCL's 'Data centre in a box' will not only **help emerging businesses to build a data centre ICT infrastructure** but will also provide them with an **ICT infrastructure that is up and ready 24X7**.

Built in RAID 0,1,5,6 HCL's 'Data centre in a box', **offers data protection to the users**. Another new unique feature is GUI-powered operation and management 'Virtual Presence' software delivering full control for **point-and-click deployment and management**.

Tablet PC notebook and Ubuntu Operating system supporting Notebooks & Desktops were also launched by your company this year. All HCL PC are newly certified for the complete range of Microsoft Vista Operating System.

Keeping its commitment towards environment, HCL also launched a new desktop PC 'HCL Neutron' based on new Intel Atom technology. The PC occupies 85% less space and consumes 76% less energy.

3. Expenditure on R & D :

	(Rs./Crores)
Capital	0.31
Revenue	3.99
Total	4.30

C. Technology absorption, adaptation and innovation

HCL also unveiled its new Quad-Socket HCL High-End Enterprise server IGL 4700 FC based on Intel's latest 7300 series of Quad core Xeon MP Processors. The new server packs extreme performance in a dense package, with 16 computing cores in a mere 7-inch (4U) form factor that delivers significantly higher performance. HCL has also released Ubruntum Linux on HCL systems giving customer an option for the latest open standards.

HCL released SantaRosa refresh platform based notebooks under the HCL Leaptop range. These notebooks support next generation Intel Core 2 Duo processors manufactured using 45nm technology. These new notebooks are powered with CPU's offering higher cache memory providing higher-performance, more efficient cache subsystem and optimised for multi threaded applications.

HCL launched Professional Workstation 2008 Series for MCAD and DCC Professionals. Based on New Intel Platform, Core Micro architecture Processors and next generation Nvidia Quadro FX370, the new workstation takes application performance to new levels by featuring industry's first unified architecture. The workstation is specifically designed and targeted towards professionals in the field of digital content creation, Mechanical computer aided design.

HCL has also launched GPS ready PC's enabling customers to use their PC as a navigation device. Further, our R&D has developed a smart card reader/writer solution which has enabled it to address voice SC solutions with ease.

R&D has designed and developed a Biometric Attendance solution which could prove to be very effective for any enterprise. This finger print Biometric Reader can integrate various applications seamlessly like ERP, Web enabled applications and Citrix based applications thereby making it possible for potential end customers to bring in biometric attendance into their IT systems at application level.

HCL continues to maintain its leadership in the client space with the development and release of new products based on the latest technology. The release of new technology by HCL has been witnessed by many. We aim to deliver superior value to customers on the CPU front. We have seen the launch of CPU and chipset that consumes lesser power based on new micro architecture. Also seen was the launch of the latest memory technology which is both faster and has lower power consumption.

HCL continues to maintain itself to be a leader by releasing new products based on new technology and at the same time on their Global launched sites. It is an advantage for many customers as they can enjoy the latest in technology.

D. Foreign exchange earnings and outgo

During the period under review, the Company's earnings in foreign currency were Rs. 97.79 Crores (Previous Year Rs. 86.91 Crores). The expenditure in foreign currency including imports during the year amounted to Rs. 2139.67 Crores (Previous year Rs. 1955.88 Crores).

INFORMATION REGARDING EMPLOYEE STOCK OPTION SCHEMES

The details of the options granted under the HCL Infosystems Limited, Employee Stock Option Scheme 2000 (Scheme 2000) and Employee Stock Based Compensation Plan 2005 (Scheme 2005) as on 30th June, 2008 are given below:-

Employee Stock Option Scheme 2000

Options Granted : 30,18,000 which confer a right to get 1 equity share of Rs.10/- each (each equity share of the face value of Rs. 10/- has been sub divided into five equity shares of Rs. 2/- each).

Pricing Formula : The members of the Company at the Extra Ordinary General Meeting held on February 25, 2000 approved the exercise price as the price which will be not less than 85% of the fair market value of the shares on the date on which the Board of Directors of the Company approved the Grant of such options to the employees or such price as the Board of Directors may determine in accordance with the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). The members of the Company at the Annual General Meeting held on October 21,2004, approved the amendment to the pricing formula that the options granted but not yet exercised by the employees or options that would be granted in future, would be at the market price on the date of grant. For this purpose the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations / guidelines prescribed by SEBI or any relevant authority, from time to time to the extent applicable.

Variance of terms of options : The pricing formula has been amended that the options granted but not yet exercised by the employees or options that would be granted in future, would be at the market price on the date of grant. For this purpose, the market price means the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations/guidelines prescribed by SEBI or any relevant authority, from time to time to the extent applicable.

Options Details :

Date of Grant	Grant Price (Rs.)	Options Vested till 30/06/2008	Options Exercised till 30/06/2008	Options Lapsed/ Forfeited during Y. E. 30/06/2008	Options in force as on 30/06/2008
10/08/2000	289.00	Fully vested	1351513	6710	18025
28/01/2004	538.15	Fully vested	835759	25081	225619
25/08/2004	603.95	Fully vested	57512	10772	59072
18/01/2005	809.85	151542	39977	16144	185309
15/02/2005	809.30	3720	2400	-	1600
15/03/2005	834.40	30130	3794	10524	30170
15/04/2005	789.85	10190	960	7104	5784
14/05/2005	770.15	5544	970	-	8270
15/06/2005	756.15	8160	3565	5840	2435
15/07/2005	978.75	13104	1318	5088	11978
13/08/2005	1144.00	15858	-	640	24990
15/09/2005	1271.25	8172	-	-	13620
15/03/2007	648.75	45300	6700	7000	144300
23/01/2008	898.25	Yet to be vested*	-	16800	88200

* The vesting schedule for options granted on 23/01/2008 is as follows:-
30%- 12 months after the grant date
30%- 24 months after the grant date
40%- 42 months after the grant date

Employee Stock Based Compensation Plan 2005

Options Granted : 31,96,840 which confer a right to get 5 equity shares of Rs.2/- each.

Pricing Formula : As per the resolution passed by members of the Company, through postal ballot, the result whereof was declared on June 13, 2005, the options are granted at the market price on the date of grant or such price as the Board of Directors may determine in accordance with the Regulations and Guidelines prescribed by SEBI or other relevant authority from time to time. For this purpose, the market price as specified in the amended provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the regulations / guidelines prescribed by SEBI or any relevant authority from time to time to the extent applicable.

Variance of terms of options : No variation made.

INFORMATION REGARDING EMPLOYEE STOCK OPTION SCHEMES

Options Details :

Date of Grant	Grant Price (Rs.)	Options Vested till 30/06/2008	Options Exercised till 30/06/2008	Options Lapsed/ Forfeited during Y. E. 30/06/2008	Options in force as on 30/06/2008
13/08/2005	1144.00	1030736	9074	214457	2207129
19/10/2005	1157.50	28038	-	6390	60950
15/11/2005	1267.75	10834	-	1728	21200
15/12/2005	1348.25	11310	-	4160	21100
14/01/2006	1300.00	12432	-	7204	24550
15/02/2006	1308.00	2720	-	1500	5874
16/03/2006	1031.00	15816	-	2200	37740
17/04/2006	868.75	5900	-	4580	10820
15/05/2006	842.50	10070	-	10820	19330
15/06/2006	620.50	11404	430	6600	24480
17/07/2006	673.75	7276	80	8830	27470
15/03/2007	648.75	84120	6420	21860	402820
23/01/2008	898.25	Yet to be vested*	-	37425	256050

* The vesting schedule for options granted on 23/01/2008 is as follows:-
20%- 12 months after the grant date
20%- 24 months after the grant date
20%- 36 months after the grant date
20%- 48 months after the grant date
20%- 60 months after the grant date

Other Details

	Scheme 2000		Scheme 2005	
Total number of shares arising as a result of exercise of options :	115, 22,340 equity shares of Rs.2/- each.		80,021 equity shares of Rs.2/- each.	
Money realized by exercise of options :	Rs. 92,24,06,336.05		Rs. 1,48,66,574.80	
Employee-wise details of options granted to –				
i) Senior Management :	**Name**	**No. of options**	**Name**	**No. of options**
	Mr. T.S. Purushothaman (ceased to be Whole- time Director w.e.f. 20th July 2005)	40,000	Mr. J.V. Ramamurthy	7,500
	Mr. J.V. Ramamurthy	45,500	Mr. Sandeep Kanwar	7,500
	Mr. Sandeep Kanwar	42,000	Mr. Rajendra Kumar	7,500
	Mr. Rajendra Kumar	41,000	Mr. Hari Baskaran	7,500
	Mr. Hari Baskaran	31,000	Mr. George Paul	7,500
	Mr. George Paul	30,000	Mr. Rajeev Asija	7,500
	Mr. Rajeev Asija	30,000	Mr. Rakesh Mehta (ceased to be employee w.e.f. 1st July 2008)	7,500
	Mr. Rakesh Mehta (ceased to be employee w.e.f. 1st July 2008)	30,000	Mr. Suman Ghose Hazra	7,500
	Mr. Suman Ghose Hazra	18,500	Mr. Sushil Kumar Jain	2,500
ii) Employees holding 5% or more of the total number of options granted during the year :		NIL		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		NIL
Weighted average exercise price of options granted (Rs.) :		443.48		1067.66
Weighted average fair value of options granted (Rs.) :		124.64		144.43

INFORMATION REGARDING EMPLOYEE STOCK OPTION SCHEMES

The fair value of each stock option granted under Employee Stock Option Plan 2000 and Employee Stock Based Compensation Plan 2005, as on the date of grant has been computed using Black- Scholes Option Pricing Formula and the model inputs are given as under:

	Employee Stock Option Scheme 2000	**Employee Stock Based Compensation Plan 2005**
Volatility :	45% to 68%	47% to 62%
Risk free rate :	4.57% to 7.99%	6.49% to 7.98%
Exercise Price :	Rs. 538.15 to Rs. 1271.25	Rs. 620.50 to Rs. 1348.25
Time to Maturity (years) :	2.20 to 5.50	2.50 to 7.00
Dividend Yield :	9% to 28%	10% to 28%
Life of options :	8.5 Years	10 Years
Fair Value of options as at the grant date :	Rs. 35.10 to Rs. 203.14	Rs. 24.75 to Rs. 262.97

Notes:

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

Where the Company has calculated the employee compensation cost using the intrinsic value of Stock Options, the difference between the employee compensation cost that shall have been recognised if it had used the fair value of Option

The Company has used intrinsic value method for calculating the employee compensation cost with respect to the Stock Option

The impact on the profit of the Company for the year ended June 30, 2008 and the basic and diluted earnings per share had the Company followed the fair value method of accounting for stock options is set out below:

The impact of this difference on profit and on EPS of the Company

	2008 Rs./Crores	**2007 Rs./Crores**
Profit/(Loss) after tax as per Profit and Loss Account (a)	304.75	317.85
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	-	-
Less: Employee Stock Compensation Expense as per Fair Value Method (Net of amount attributable to employees of subsidiaries Rs.0.19 Crores)	8.07	11.25
Profit/(Loss) after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	296.68	306.60
Earning Per Share based on earnings as per (a) above: (Refer note 20)		
- Basic	17.88	18.82
- Diluted	17.64	18.68
Earning Per Share had fair value method been employed for accounting of employee stock options:		
- Basic	17.41	18.15
- Diluted	17.18	18.02

AUDITORS' CERTIFICATE

We have examined the books and records of the HCL Infosystems Limited Employee Stock Option Scheme 2000 and Employee Stock based Compensation Plan 2005 ("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 resolutions passed by the shareholders in the Extra-Ordinary General Meeting of The Company held on February 25,2000 and through postal ballot, the results whereof declared on June 13, 2005.

V. Nijhawan
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date: September 2, 2008

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The company firmly believes that good corporate governance practices ensure efficient conduct of the affairs of the Company while upholding the core values of transparency, integrity, honesty and accountability and help the Company in its goal to maximize value for all its stakeholders.

It is the Company's constant endeavor to adopt and adhere to the best recognized corporate governance practices and continuously benchmark itself against each such practice.

The Company is in compliance with the requirement of the revised guidelines on corporate governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

2. BOARD OF DIRECTORS :

(i) The Company has an Executive Chairman. The number of Independent Directors being 50% and Non-Executive Directors being 80%, the composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

(ii) None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49 across all the Companies in which he is a Director. Necessary disclosures regarding Committee position in other public companies as at June 30, 2008 have been made by the Directors.

(iii) The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorships and Committee Chairmanship / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name	Category	No. of Board Meetings		Whether attended last AGM held on October 23, 2007	No. of Directorships in other Public Companies		No. of Committee positions held in other Public Companies	
		Held	Attended		Chairman	Member	Chairman	Member
Mr. Ajai Chowdhry (Chairman & CEO)	Promoter & Executive Director	5	5	Yes	3	2	-	2
Mr. J.V. Ramamurthy (Whole Time Director & COO)	Executive Director	5	5	Yes	-	3	-	-
Mr. R.P. Khosla	Independent & Non-Executive Director	5	3	Yes	-	1	-	-
Mr. S. Bhattacharya	Independent & Non-Executive Director	5	5	Yes	-	6	4	2
Mr. D. S. Puri	Promoter & Non-Executive Director	5	4	Yes	-	-	-	-
Mr. E.A. Kshirsagar	Non-Independent & Non-Executive Director	5	5	Yes	-	4	3	2
Ms. Anita Ramachandran	Independent & Non-Executive Director	5	4	Yes	-	4	-	1
Mr. T.S. Purushothaman	Non independent & Non-Executive Director	5	5	Yes	-	-	-	-
Mr. Narasimhan Jegadeesh	Independent & Non-Executive Director	5	2	No	-	-	-	-
Mr. V.N. Koura	Independent & Non-Executive Director	5	2	No	-	3	-	1

(iv) Five Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:
23rd August 2007, 22nd October 2007, 28th January 2008, 24th April 2008 and 10th June 2008.

(v) None of the Non-Executive Directors has any material pecuniary relationship or transactions with the Company.

(vi) Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

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

- Annual operating plans, budgets and all updates.
- Capital budgets and all updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committee of the Board.
- Show Cause, Demand, Prosecution notices and penalty notices if any, which are materially important.
- Foreign exchange exposures and steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Review of operations of subsidiary companies.
- Scheme of Amalgamation of the subsidiaries with the Company.
- Review of related party transactions.
- To review operations.
- Review of statutory compliances.
- To note risk management procedures.
- To note revised investment policy.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Approval of payment of enhanced remuneration to Whole Time Directors.
- Approval of contribution for charitable purposes.
- Acquisition of properties.
- Investment in subsidiary companies.
- Change in objects clause and borrowing/mortgaging limits.

3. ACCOUNTS & AUDIT COMMITTEE :

(i) The Accounts and Audit Committee of the Company was constituted in August, 1998 in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The Company Secretary acts as Secretary of the Committee.

(ii) The primary objective of the Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and ensure the integrity and quality of financial reporting and internal controls.

(iii) The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. All the committee members have reasonable knowledge of finance and accounting and two members possess financial and accounting expertise.

(iv) The Composition of the Accounts and Audit Committee and details of meetings attended by its members are given below:

Name	**Category**	**No of meetings**	
		Held	**Attended**
Mr. R.P. Khosla (Chairman)*	Independent, Non Executive	5	3
Mr. S. Bhattacharya (Member)	Independent, Non Executive	5	5
Mr. E.A. Kshirsagar (Member)	Non Independent, Non Executive	5	5
Mr. Ajai Chowdhry (Ex-Officio)	Non Independent, Executive	5	5

* Mr. R.P. Khosla was appointed as Chairman of the Committee in place of Mr. E.A. Kshirsagar w.e.f 28th January, 2008.

(v) The Audit Committee met 5 times during the financial year 2007-08 on the following dates: 22nd August 2007, 22nd October 2007, 28th January 2008, 24th April 2008 and 10th June 2008.

(vi) The previous Annual General Meeting of the Company was held on October 23, 2007 and it was attended by Mr. E.A. Kshirsagar, the then Chairman of the Committee.

4. EMPLOYEES COMPENSATION AND EMPLOYEES SATISFACTION COMMITTEE :

(i) The Employees Compensation & Employees Satisfaction Committee was constituted in August 1998 to recommend/review remuneration of Executive Directors and other employees based on their performance and defined assessment criteria and other matters relating to employees.

(ii) The composition of the Employees Compensation & Employees Satisfaction Committee and the details of meetings attended by its members are given below:

Name	Category	No. of meetings	
		Held	Attended
Ms. Anita Ramachandran (Chairperson)	Independent, Non Executive	4	4
Mr. Ajai Chowdhry (Member)	Non-Independent, Executive	4	4
Mr. S. Bhattacharya (Member)	Independent, Non Executive	4	4
Mr. R. P. Khosla (Member)	Independent, Non Executive	4	3

(iii) The Committee met 4 times during the financial year 2007-2008 on the following dates: 22nd August 2007, 22nd October 2007, 28th January 2008 and 24th April 2008.

(iv) Compensation policy for Non–Executive Directors (NEDs): -

Within the ceiling of 1% of the net profits of the Company computed under the applicable provisions of the Companies Act, 1956 and approved by the shareholders at the Annual General Meeting held in November, 2003, the non executive directors (other than Promoter Director) are paid a commission, the amount whereof is determined by the Board. The basis of determining the specific amount of commission payable to these directors is related to their attendance at meetings and contribution at meetings as perceived by the Chairman. These Directors are also paid sitting fees at the rate of Rs. 20,000 for attending each meeting of the Board.

(v) Details of remuneration paid/payable to all the Directors for the period from 1/7/2007 to 30/6/2008:

(Rs./Lacs)

Name	Salary & Allowances	Perquisites	Performance Linked Bonus	Commission	Sitting Fees
Mr. Ajai Chowdhry	120.66	24.72	180.00	-	-
Mr. J.V. Ramamurthy*	47.32	4.21	50.00	-	-
Mr. R.P. Khosla	-	-	-	2.48	0.60
Mr. Subroto Bhattacharya	-	-	-	5.18	1.00
Mr. D.S. Puri	-	-	-	-	-
Mr. E.A. Kshirsagar	-	-	-	3.75	1.00
Ms. Anita Ramachandran	-	-	-	2.89	0.80
Mr. T.S. Purushothaman*	-	-	-	3.56	1.00
Mr. Narasimhan Jegadeesh	-	-	-	1.16	0.40
Mr. V.N. Koura	-	-	-	1.01	0.40

During the year Mr. Ajai Chowdhry and Mr. J.V. Ramamurthy were paid Performance Linked Bonus of Rs.180 lacs and Rs.47 lacs respectively pertaining to the year 2006-07.

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

*Mr. T.S. Purushothaman and Mr. J.V. Ramamurthy were granted 40000 and 45500 options respectively under Employee Stock Option Plan 2000. Mr. J.V. Ramamurthy has also been granted 7500 options under Employee Stock Option Plan 2005.

(vi) Period of contract of Executive Directors

(a) Mr. Ajai Chowdhry, Chairman & C.E.O: - 5 Years from April 1, 2004.
- The contract may be terminated by either party giving the other party three months notice or the Company paying three months salary in lieu thereof.
- There is no separate provision for payment of Severance Fees.
- It is proposed to reappoint Mr. Chowdhry as Whole time Director for a further period of 5 years w.e.f. April 1, 2009 to March 31, 2014, subject to the approval of the shareholder at the forthcoming Annual General Meeting.

(b) Mr. J.V. Ramamurthy, Whole Time Director: - 5 Years from August 11, 2005
- The contract may be terminated by either party giving the other party three months notice or the Company paying three months salary in lieu thereof.
- There is no separate provision for payment of Severance Fees.

(vii) There were no other pecuniary relationships or transactions of the Non-executive Directors vis-a-vis the Company.

(viii) Details of Shares of the Company held by the non-executive Directors as on June 30, 2008 are as below:

Sl No.	Name of the Director	No. of Shares
1	Mr. T.S. Purushothaman	5455
2.	Mr. Narasimhan Jegadeesh	2000

The Company has not issued any convertible instruments.

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE:

(i) The Board has constituted Shareholders'/Investors' Grievance Committee to oversee and review all matters connected with the transfer of Shares of the Company and redressal of Shareholders /Investors' complaints.

(ii) The composition of the Shareholders'/Investors' Grievance Committee and the details of meeting attended by its members are given below:

Name	Category	No. of meetings	
		Held	Attended
Mr. R. P. Khosla (Chairman)	Independent, Non Executive	4	3
Mr. E.A. Kshirsagar (Member)	Non Independent, Non Executive	4	4
Mr. S. Bhattacharya (Member)	Independent, Non Executive	4	4
Mr. Ajai Chowdhry (Ex-Officio)	Non Independent, Executive	4	4

(iii) The Committee met 4 times during the financial year 2007-2008 on the following dates: 23rd August 2007, 22nd October 2007, 28th January 2008 and 24th April 2008.

(iv) Name, designation and address of:

Compliance Officer : Mr. Sushil Kumar Jain
Company Secretary
HCL Infosystems Limited
E- 4,5,6, Sector 11, Noida
Tel: 0120-2526490, Fax: 0120-2525196

(v) During the year the Company received 12 complaints from SEBI/ Stock Exchanges / MCA. All complaints were redressed to the satisfaction of the shareholder. No complaints were pending either at beginning or at the end of the year. There were no shares pending for transfer as on 30th June, 2008.

6. CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT:

The company has adopted a comprehensive Code of Conduct for its Directors and Senior Management, which lays the standard of business conduct, ethics and governance.

The Code has been circulated to all the members of the Board and Senior Management and they have affirmed compliance of the same.

The declaration signed by the Chairman & CEO is given below:

"I hereby confirm that:

The company has obtained from all the members of the Board and Senior Management affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2007-08."

Sd/-
Ajai Chowdhry
Chairman & CEO

7. UNLISTED SUBSIDIARY COMPANIES:

The Company has three unlisted wholly owned subsidiaries namely HCL Infinet Limited (formerly known as Microcomp Limited), incorporated on 15th September, 1975, HCL Security Limited (HSL) incorporated on 19th March, 2008 and Natural Technologies Private Limited (NTPL), incorporated on 28th July 1995. NTPL became wholly own subsidiary on acquisition of its entire share capital by the Company on 5th May, 2008.

Mr. S. Bhattacharya, an independent Director of the Company is also a Director of HCL Infinet Limited. Mr. Ajai Chowdhry and Mr. J.V. Ramamurthy, the Whole time Directors of the Company are also Directors of HSL and NTPL. The Minutes of the Board Meetings of the subsidiary companies are regularly placed before the Board.

8. GENERAL BODY MEETINGS :

i) The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2006-07	23/10/2007	10.00 A.M	FICCI Auditorium, 1, Tansen Marg, New Delhi-110001
2005-06	19/10/2006	10.00 A.M	FICCI Auditorium, 1, Tansen Marg, New Delhi-110001
2004-05	20/10/2005	10.00 A.M	FICCI Auditorium, 1, Tansen Marg, New Delhi-110001

ii) Postal Ballot:
During the year following resolutions have been passed through postal ballot:

(a) Change in Objects Clause of the Memorandum of Association under Section 17 of the Companies Act, 1956.

(b) Increase in the borrowing limits under Section 293(1)(d) of the Companies Act, 1956.

(c) Creation of mortgages and charges on the properties of the Company under Section 293(1)(a) of the Companies Act, 1956.

(iii) Special Resolutions passed at last three AGMs:

(a) At the AGM held on 23rd October 2007, no special resolution was passed.

(b) At the AGM held on 19th October 2006, special resolutions were passed for:

- Alteration in Articles of Association with regard to increase in Authorised Capital.
- To maintain register of members, the index of members and copies of annual returns at the office of Company's Registrar and Share Transfer Agents, i.e. M/s Intime Spectrum Registry Limited (RTA) or any other RTA who may be appointed in their place.

(c) At the AGM held on 20th October 2005, special resolution was passed for delisting of Shares from Calcutta Stock Exchange.

9. DISCLOSURES :

i) There are no materially significant related party transactions of the Company, which have potential conflict with the interests of the company at large.

(ii) The Company has complied with the requirements of the Stock Exchanges / 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.

(iii) A qualified Practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

(iv) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure 1D to Clause 49 of the Listing Agreement with the Stock Exchanges:

(a) The Company has set up an Employees Compensation & Employees Satisfaction Committee. Please see para 4 for further details.

(b) The statutory financial statements of the Company are unqualified.

10. MEANS OF COMMUNICATION :

(i) The quarterly, half yearly and annual results are published in English and Hindi Newspapers and the results are also displayed on the website of the Company – 'www.hclinfosystems.in'.

(ii) The Highlights of the quarterly financial results along with a message from the Chairman are sent to each shareholder.

(iii) Press releases made by the company from time to time and the presentation made to the institutional investors and analysts are displayed on the Company's web site.

(iv) The Management Discussion and Analysis Report forms part of the Company's Annual Report.

11. GENERAL SHAREHOLDERS' INFORMATION :

i) Annual General Meeting:
Date: Friday, October 24, 2008
Time: 10.00 A.M.
Venue: FICCI Auditorium, 1, Tansen Marg, New Delhi-110 001.

ii) Financial Calendar (Tentative Calendar for the financial year 2008-2009):
Adoption of Results for the quarter ending September 30, 2008: October 23, 2008
Adoption of Results for the quarter ending December 31, 2008: January 22, 2009
Adoption of Results for the quarter ending March 31, 2009: April 23, 2009.
Adoption of Results for the quarter ending June 30, 2009: August 20, 2009.

iii) Date of Book Closure : November 3 to November 4, 2008 (both days inclusive)

iv) Dividend payment date : The Final Dividend if declared shall be paid on or before November 23, 2008.

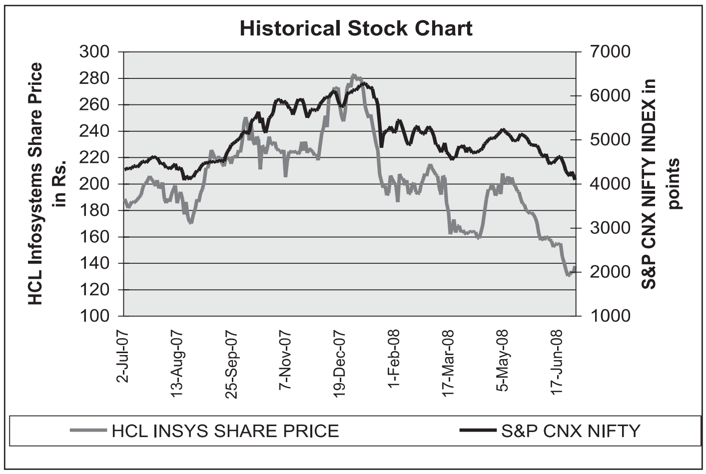
v) Listing on Stock Exchanges : National Stock Exchange of India Limited
Bombay Stock Exchange Limited

vi) Stock Codes/Symbol :
National Stock Exchange of India Ltd. : HCL-INSYS
The Bombay Stock Exchange Ltd. : Physical Form – 179
Electronic form-500179

(vii) Market price data:

Month	Company's Share Price	
	High (Rs.)	Low (Rs.)
July, 2007	207.95	177.00
August, 2007	203.00	159.25
September, 2007	235.00	196.95
October, 2007	260.00	188.00
November, 2007	242.00	182.30
December, 2007	290.00	224.10
January, 2008	289.95	165.90
February, 2008	225.00	162.65
March, 2008	214.55	147.05
April, 2008	205.90	155.10
May, 2008	215.95	165.05
June, 2008	173.00	125.00

(source : The National Stock Exchange of India Ltd.)



viii) Registrar and Transfer Agents:

Name & Address : M/s Alankit Assignments Limited
Alankit House,
2E/21, Jhandewalan Extension,
New Delhi – 110 055
Contact Person : Mr. Mahesh Jairath, Senior Vice President
Phone No. : 91-11-23541234;
Fax No. : 91-11-42541967
E-Mail : rta@alankit.com

ix) Share Transfer System:

Transfer of dematerialized shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with Alankit Assignments Limited at their address mentioned above. Transfer of shares in physical form are normally processed within 10-15 days from the date of receipt, if the documents are complete in all respects.

x) Shareholders' Referencer:

The shareholders' referencer is available on the Company's website. Any shareholder who wishes to obtain copy of the same can send his request to the Company Secretary.

xi) Distribution of Shareholding as on June 30, 2008:

	Shareholders		Total Shares	
No. of Equity shares	**Number**	**%**	**Number**	**%**
Upto 500	25213	83.63	3454807	2.02
501-1000	2518	8.35	2001645	1.17
1001-2000	1326	4.40	1953105	1.14
2001-3000	478	1.58	1200927	0.70
3001-4000	144	0.48	510708	0.30
4001-5000	111	0.37	518268	0.30
5001-10000	190	0.63	1368220	0.80
10000 and above	168	0.56	160141976	93.57
Total	**30148**	**100.00**	**171149656**	**100.00**

xii) Shareholding pattern as on June 30, 2008:

Category	No. of Shares	Percentage (%)
Promoters / Promoters Group	91,874,611	53.68
Mutual Funds / UTI	6,156,657	3.60
Financial Institutions / Banks	4,457,496	2.60
Foreign Institutional Investors	55,391,674	32.37
Bodies Corporate	986,006	0.57
Indian Public	11,752,012	6.87
NRI / OCBs	531,200	0.31
TOTAL	**171,149,656**	**100.00**

xiii) Dematerialisation of shares:

The shares of the Company are compulsorily traded in dematerialised form and are available for trading on both the depositories in India i.e. NSDL & CDSL. As on June 30, 2008, 97.88% equity shares of the Company are held in dematerialised form.

The Company's shares are regularly traded on the NSE and the BSE in electronic form.

Under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE 236A01020.

xiv) The Company has not issued any GDRs/ADRs/Warrants or Convertible instruments.

xv) Plant locations:

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

xvi) Address for Correspondence:

The shareholders may address their communication/suggestions/grievances/queries to the Registrar and Share Transfer Agents at the address mentioned above, or to:

The Company Secretary
HCL Infosystems Ltd.
E – 4, 5, 6, Sector – XI,
NOIDA (U.P.) – 201 301.
Tel. No.: 0120-2526490,
Fax: 0120-2525196
Email: cosec@hcl.in

xvii) Shareholders Database:

In order to enable the Company to include additional contact details of shareholders in the shareholders' database maintained by the Company, Members are requested to provide their phone number and e-mail address along with their Folio No./DP ID and Client ID No. This will facilitate quick communication by the Company/RTA to its shareholders. The details may be addressed to the Company at its Corporate Office at E-4,5,6, Sector XI, Noida (U.P) or by eMail to **cosec@hcl.in**.

Details can also be sent by SMS. For sending SMS, please type ***SHDB,Client ID-DP ID, eMail ID*** and send it to +919911115555 eg. ***SHDB,IN300513-15289788,rajeevgupta@yahoo.com*** in case the shares are held in electronic form. For shares held in physical form, please type ***SHDB,Folio No.,eMail ID*** and send it to +919911115555 eg. ***SHDB,R000551,rajeevgupta@yahoo.com.***

xviii) Company Website:

The Company has its website namely www.hclinfosystems.in. This provides detailed information about the Company, its products and services offered, locations of its corporate office and various sales offices etc. It also contains updated information of the financial performance of the Company and procedures involved in completing various investors' related transactions expeditiously. The quarterly results, annual reports and shareholding distributions etc. are updated on the website of the company from time to time.

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of HCL Infosystems Limited

We have examined the compliance of conditions of Corporate Governance by HCL Infosystems Limited, for the year ended June 30, 2008, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and 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.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We 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.

V. Nijhawan
Partner
Membership No: F 87228
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : September 2, 2008

To
The Members of HCL Infosystems Limited

1. We have audited the attached Balance Sheet of HCL Infosystems Limited, as at June 30, 2008, 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 conducted our audit in accordance with the 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 Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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 of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to 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 dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on June 30, 2008 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2008 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:

      (i) in the case of the Balance Sheet, of the state of affairs of the company as at June 30, 2008;

      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : September 2, 2008

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Infosystems Limited on the financial statements for the year ended June 30, 2008]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. (a) The inventory excluding stocks with third parties has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. The company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.

7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

   (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, excise duty, and cess as at June 30, 2008 which have not been deposited on account of a dispute have been stated in Note 26 on Schedule 21.

10. The company has no accumulated losses as at June 30, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company has not issued any debentures.

12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.

14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.

16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

19. The company has not raised any money by public issues during the year.

20. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

21. Clause (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : September 2, 2008

BALANCE SHEET AS AT 30TH JUNE

	Schedule (Note No.)		As at 30.06.2008 Rs./Crores		As at 30.06.2007 Rs./Crores
Sources of Funds:					
Shareholders' Funds :					
Capital	1		**34.23**		33.83
Reserves and Surplus	2		**972.03**		811.38
Loan Funds:					
Secured Loans	3		**-**		12.02
Unsecured Loans	4		**352.66**		223.87
Deferred Tax Liabilities (Net)	21(5)		**6.85**		12.48
			1365.77		1093.58
Application of Funds:					
Fixed Assets:	5				
Gross Block		**216.68**		162.31	
Less: Depreciation		**78.11**		63.83	
Net Block		**138.57**		98.48	
Capital Work-In-Progress		**13.89**		21.36	
(Including Capital Advances)			**152.46**		119.84
Investments	6		**215.02**		279.78
Current Assets, Loans and Advances:					
Inventories	7	**898.37**		791.73	
Sundry Debtors	8	**1241.46**		1002.51	
Cash and Bank Balances	9	**317.36**		193.94	
Other Current Assets	10	**92.26**		68.32	
Loans and Advances	11	**139.94**		95.34	
		2689.39		2151.84	
Less:Current Liabilities and Provisions	12				
Current Liabilities		**1620.25**		1376.78	
Provisions		**70.85**		81.10	
		1691.10		1457.88	
Net Current Assets			**998.29**		693.96
			1365.77		1093.58
Significant Accounting Policies	20				
Notes to Accounts	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

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S. BHATTACHARYA
Director

SUSHIL KUMAR JAIN
Company Secretary

Place : New Delhi
Date : September 2, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE

	Schedule (Note No.)		Year ended 30.06.2008 Rs./Crores		Year ended 30.06.2007 Rs./Crores
Income					
Business Income	13	**12569.44**		11818.25	
Less : Excise Duty		**158.00**	**12411.44**	183.57	11634.68
Other Income	14		**39.94**		48.18
			12451.38		11682.86
Expenditure					
Cost of Goods and Services Sold	15		**11369.62**		10777.05
Personnel	16		**292.96**		217.73
Administration, Selling, Distribution and Others	17		**286.72**		225.27
Repairs and Maintenance	18		**11.50**		9.72
Finance Charges (Net)	19		**39.76**		10.55
Depreciation and Amortisation	5	**16.40**		12.59	
Less : Transfer from Revaluation Reserve		**0.05**	**16.35**	0.04	12.55
			12016.91		11252.87
Profit before Tax			**434.47**		429.99
Tax expense	21 (5)				
- Current [Wealth tax Rs.0.02 Crores (2007 - Rs.0.02 Crores)]		**131.50**		105.90	
- Fringe Benefit		**3.85**		4.03	
- Deferred		**(5.63)**	**129.72**	2.21	112.14
Profit after Tax			**304.75**		317.85
Balance in Profit and Loss Account brought forward			**589.03**		189.36
Adjustments due to scheme of arrangement	21 (23)				
- as on April 1, 2007 (2007 -As on April 1,2006)			**(0.39)**		223.29
- for the period April 1, 2007 to June 30, 2007 (2007 -April 1,2006 to June 30,2006)			**(0.01)**		46.60
Profit available for appropriation			**893.38**		777.10
Appropriations:					
Proposed Dividend			**34.23**		33.91
Corporate Dividend Tax on Proposed Dividend			**5.82**		5.76
Interim Dividend [including Rs.0.20 Crores (2007-Rs.0.02 Crores) paid for previous year]			**102.61**		101.39
Corporate Dividend Tax on Interim Dividend			**17.44**		15.22
Transfer to General Reserve			**30.47**		31.79
Balance Carried over			**702.81**		589.03
			893.38		777.10
Earning per equity share (in Rs.)					
Basic (of Rs.2/- each)	21 (20)		**17.88**		18.82
Diluted (of Rs.2/- each)	21 (20)		**17.64**		18.68
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

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S. BHATTACHARYA
Director

SUSHIL KUMAR JAIN
Company Secretary

Place : New Delhi
Date : September 2, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

		Year ended 2008 Rs./Crores		Year ended 2007 Rs./Crores
1. Cash Flow from Operating Activities				
Profit before Tax		**434.47**		429.99
Adjustments for:				
Depreciation and Amortisation	**16.35**		12.55	
(Profit)/Loss on sale of Fixed Assets(Net)	**-**		0.06	
(Profit)/Loss on disposal of (Others) Investments (Net)	**(1.75)**		(5.87)	
Interest on borrowings	**47.56**		21.45	
Interest and Dividend income	**(14.24)**		(12.77)	
Unrealised (Gain)/Loss on Foreign Exchange Fluctuation (Net)	**8.54**		(9.96)	
Provision for Doubtful Debts	**1.29**		0.15	
Provisions/Liabilities no longer required written back	**(15.17)**		(6.40)	
Diminution in the value of Current Investments	**0.21**		0.36	
Provision for Warranty Liability	**13.28**		12.61	
Provision for Gratuity and other Employee Benefits	**4.41**	**60.48**	4.90	17.08
Operating profit before Working Capital Changes		**494.95**		447.07
Adjustments for:				
Trade and Other Receivables	**(313.14)**		(318.69)	
Inventories	**(106.64)**		(322.03)	
Trade Payables and Other Liabilities	**235.49**	**(184.29)**	301.21	(339.51)
Cash generated from Operation		**310.66**		107.56
Direct Tax (paid)/Refund (Net) (Including Interest)		**(150.40)**		(88.88)
Cash from Operating activities		**160.26**		18.68
Net Cash from Operating activities (A)		**160.26**		18.68
2. Cash Flow from Investing Activities				
Interest and Dividend Received (Gross)	**14.29**		14.44	
Purchase of Fixed Assets	**(37.26)**		(39.56)	
Sale of Fixed Assets	**2.45**		0.12	
Purchase of Investments	**(3553.34)**		(1785.09)	
Disposal/Redemption of Investments	**3611.32**		1813.98	
Purchase of Investment in Subsidiary	**(8.46)**		(16.76)	
Capital Work-in-Progress (Net)	**7.46**		(4.39)	
Net cash from / (used in) Investing activities (B)		**36.46**		(17.26)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

		Year Ended 30.06.2008 Rs./Crores		Year Ended 30.06.2007 Rs./Crores
3. Cash Flow from Financing Activities				
Share Capital Issued	**0.40**		0.08	
Interest Paid	**(46.40)**		(21.61)	
Share Premium Received (Net)	**16.12**		4.34	
Secured Loans - Short Term Received/(Paid)	**(6.02)**		(7.47)	
Secured Loans - Long Term (Paid)	**(6.00)**		(25.00)	
Unsecured Loans Received/(Paid)	**127.88**		183.72	
Dividend Paid (including dividend tax)	**(159.32)**		(154.61)	
Net cash from Financing Activities (C)		**(73.34)**		(20.55)
Opening Balance of Cash and Cash Equivalents		**193.94**		145.29
Cash and Cash Equivalents of erstwhile Infinet Ltd. as on June 30, 2006.				67.78
Cash and Cash Equivalents of erstwhile Stelmac as on June 30, 2007. (Refer Note 2 below)		**0.04**		
Closing Balance of Cash and Cash Equivalents [(Includes Exchange Rate Fluctuation of Rs.0.14 Crores (2007 - Rs.0.01 Crores)] [Includes unclaimed dividend of Rs.2.94 Crores (2007 - Rs.2.54 Crores)]		**317.36**		193.94
Net Increase /(Decrease) in Cash and Cash Equivalents		**123.38**		(19.13)
Total (A)+(B)+(C)		**123.38**		(19.13)
Cash and Cash Equivalents comprise		**317.36**		193.94
Cash,Cheques & Drafts (in hand)		**100.26**		34.13
Balance with Scheduled Banks in Current Accounts		**216.61**		145.59
Balance with Scheduled Banks in Deposits Accounts		**0.02**		14.04
Balance with Non-Scheduled Banks in Current Accounts		**0.47**		0.18

Notes :-

1. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified under section 211(3C) of Companies Act, 1956.
2. Assets / (Liabilities) of erstwhile Stelmac Engineering Private Limited amalmagamated under the scheme of Amalgamation have not been considered as cash flows, rather their net impact has been taken as "Cash and Cash Equivalents of erstwhile Stelmac Engineering Private Limited as on June 30, 2007" (Refer Note 23 of schedule 21). The results of the said business for the period from April 1, 2007 to June 30, 2007 have been adjusted to the profit and loss account forming part of reserves.
3. Schedule 1 to 21 form integral part of Cash Flow Statement
4. Figures in brackets indicate cash outgo.

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

For and on behalf of the Board of Directors

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S. BHATTACHARYA
Director

SUSHIL KUMAR JAIN
Company Secretary

Place : New Delhi
Date : September 2, 2008

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
1- Capital		
[Schedule-21, Notes 18]		
Authorised:		
55,00,00,000 (2007 - 55,00,00,000) Equity Shares of Rs. 2/- each	**110.00**	110.00
5,00,000 (2007 - 5,00,000) Preference Shares of Rs. 100/- each	**5.00**	5.00
	115.00	115.00
Issued, Subscribed and Paid up:		
17,11,49,656 (2007 - 16,91,52,650) Equity shares of Rs.2/- each, fully paid up.	**34.23**	33.83
Add : Shares Forfeited	**0.00**	0.00
[Represents Rs.1000 (2007 - Rs.1000)]		
	34.23	33.83

Notes:-

1. Paid up share capital includes :

   a) 5,04,47,295 (2007 - 5,04,47,295) Equity Shares of Rs.2/- each issued pursuant to contract without payment being received in cash.

   b) 5,31,82,765 (2007 - 5,31,82,765) Equity Shares of Rs.2/- each Bonus shares issued from Securities Premium Account.

   c) 1,15,22,340 (2007 - 96,05,355) Equity Shares of Rs.2/- each issued pursuant to the exercise of options granted under Employee Stock Option Scheme 2000.

   d) 80,021 (2007 - Nil) Equity Shares of Rs.2/- each issued pursuant to the exercise of options granted under Employee Stock Based Compensation Plan 2005.

2 Of the above subscribed shares, 7,46,51,388 (2007 - 7,46,51,388) Equity Shares of Rs.2/- each are held by HCL Corporation Limited.

2- Reserves and Surplus [Schedule-21, Notes 18 and 23]	As at 01.07.2007 Rs./Crores	Additions/ Adjustments Rs./Crores	Deductions/ Adjustments Rs./Crores	**As at 30.06.2008 Rs./Crores**
Capital Reserve	**0.00**	**-**	**-**	**0.00**
[Represents Rs. 37135 (2007 -Rs.37135)]	(0.00)	(-)	(-)	(0.00)
Securities Premium Account	**108.79**	**22.66**	**6.54**	**124.91**
	(104.45)	(4.34)	(-)	(108.79)
General Reserve	**110.64**	**30.47**	**-**	**141.11**
	(80.82)	(31.79)	(1.97)	(110.64)
Revaluation Reserve (Adj.)	**2.92**	**17.03**	**16.75**	**3.20**
	(2.96)	(-)	(0.04)	(2.92)
Profit and Loss Account	**589.03**	**113.78**	**-**	**702.81**
	(189.36)	(399.67)	(-)	(589.03)
	811.38	**183.94**	**23.29**	**972.03**
	(377.59)	(435.80)	(2.01)	(811.38)

Notes:-

1 Addition to the Securties Premium Account is in respect of allotment of equity shares of Rs.2 each to employees of the company and its subsidiaries under the Employee Stock Option Scheme 2000 and Employee Stock Based Compenstion Plan 2005.

2 Deduction from the Securities Premium Account is in respect of the amount paid towards Fringe benefit tax on exercise of options granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compenstion plan 2005.

3 Previous year's figures are given in brackets.

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
3- Secured Loans		
Loans and Advances from Banks:		
- Cash Credits	-	3.14
- Short Term Foreign Currency loan External Commercial Borrowings	-	2.88
- Long Term Loan From others	-	6.00
	-	12.02

Notes:-

1) Cash Credits along with non-fund based facilities from Banks (External Commercial Borrowings) 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.
2) Term loan from a Bank was secured by way of hypothecation of all movable current assets. The charge ranks pari-passu with company's bankers.
3) Payable within the one year Rs.Nil (2007-Rs. 12.02 Crores).

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
4- Unsecured Loans		
Public Deposits	**0.01**	0.06
Interest accrued and due	**0.00**	0.01
Short Term Loans		
- From Banks - Commercial Paper	**165.00**	70.00
- Others	**-**	25.00
- Foreign Currency Loan	**106.21**	17.22
Other Loans		
- From a Financial Institution	**-**	0.01
- From Others	**81.44**	111.57
	352.66	223.87

Notes:-

1) Amount payable within one year is Rs.352.66 Crores (2007 - Rs.201.47 Crores)

2) Public Deposits represent matured deposits.

5- Fixed Assets

[Schedule-21, Notes 1, 2, 19(b) and 23] Rs./Crores

	Gross Block				Depreciation				Net Block	
	As at 01.07.2007	Additions/ Adjustments during the year	Deductions/ Adjustments/ Retired during the year	**As at 30.06.2008**	As at 01.07.2007	Additions/ Adjustments during the year	Deductions/ Adjustments/ Retired during the year	**As at 30.06.2008**	**As at 30.06.2008**	As at 30.06.2007
Tangible :										
Land - Leasehold	7.92	0.05	-	**7.97**	0.48	0.10	-	**0.58**	**7.39**	7.44
Land - Freehold	5.01	20.60	-	**25.61**	-	-	-	**-**	**25.61**	5.01
Buildings	57.55	17.60	-	**75.15**	11.69	1.75	-	**13.44**	**61.71**	45.86
Plant & Machinery and Air Conditioners	41.05	7.07	3.08	**45.04**	19.05	5.93	0.71	**24.27**	**20.77**	22.00
Furniture, Fixtures and Office Equipment	48.23	11.59	1.31	**58.51**	31.38	7.59	1.25	**37.72**	**20.79**	16.85
Vehicles	1.48	0.17	0.17	**1.48**	0.86	0.19	0.16	**0.89**	**0.59**	0.62
Intangible :										
Acquired Software	1.07	1.85	-	**2.92**	0.37	0.84	-	**1.21**	**1.71**	0.70
TOTAL	**162.31**	**58.93**	**4.56**	**216.68**	**63.83**	**16.40**	**2.12**	**78.11**	**138.57**	98.48
Previous Year	111.09	54.40	3.18	162.31	47.77	19.07	3.01	63.83		
Capital Work in Progress									**13.89**	21.36
[Including capital advances of Rs.3.84 Crores (2007 - Rs.1.60 Crores)]									**152.46**	119.84

Notes :-

1. Land-Freehold and Building at Ambattur amounting to Rs.0.57 Crores (2007 - Rs.0.57 Crores) are pending registration in the name of the company.
2. For previous year, additions to gross block and depreciation reserve include Rs.13.15 Crores and Rs.5.82 Crores respectively on account of transfer of fixed assets of the amalgamating company as on April 1, 2006 & Rs.1.35 Crores and Rs.0.66 Crores respectively for the period from April 1, 2006 to June 30, 2006 (Refer Note 28).

6- Investments

[Schedule-21, Notes 15, 23 and 24]

	As at 30.06.2008 Units	As at 30.06.2007 Units	Face Value Rs.	**As at 30.06.2008 Rs./Crores**	As at 30.06.2007 Rs./Crores
Unquoted (Trade) : Long Term in Subsidiary Company					
HCL Security Limited-Equity Shares	**50000**	-		**0.05**	-
Natural Technologies Private Limited -Equity Shares	**484856**	-		**8.41**	-
HCL Infinet Limited.-Equity Shares (Formerly known as Microcomp Limited)	**1701810**	1701810		**1.68**	1.68
Stelmac Engineering Private Limited -Equity Shares	**-**	600		**-**	16.76
				10.14	18.44
Unquoted (Others) : Current Growth Options					
Birla Fixed Maturity Plan	**-**	3565062	10	-	4.00
HDFC Fixed Maturity Plan	**-**	5000000	10	-	5.00
Kotak Fixed Maturity Plan	**-**	4000000	10	-	4.00
				-	13.00

	As at 30.06.2008 Units	As at 30.06.2007 Units	Face Value Rs.	**As at 30.06.2008 Rs./Crores**	As at 30.06.2007 Rs./Crores
Dividend Options					
DSP Merrill Lynch Liquidity Fund	**-**	200081	1000	**-**	20.02
HSBC Liquid Plus	**10438484**		10	**10.47**	-
IDFC Floating Rate Fund - Long Term Plan	**29051418**		10	**29.14**	-
ICICI Prudential Flexible Income Plan	**40575673**		10	**42.80**	-
ICICI Prudential Liquid Plan	**-**	36887901	10	**-**	43.96
Kotak Flexi Debt	**24946136**		10	**25.37**	-
Principal Cash Management Fund	**20034216**	50106372	10	**20.04**	50.14
Reliance Liquid Plus	**320890**		1000	**32.15**	-
Tata Floater Fund	**19630564**		10	**19.79**	-
UTI Liquid Cash Plan	**167269**		1000	**17.11**	-
HDFC Cash Management Fund	**7995757**		10	**8.01**	-
HDFC Liquid Fund	**-**	12242390	10	**-**	15.28
HSBC Cash Fund	**-**	35656946	10	**-**	35.71
Templeton India Treasury Management Account	**-**	312474	1000	**-**	31.27
Standard Chartered Liquidity Manager	**-**	467270	1000	**-**	46.75
HSBC Fixed Term Series	**-**	5215431	10	**-**	5.21
				204.88	248.34
				215.02	279.78

Note :- Net asset value of Unquoted (Others) Current Investments in Mutual Funds as on June 30, 2008 is Rs.204.95 Crores (2007 - Rs. 262.18 Crores)

		As at 30.06.2008 Rs./Crores		As at 30.06.2007 Rs./Crores
7- Inventories				
[Schedule-21, Notes 8(c)]				
Raw materials and Components [Including in Transit Rs. 36.81Crores (2007 -Rs. 52.61 Crores)]		**119.67**		110.89
Stores and Spares		**64.23**		56.18
Finished Goods [Including in Transit Rs.118.23 Crores (2007-Rs 108.28 Crores)]		**712.79**		623.43
Work-In-Progress		**1.68**		1.23
		898.37		791.73
8- Sundry Debtors - Unsecured				
Debts outstanding for a period exceeding six months :				
- Considered Good	**364.27**		128.47	
- Considered Doubtful	**1.74**		0.60	
	366.01		129.07	
Other debts - Considered Good	**877.19**		874.04	
	1243.20		1003.11	
Less : Provision for Doubtful Debts	**1.74**	**1241.46**	0.60	1002.51
		1241.46		1002.51
9- Cash and Bank Balances				
[Schedule -21, Note 23]				
Cash balance on hand		**0.42**		0.42
Cheques in Hand		**99.84**		33.71
Balances with Scheduled Banks:				
- On Current Account	**213.63**		142.89	
Less :- Money held in Trust	**0.39**	**213.24**	0.40	142.49
- On Dividend Account		**2.94**		2.54
- On Margin Account		**0.43**		0.56
- On Fixed Deposits	**0.34**		14.36	
Less :- Money held in Trust	**0.32**	**0.02**	0.32	14.04
Balances with Non-Scheduled Banks:				
- On Current Account				
Standard Chartered Bank, Singapore-USD [Maximum amount outstanding during the year Rs.1.05 Crores(2007-Rs.1.08 Crores)]	**0.44**		0.16	
Standard Chartered Bank, Singapore- SGD [Maximum amount outstanding during the year Rs.0.03 Crores(2007-Rs.0.02 Crores)]	**0.03**	**0.47**	0.02	0.18
		317.36		193.94
10- Other Current Assets				
[Schedule-21, Notes 3 (c), 17, 19(a) and 23]				
Deposits		**26.43**		21.55
Lease Rental Recoverable		**35.63**		46.04
Unbilled Revenue		**30.20**		0.73
		92.26		68.32

		As at 30.06.2008 Rs./Crores		As at 30.06.2007 Rs./Crores
11- Loans and Advances [Schedule-21, Note 25]				
Unsecured Considered Good				
- Amounts recoverable in cash or in kind or for value to be received		**120.47**		82.28
- Advances and Loans to Subsidiaries		**1.63**		5.22
- Balances with Customs, Port Trust, Excise and Sales Tax Authorities		**17.84**		7.84
		139.94		95.34
12- Current Liabilities and Provisions [Schedule-21, Notes 4, 5, 6, 22, and 23]				
Current Liabilities:				
Acceptances		**252.82**		313.92
Sundry Creditors				
- Due to Subsidiaries	**0.01**		0.42	
- Due to Micro and Small Enterprises	**0.60**		0.16	
- Other than Micro and Small Enterprises	**1156.21**	**1156.82**	857.83	858.41
Sundry Deposits		**4.31**		3.90
Interest accrued but not due:				
- On Secured Loans		**-**		0.01
- On Unsecured Loans		**1.73**		0.54
Investor Education and Protection Fund :				
- Unclaimed Dividend *		**2.94**		2.54
Advances from Customers		**24.74**		21.60
Deferred Revenue		**142.50**		137.88
Other Liabilities		**34.39**		37.98
		1620.25		1376.78
Provisions:				
Proposed Dividend		**34.23**		33.91
Corporate Dividend Tax on Proposed Dividend		**5.82**		5.76
For Income Tax [Net of Advance Income Tax of Rs. 441.92 Crores (2007-Rs.285.13 Crores)]		**5.07**		20.11
For Warranty Liability		**5.61**		3.80
For Gratuity and Other Employee Benefits		**20.12**		17.52
		70.85		81.10
		1691.10		1457.88

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at June 30, 2008. These shall be credited and paid to the fund as and when due.

	Year ended 30.06.2008 Rs./Crores	Year ended 30.06.2007 Rs./Crores
13- Business Income		
[Schedule-21, Notes 8(c)]		
Sales and Related Income	**12121.53**	11496.00
Services	**447.91**	322.25
	12569.44	11818.25
14- Other Income		
Dividend from (Others) Current Investments	**14.02**	10.84
Insurance Claims	**0.03**	0.48
Provisions/Liabilities no longer required written back	**15.17**	6.40
Profit on disposal of (Others) Current Investments (Net)	**1.75**	5.87
Profit on Foreign Exchange Fluctuation (Net)	**1.66**	18.95
Miscellaneous Income	**7.31**	5.64
	39.94	48.18
15- Cost of Goods and Services Sold		
[Schedule-21, Notes 8(b), 8(c) 9 and 10]		
Raw Materials and Components Consumed	**1753.95**	1312.95
Purchase of Traded Goods	**9448.08**	9503.14
Purchase of Services (Net)	**91.66**	67.07
Stores and Spares Consumed	**54.13**	41.24
Power and Fuel	**1.60**	1.64
Labour and Processing Charges	**10.49**	4.82
Royalty (Net)	**99.52**	117.18
	11459.43	11048.04
(Increase)/Decrease in Stocks of Finished Goods and Work-in-Progress :		
Closing Stock		
-Finished Goods (Including in Transit)	**712.79**	623.43
[Including excise duty of Rs.3.43 Crores (2007 - Rs.3.77 Crores)]		
- Work-In-Progress	**1.68**	1.23
	714.47	624.66
Opening Stock		
- Finished Goods (Including in Transit)	**623.43**	133.74
[Including excise duty Rs.3.77 Crores (2007 - Rs.3.53 Crores)]		
- Work-In-Progress	**1.23**	5.95
	624.66	139.69
Finished Goods (Including in Transit) of erstwhile HCL Infinet Ltd. as on June 30, 2006 (Refer Note 28 on schedule 21)	**-**	213.98
	(89.81)	(270.99)
	11369.62	10777.05
16- Personnel		
[Schedule-21, Note 22]		
Salaries, Wages, Allowances, Bonus and Gratuity	**275.43**	203.91
Contribution to Provident Fund and Other Funds	**9.90**	7.76
Staff Welfare Expenses	**7.63**	6.06
	292.96	217.73

		Year ended 30.06.2008 Rs./Crores		Year ended 30.06.2007 Rs./Crores
17- Administration, Selling, Distribution and Others [Schedule-21, Note 22]				
Rent		**18.39**		12.64
Rates and Taxes		**9.70**		7.78
Printing and Stationery		**5.05**		4.02
Communication		**12.00**		10.32
Travelling and Conveyance		**32.82**		25.22
Packing, Freight and Forwarding		**55.32**		43.49
Legal and Professional		**18.80**		11.34
Training and Conference		**4.92**		3.71
Office Electricity and Water		**6.82**		5.41
Insurance		**7.22**		7.97
Advertisement, Publicity and Entertainment (Net of Reimbursements)		**71.53**		44.68
Hire Charges		**1.86**		1.50
Commission on Sales		**18.73**		17.36
Bank Charges		**9.41**		8.64
Provision for Doubtful Debts		**1.29**		0.15
Loss on Sale of Fixed Assets (Net)		**0.00**		0.06
Diminution in the value of current investments		**0.21**		0.36
Miscellaneous		**13.20**		20.62
		287.27		225.27
Less : Operating Cost Recovered		**0.55**		-
		286.72		225.27
18- Repairs and Maintenance				
Plant and Machinery		**0.46**		0.29
Buildings		**0.83**		0.56
Others		**10.21**		8.87
		11.50		9.72
19- Finance Charges [Schedule-21, Note 19(a)]				
Interest paid :				
- On Fixed Loans	**32.76**		14.25	
- On Others	**14.81**	**47.57**	7.20	21.45
Less : Interest received :				
- On Lease Rental	**5.28**		6.04	
- On Fixed Deposits (Gross) [Tax deducted at source Rs.0.03 Crores (2007 - Rs.0.54 Crores)]	**0.20**		1.91	
- On Other Loans and Advances	**0.01**		0.02	
- On Others	**2.32**	**7.81**	2.93	10.90
		39.76		10.55

SCHEDULE 20 - SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements of the Company have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified under section 211(3C) of the Companies Act, 1956 to the extent applicable.

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 1.4.2001 are stated at fair value of the assets or present value of minimum lease payments whichever is lower.

Intangible Assets are stated at cost net of amortisation.

3. DEPRECIATION

(i) 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) The assets taken on finance lease on or after April 1, 2001 over their expected useful lives.

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

(iii) Intangible Assets are amortised over a period of 1-3 years.

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 where fair value for mutual funds is based on net asset value.

5. INVENTORIES

Raw Materials and components held for use in the production of inventories and Work-in-progress 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. Cost is determined on the basis of weighted average.

Finished Goods and Work in Progress are valued at lower of cost and net realisable value.

Cost of Finished Goods and Work in Progress includes cost of raw materials and components, direct labour and proportionate overhead expenses. Cost is determined on the basis of weighted average.

Stores and Spares are valued at lower of cost and net realisable value. Adequate adjustments are made to the carrying value for obsolescence. Cost is determined on the basis of weighted average.

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

6. FOREIGN CURRENCY TRANSACTIONS

a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.

b) At the balance sheet date, all assets and liabilities denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date.

c) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the life of the contract.

d) In case of forward foreign exchange contracts taken for highly probable /forecast transactions, the net loss, if any, calculated on 'Mark to Market' principle as at the balance sheet date is recorded.

e) Profit or loss arising on cancellation or renewal of a forward contract is recognised as income or expense in the year in which such cancellation or renewal is made.

7. EMPLOYEE BENEFITS

Defined Benefit:
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. Gains/losses arising out of actuarial valuation are recognised immediately in the profit and loss account as income/expense.

Defined Contribution:
Company's contributions towards recognised Provident Fund and Superannuation Fund are accounted for on accrual basis. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the provident fund trust and the notified interest rate.

The Company makes defined contributions to a superannuation trust established for the purpose. The Company has no further obligation beyond the monthly 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 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) Composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of total cost expected to be incurred.

(c) Service income includes income

(i) From maintenance of products and facilities under maintenance agreements and extended warranty, which is recognised upon creation of contractual obligations rateably over the period of contract, where no significant uncertainty exists regarding realisation of the consideration.

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. GOVERNMENT GRANTS

Revenue grants, where reasonable certainty exists that the ultimate collection will be made are recognized on a systematic basis in profit and loss statement over the periods necessary to match them with the related cost which they are intended to compensate.

10. ROYALTY

Royalty expense, net of performance based discounts, is recognised when the related revenue is recognised.

11. LEASES

a) 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.

b) 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.

c) Profit on sale and leaseback transactions is recognised over the period of the lease.

d) 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.

e) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

f) Initial direct costs relating to the finance lease transactions are included as part of the amount capitalised as an asset under the lease.

12. INCOME TAXES

The current charge for income taxes including fringe benefit tax 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.

13. PROVISIONS AND CONTINGENCIES

The company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the amount of the obligation cannot be made.

14. USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment retirement benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

15. EMPLOYEE STOCK OPTION SCHEME

The Company calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of market price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Company, is recognised as deferred stock compensation expense and is amortised over the vesting period on the basis of generally accepted accounting principles in accordance with the guidelines of Securities and Exchange Board of India.

16. 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.

17. SEGMENT ACCOUNTING

The segment accounting policy is in accordance with the policies consistently used in the preparation of financial statements. 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/income are enterprise expenses/income, 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 Investments in assets given on finance lease.

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.

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. The amounts added/reduced on aforesaid revaluation in 1992 and 2003 were as under:

	Rs./Crores
Land	4.44
Buildings	6.44
Plant & Machinery	(1.01)
Total	9.87
Less : Goodwill	5.70
Transferred to Revaluation Reserve	4.17
Less:	
-Expenditure incurred on acquisition of business in 1992	0.86
-Loss on sale of Land	0.15
	3.16

In 2007 Land and Building of erstwhile Stelmac Engineering Limited (Refer Note-23) were revalued and consequently addition of Rs 16.78 Crores and Rs.0.25 Crores respectively were made to the Gross Block.

2. Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for amount to Rs 5.81 Crores (2007-Rs.1.69 Crores).

3. Contingent Liabilities:

   a) Claims not acknowledged as debts:

	2008	2007
	Rs./Crores	Rs./Crores
Sales Tax*	**8.64**	9.64
Excise*	**14.87**	10.47
Income Tax*	**0.54**	0.54
Industrial Disputes, Civil Suits and Consumer Disputes	**8.37**	7.09

   * Includes sum of Rs. 2.88 Crores (2007 -Rs.4.18 Crores) deposited by the Company against the above.

   b) Corporate Guarantee of Rs.6.50 Crores (2007-Rs. Nil) was given to a Bank for working capital facilities sanctioned to 100% subsidiary, HCL Infinet Ltd.(Formerly Microcomp Ltd.) against which the total amount utilised as at June 30, 2008 is Rs. 2.25 Crores (2007- Rs. Nil).

   c) The Company has transferred Financial Assets (Lease Rental Recoverable) to a bank under a financing arrangement for which the balance outstanding with the bank as on June 30, 2008 is Rs.30.55 Crores (2007 - Rs.39.64 Crores). The transfer of these Financial Assets is with recourse to the Company.

4 The company has the following warranty provisions in the books of accounts:

	2008	2007
	Rs./Crores	Rs./Crores
Opening Balance as on July 1	**3.80**	2.46
Additions during the year	**13.28**	12.61
Utilised/Reversed during the year	**11.47**	11.27
Closing Balance as on June 30	**5.61**	3.80

The warranty provision has been recognised for expected warranty claims for the first year of warranty on products sold during the year. Due to the very nature of such costs, it is not possible to estimate the timing / uncertainties relating to the outflows of economic benefits.

5. Taxation:

   a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the financial year ended June 30, 2008, 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 March 31.

   b) Deferred Tax:
   Major Components of Deferred Tax arising on account of temporary timing difference along with their movement as at June 30, 2008 are:

Rs./Crores

	As at 30.06.07	Movement during the year	**As at 30.06.08**
Assets			
Allowances for doubtful debts	0.67	(0.09)	**0.58**
Expense Accruals(including impact of revised AS-15 in 2007 Rs.1.00 Crores)	5.86	4.58	**10.44**
Other timing differences	0.09	(0.09)	**-**
Depreciation	0.00	1.26	**1.26**
Total (A)	6.62	5.66	**12.28**
Liabilities			
Depreciation	1.68	(1.68)	**-**
Lease adjustments	12.84	(3.04)	**9.80**
Other timing differences	4.58	4.75	**9.33**
Total (B)	19.1	0.03	**19.13**
Net Deferred Tax Liability (B)-(A)	12.48	(5.63)	**6.85**
Previous Year	11.27	1.21	**12.48**

6. Disclosure of Micro, Small and Medium Enterprises:

			2008 Rs./Crores
a.	(i)	Principal amount remaining unpaid to any supplier as at the end of the year.	**0.60**
	(ii)	Interest due on the above amount.	**0.02**
b.	(i)	Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (Act).	**Nil**
	(ii)	Amount of payments made to the suppliers beyond the appointed day during the year.	**1.31**
c.		Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the Act.	**Nil**
d.		Amount of interest accrued and remaining unpaid at the end of the year.	**0.02**
e.		Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	**Nil**

7. Expenditure on Research and Development:

	2008 Rs./Crores	2007 Rs./Crores
Capital	**0.31**	0.17
Revenue (Depreciation, Payroll, Travelling and Other administration expenses)	**3.99**	3.30
Total	**4.30**	3.47

8. Capacities, Production, Stocks and Sales:

- Sales, Purchases, Opening and Closing stocks have been given in terms of value and/or, where ascertainable, in numbers.
- Bought out Computers and certain peripherals have been included in stock/sales of systems.

a) Particulars of goods manufactured:

Class of Product		**Installed capacity**	**Actual Production**
Computers/Micro processor Based systems	Nos.	**1230000**	**738636**
		(1400000)	(619216)
Data Graphic/Display Monitor/Terminals, Hubs etc.	Nos.	**713250**	**396854**
		(450000)	(512717)

Note: Installed capacity being a technical matter has been certified by the management.

b) Information in respect of purchase of traded goods:

	Nos.	Value Rs./Crores
Computers	**41255**	**133.74**
	(71112)	(219.71)
Photocopiers/ Electronic Equipments	**29286**	**191.38**
	(24669)	(163.23)
Printers/Scanners/UPS/CVT	**173513**	**180.30**
	(218007)	(171.23)
Cellular Phones	**31420517**	**8,160.87**
	(26117526)	(8381.28)
EPABX Systems	**900**	**77.58**
	(847)	(60.18)
Others *		**704.21**
		(507.51)
Total		**9488.08**
		(9503.14)

* Does not include any item which in value individually accounts for 10% or more of the total value of purchase of traded goods.

c) Stocks and Sales:

Class of Products	Unit	Sales/Adjustments Qty	Sales/Adjustments Value Rs./Crores	Opening Stock Qty	Opening Stock Value Rs./Crores	Closing Stock Qty	Closing Stock Value Rs./Crores
Computers/Micro	Nos.	**775584**	**1769.03**	**33216**	**91.60**	**37523**	**96.31**
Processors based Systems		(684119)	(1744.07)	(27007)	(82.24)	(33216)	(91.60)
Photocopiers/	Nos.	**28842**	**243.30**	**4480**	**28.55**	**4924**	**38.73**
Electronic/Equipments		(22347)	(209.20)	(2158)	(24.58)	(4480)	(28.55)
Printers/Scanners/UPS/CVT	Nos.	**176878**	**200.93**	**13860**	**11.97**	**10495**	**9.09**
		(222189)	(183.88)	(18042)	(8.65)	(13860)	(11.97)
Cellular Phones	Nos.	**30714602**	**8384.10**	**862702**	**309.56**	**1568617**	**387.91**
		(25666056)	(8505.22)	(411232)	(161.48)	(862702)	(309.56)
EPABX Systems	Nos.	**922**	**87.82**	**201**	**11.50**	**179**	**12.07**
		(779)	(69.94)	(133)	(6.92)	(201)	(11.50)
Others*			**1436.35**		**170.25**		**168.68**
			(783.69)		(63.85)		(170.25)
Total			**12121.53**		**623.43**		**712.79**
			(11496.00)		(347.72)		(623.43)

*Does not include any item which in value individually accounts for 10% or more of the total value of sales/stock.
Note: Previous year's figures are given in brackets.

9. 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:

	2008 Rs./Crores	**2008** % of Consumption	2007 Rs./Crores	2007 % of Consumption
Imported	**1380.54**	**79%**	1043.65	79%
Indigenous	**373.41**	**21%**	269.30	21%
Total	**1753.95**	**100%**	1312.95	100%

10. Details of raw materials and components consumed (in value):

		2008 Rs./Crores	2007 Rs./Crores
a)	Mother Boards and Assemblies	**412.61**	363.94
b)	Hard Disk Drives	**193.41**	172.96
c)	Processors	**230.11**	218.43
d)	Monitors	**233.34**	67.37
e)	CRT Key Tops PCBs & Cabinets	**55.18**	88.71
f)	Networking Products	**467.24**	215.95
g)	Others*	**162.06**	185.59
	Total	**1735.95**	1312.95

*Does not include any item which in value individually accounts for 10% or more of the total value of raw material and components consumed
Note: Separate quantitative numbers of raw material and components (including for resale) are not readily ascertainable.

11. Value of Imports calculated on CIF basis:

		2008 Rs./Crores	2007 Rs./Crores
a)	Raw materials & components	**1617.17**	1248.01
b)	Stores and spares	**45.51**	45.89
c)	Capital goods	**0.23**	2.07
d)	Traded items	**368.16**	550.73
	Total	**2031.07**	1846.70

12. Expenditure in Foreign Currency:
(On actual payment basis)

		2008 Rs./Crores	2007 Rs./Crores
a)	Travel	**0.60**	0.49
b)	Royalty (Net of TDS)	**103.30**	104.07
c)	Interest	**3.41**	1.90
d)	Others	**1.29**	2.72
	Total	**108.60**	109.18

13. Earnings in Foreign Currency:

		2008 Rs./Crores	2007 Rs./Crores
a)	Commission	**0.14**	0.12
b)	FOB value of exports (including deemed exports)	**73.63**	81.65
c)	Others (including reimbursement of expenses)	**24.02**	5.14
	Total	**97.79**	86.91

14. Remuneration to Auditor:

		2008 Rs./Crores	2007 Rs./Crores
a)	As Auditor *	**1.00**	0.80
b)	In Other Capacity		
	Tax Audit *	**0.17**	0.17
	Certification *	**0.02**	0.02
	Management Services*	**0.25**	-
	Out-of-Pocket Expenses	**0.05**	0.03
	Total	**1.49**	1.02

* Excluding service tax

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

Name of the Fund	Face Value Rs. per unit	* No. of Units	Cost Rs./Crores
ABN AMRO Cash Fund	10	20000000	20.00
DWS Insta Cash Plus Fund	10	227223356	230.64
DSP Merrill lynch Liquidity Fund	1000	351457	35.18
Grindlays Floating Rate Fund Long Term Plan	10	94207441	94.34
HDFC Liquid Fund - Premium Plan	10	37450017	45.01
HDFC Cash Management Fund	10	44217639	44.31
HSBC Liquid Plus	10	379333066	380.80
HSBC Fixed Term Series 15	10	103019	0.10
Templeton India TMA - Institutional Plan	1000	148611	15.03
ICICI Prudential Institutional Liquid Plan	10	101198586	120.12
UTI Liquid Cash Plan	10	98072	10.04
UTI Liquid Plus Fund Institutional Weekly Dividend Plan	1000	289954	29.04

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

16. Managerial Remuneration :

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

		2008 Rs./Crores		2007 Rs./Crores
Profit before Taxation		**434.47**		429.99
Add:				
Directors Remuneration Paid/payable	**4.49**		3.75	
Depreciation	**16.35**		12.55	
Provision for Doubtful Debts	**1.29**		0.15	
		22.13		16.45
		456.60		446.44
Less:				
Depreciation under Section 350 of the Companies Act, 1956	**16.35**		12.55	
Profit on Disposal of (Other) Investments (Net)	**1.75**		5.87	
Profit/(Loss) on sale of Fixed Assets (Net)	**(0.00)**		(0.06)	
		18.10		18.36
Net Profit under Section 349		**438.50**		428.08
Calculation of Commission under Section 309 of the Companies Act, 1956 @ 1%		**4.38**		4.28
Restricted to		**0.20**		0.43
(II) Paid/payable to the Wholetime Directors				
a) Salaries, Allowances & Bonus*		**3.76**		2.92
Contribution to Provident and Superannuation Funds**		**0.19**		0.13
Perquisites		**0.29**		0.24
		4.24		3.29
b) Directors' Sitting Fees		**0.05**		0.04
Commission to Non Wholetime Directors		**0.20**		0.42
Managerial remuneration under Section 198 of the Companies Act, 1956		**4.49**		3.75

* Includes profit linked bonus on actual payment basis.

** Does not include employee stock compensation expense accounted as per intrinsic value method and retirement benefits on account of Gratuity and Leave Encashment as these benefits are determined actuarially for the Company as a whole and separate figures applicable to individual employees are not readily available.

17. Unaccrued forward exchange cover as on June 30, 2008 of Rs 1.81 Crores (2007- Rs.1.94 Crores) has been included in prepaid expenses.

18. Employee Stock Option Plan (ESOP)

The Company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 for a total grant of 3190200 and 3335487 options to the employees of the Company and its subsidiaries. These options are vested over a maximum period of 42 and 60 months respectively from the date of grant and are to be exercised with in a maximum period of 5 years from the date of vesting.

Committee/Board of Directors approves the grant of options including the grant of options that lapse out of each grant.

Each option of Rs.10/- confers on the employee a right to five equity shares of Rs. 2/- each.

Exercise Price is market price as specified in the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI").

Details of Grants made under Employee Stock Option Scheme 2000

Date of grant	Exercise price of the option for five equity shares of Rs. 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
10-Aug-00	289.00	35195	-	-	10460	6710	18025	18025
		(47967)	(-)	(-)	(7700)	(5072)	(35195)	(35195)
28-Jan-04	538.15	560758	-	1864	310058	23217	225619	225619
		(691611)	(-)	(50552)	(69459)	(10842)	(560758)	(193000)
25-Aug-04	603.95	89619	-	4736	19775	6036	59072	59072
		(116092)	(-)	(12480)	(6920)	(7073)	(89619)	(47073)
18-Jan-05	809.85	225350	-	6912	23897	9232	185309	97457
		(243874)	(-)	(13048)	(600)	(4876)	(225350)	(132598)
15-Feb-05	809.30	3500	-	-	1900	-	1600	-
		(4820)	(-)	(-)	(-)	(1320)	(3500)	(2296)
15-Mar-05	834.40	44488	-	5004	3794	5520	30170	18224
		(52520)	(-)	(5440)	(-)	(2592)	(44488)	(27835)
15-Apr-05	789.85	13848	-	3072	960	4032	5784	3470
		(18712)	(-)	(3136)	(-)	(1728)	(13848)	(9096)
14-May-05	770.15	9240	-	-	970	-	8270	4574
		(9240)	(-)	(-)	(-)	(-)	(9240)	(5544)
15-Jun-05	756.15	11840	-	1280	3565	4560	2435	35
		(13600)	(-)	(1760)	(-)	(-)	(11840)	(7632)
15-Jul-05	978.75	18384	-	2784	1318	2304	11978	7754
		(26160)	(-)	(6048)	(-)	(1728)	(18384)	(12154)
13-Aug-05	1144.00	25630	-	640	-	-	24990	15378
		(27230)	(-)	(1120)	(-)	(480)	(25630)	(15522)
15-Sep-05	1271.25	13620	-	-	-	-	13620	8172
		(13620)	(-)	(-)	(-)	(-)	(13620)	(8172)
15-Mar-07	648.75	158000	-	7000	6700	-	144300	38600
		(-)	(158000)	(-)	(-)	(-)	(158000)	(-)
23-Jan-08	898.25	-	105000	16800	-	-	88200	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Total	**1209472**	**105000**	**50092**	**383397**	**61611**	**819372**	**496380**
		(1265446)	(158000)	(93584)	(84679)	(35711)	(1209472)	(496117)

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

Details of Grant made under Employee Stock Based Compensation Plan 2005

Date of grant	Exercise price of the option for five equity shares of Rs. 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
13-Aug-05	1144.00	2430660	-	139190	9074	75267	2207129	891173
		(2821780)	(-)	(335898)	(-)	(55222)	(2430660)	(499270)
19-Oct-05	1157.50	67340	-	4090	-	2300	60950	24588
		(82320)	(-)	(13830)	(-)	(1150)	(67340)	(14084)
15-Nov-05	1267.75	22928	-	1400	-	328	21200	8720
		(47380)	(-)	(22666)	(-)	(1786)	(22928)	(3802)
15-Dec-05	1348.25	25260	-	2130	-	2030	21100	8470
		(49000)	(-)	(22930)	(-)	(810)	(25260)	(5404)
14-Jan-06	1300.00	31754	-	5160	-	2044	24550	10060
		(54220)	(-)	(22138)	(-)	(328)	(31754)	(6972)
15-Feb-06	1308.00	7374	-	1200	-	300	5874	2388
		(9630)	(-)	(2224)	(-)	(32)	(7374)	(1526)
16-Mar-06	1031.00	39940	-	1760	-	440	37740	15216
		(46340)	(-)	(6240)	(-)	(160)	(39940)	(7988)
17-Apr-06	868.75	15400	-	3200	-	1380	10820	4520
		(33760)	(-)	(18360)	(-)	(-)	(15400)	(3640)

Details of Grants made under Employee Stock Option Plan 2000

Date of grant	Exercise price of the option for five equity shares of Rs. 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
15-May-06	842.50	30150	-	8830	-	1990	19330	8080
		(38100)	(-)	(7950)	(-)	(-)	(30150)	(6030)
15-Jun-06	620.50	31510	-	5256	430	1344	24480	9630
		(54740)	(-)	(23230)	(-)	(-)	(31510)	(6246)
17-Jul-06	673.75	36380	-	7160	80	1670	27470	5526
		(-)	(46120)	(9740)	(-)	(-)	(36380)	(-)
15-Mar-07	648.75	431100	-	21860	6420	-	402820	77700
		(-)	(445100)	(14000)	(-)	(-)	(431100)	(-)
23-Jan-08	898.25	-	293475	37425	-	-	256050	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Total	**3169796**	**293475**	**238661**	**16004**	**89093**	**3119513**	**1066071**
		(3237270)	(491220)	(499206)	(-)	(59488)	(3169796)	(554962)

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

Assumptions

The fair value of each stock option granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 as on the date of grant has been computed using Black- Scholes Option Pricing Formula and the model inputs are given as under:

	Employee Stock Option Scheme 2000	Employee Stock Based Compensation Plan 2005
Volatility	45% to 68%	47% to 62%
Risk free rate	4.57% to 7.99%	6.49% to 7.98%
Exercise Price	Rs.538.15 to Rs.1271.25	Rs.620.50 to Rs.1348.25
Time to Maturity (years)	2.20 to 5.50	2.50 to 7.00
Dividend Yield	9% to 28%	10% to 28%
Life of options	8.5 Years	10 Years
Fair Value of options as at the grant date	Rs.35.10 to Rs.203.14	Rs.24.75 to Rs.262.97

Notes:

1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

   The impact on the profit of the Company for the year ended June 30, 2008 and the basic and diluted earnings per share had the Company followed the fair value method of accounting for stock options is set out below:

Proforma disclosures

	2008 Rs./Crores	2007 Rs./Crores
Profit/(Loss) after tax as per Profit and Loss Account (a)	**304.75**	317.85
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	**-**	-
Less: Employee Stock Compensation Expense as per Fair Value Method (Net of amount attributable to employees of subsidiaries Rs.0.19 Crores (2007-Rs.0.14 Crores)]	**8.07**	11.25
Profit/(Loss) after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	**296.68**	306.60
Earning Per Share based on earnings as per (a) above: (Refer note 20)		
- Basic	**17.88**	18.82
- Diluted	**17.64**	18.68
Earning Per Share had fair value method been employed for accounting of employee stock options:		
- Basic	**17.41**	18.15
- Diluted	**17.18**	18.02

19. Leases:

a) Finance Leases:

(i) The Company has given on finance lease certain Assets/ Inventories which comprise of computers and office equipments etc. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/ restrictive covenants in the lease agreements.

(ii) The gross investment in the assets given on finance leases as at June 30 2008 and its present value as at that date are as follows [Refer Note 3(c)]:

	Total minimum lease payments receivable Rs./Crores	Interest included in minimum lease payments receivable Rs./Crores	Present value of minimum lease payments receivable Rs./Crores
Not later than one year	**24.28**	**3.80**	**20.48**
	(23.65)	(4.01)	(19.64)
Later than one year and not later than five years	**17.05**	**1.90**	**15.15**
	(28.81)	(2.41)	(26.40)
Total	**41.33**	**5.70**	**35.63**
	(52.46)	(6.42)	(46.04)

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

b) Operating Leases:

(i) Cancelable Operating leases

(a) Company has taken various residential /commercial premises under cancelable operating leases. These leases are normally renewable on expiry.

(b) The rental expense in respect of operating leases is Rs. 18.39 Crores (2007-Rs 12.64 Crores)

(c) The gross carrying amount accumulated depreciation and depreciation expense in respect of building and office automation products i.e. photocopying machines given on operating lease are as below:

	2008 **Rs./Crores**	2007 Rs./Crores
Gross Carrying Amount	**13.43**	5.33
Accumulated Depreciation	**3.37**	0.64
Depreciation Expense	**1.42**	0.52

(ii) Non-Cancelable Operating leases

As Lessee:

(a) The Company has taken computer systems and furniture and fixture on non-cancelable operating leases the future minimum lease payments in respect of which are:

	2008 **Rs./Crores**	2007 Rs./Crores
Not later than one year	**1.62**	0.30
Later than one year and not later than five years	**4.60**	-
Total	**6.22**	0.30

(b) Minimum Lease Payments in respect of assets taken on lease recognised as an expense in the Profit and Loss Account for the year ended June 30, 2008 are Rs.0.45 Crores (2007-Rs.0.30 Crores)

As Lessor:

The company has given photocopying machines on non-cancelable operating leases the future minimum lease receipts in respect of which are:

	2008 **Rs./Crores**	2007 Rs./Crores
Not later than one year	**0.01**	0.02
Later than one year and not later than five years	**-**	0.01
Total	**0.01**	0.03

20. **Earnings per share (EPS)**

The earnings considered in ascertaining the Company's EPS represent profit for the year after tax. Basic EPS is 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.

Calculation of EPS:

Particulars	**30.06.2008**	30.06.2007
Profit after tax (Rs./Crores)	**304.75**	317.85
Weighted average number of shares considered as outstanding in computation of Basic EPS	**170,454,520**	168,923,402
Add dilutive impact of stock options:		
- Exercised	**264,066**	71,822
- Lapsed	**110,209**	65,530
- Issued for no consideration	**1,900,787**	1,098,004
Weighted average number of shares outstanding in computation of Diluted EPS	**172,729,582**	170,158,758
Basic EPS (of Rs.2/- each)	**Rs.17.88**	Rs.18.82
Diluted EPS (of Rs.2/- each)	**Rs.17.64**	Rs.18.68

21. 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 businesses of Telecom products Office Automation and services consist of sale of telecommunication products office equipment products and related services.

Secondary segmental reporting is based on the geographical location of the customers. Details of secondary segments are not disclosed as more than 90% of the Company's revenues results and assets relate to the domestic market.

Segment wise performance for the year ended June 30, 2008 **Rs./Crores**

	Primary Segments	**Computer Systems & Other Related Products**	**Telecommunication & Office Automation**	**Inter-segment Elimination**	**Total**
(i)	**Revenue**				
	External Revenue	3365.26	9204.18		**12569.44**
		(2776.87)	(9041.38)		(11818.25)
	Intersegment Revenue	23.15	18.80	-41.95	
		(7.71)	(8.18)	(-15.89)	
	Total Gross Revenue	3388.41	9222.98	-41.95	**12569.44**
		(2784.58)	(9049.56)	(-15.89)	(11818.25)
	Less: Excise Duty	157.84	0.16		**158.00**
		(183.48)	(0.09)		(183.57)
	Total Net Revenue	3230.57	9222.82	-41.95	**12411.44**
		(2601.10)	(9049.47)	(-15.89)	(11634.68)
(ii)	**Results**	199.77	285.45		**485.22**
		(174.33)	(267.13)		(441.46)
	Less: Unallocable Expenditure				**30.06**
					(20.12)
	Operating Profit				**455.16**
					(421.34)
	Add: Other Income (Excluding Operational Income)				**19.07**
					(19.20)
	Less: Interest (Net)				**39.76**
					(10.55)

	Profit Before Tax			**434.47**
				(429.99)
	Less: Tax Expense			
	- Current Tax			**131.50**
				(105.90)
	- Deferred Tax			**-5.63**
				(2.21)
	- Fringe Benefit Tax			**3.85**
				(4.03)
	Profit After Tax			**304.75**
				(317.85)
(iii)	**Segment Assets**	1781.36	975.93	**2757.29**
		(1464.15)	(709.38)	(2173.53)
	Unallocated Corporate Assets			
	a) Liquid Assets			**215.04**
				(275.78)
	b) Others (including investment in assets given on finance lease)			**84.55**
				(102.15)
	Total Assets			**3056.88**
				(2551.46)
(iv)	**Segment Liabilities**	837.73	789.13	**1635.86**
		(810.32)	(584.56)	(1394.88)
	Unallocated Corporate Liabilities			
	a) Current Liabilities			**55.24**
				(63.00)
	b) Deferred Tax Liabilities			**6.85**
				(12.48)
	c) Loan Funds			**352.66**
				(235.89)
	Total Liabilities			**2050.61**
				(1706.25)
(v)	**Capital Expenditure**	35.72	5.44	**41.16**
		(30.33)	(9.56)	(39.89)
(vi)	**Depreciation**	11.61	4.18	**15.79**
		(8.61)	(3.57)	(12.18)
(vii)	**Other Non Cash Expenses**	21.09	7.02	**28.11**
		(16.79)	(1.05)	(17.84)

Note: Previous year's figures are given in brackets

22. The Company has calculated the various benefits provided to employees as under:

(a) Defined Contribution Plans

(i) Provident Fund

(ii) Superannuation Fund

During the year the Company has recognised the following amounts in the Profit and Loss account:

	2008 Rs./Crores	2007 Rs./Crores
Employers Contribution to Provident Fund*	**3.26**	2.70
Employers Contribution to Superannuation Fund*	**1.01**	0.81

(b) State Plans

(i) Employee State Insurance

(ii) Employee's Pension Scheme 1995

During the year the Company has recognised the following amounts in the Profit and Loss account:

	2008 Rs./Crores	2007 Rs./Crores
Employers contribution to Employee State Insurance *	**1.98**	1.35
Employers contribution to Employee's Pension Scheme 1995 *	**3.65**	2.60

* Included in Contribution to Provident Fund and Other Funds under Personnel Cost (Refer Schedule-16)

(c) Defined Benefit

(i) Gratuity

(ii) Leave Encashment/Compensated Absence

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans based on the following assumptions.

	Employees Gratuity Fund	Leave Encashment/ Compensated Absence
Discount Rate (per annum)	8.00%	8.00%
Rate of increase in compensation levels	7.00%	7.00%
Rate of return on plan assets	Not Applicable	Not Applicable
Expected Average remaining working lives of employees (years)	25.70	25.70

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Rs./Crores

	2008		2007	
	Gratuity	**Leave Encashment**	Gratuity	Leave Encashment
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:				
Present value of obligation at the beginning of the year *	**10.76**	**6.76**	8.07 #	3.50 #
Current service cost	**1.23**	**1.36**	1.93	3.34
Interest cost	**0.83**	**0.47**	0.64	0.35
Actuarial (gain)/loss	**0.06**	**0.46**	0.81	0.91
Benefits (paid)	**(0.68)**	**(1.13)**	(0.69)	(1.34)
Present value of obligation at the end of the year	**12.20**	**7.92**	10.76	6.76
# Includes balances of erstwhile HCL Infinet Limited.				
Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:				
Present value of the obligation as at the end of the year	**12.20**	**7.92**	10.76	6.76
Fair value of plan assets at the end of the year	**-**	**-**	-	-
Assets/(Liabilities) recognised in the Balance Sheet.	**(12.20)**	**(7.92)**	(10.76)	(6.76)
Cost recognised for the period (included under Salaries Wages Allowances Bonus and Gratuity)				
Current service cost	**1.23**	**1.36**	1.93	3.34
Interest cost	**0.83**	**0.47**	0.64	0.35
Actuarial (gain)/loss	**0.06**	**0.46**	0.81	0.91
Net cost recognised for the year *	**2.12**	**2.29**	3.38	4.60

* Included in Salaries Wages Allowances Bonus and Gratuity under Personnel Cost

(Refer Schedule- 16)

23. The Scheme of Amalgamation ("Scheme") for merging the wholly owned subsidiary Stelmac Engineering Private Limited (Stelmac) with the company under sections 391 to 394 of the Companies Act, 1956 sanctioned by Hon'ble High Court of Delhi vide order dated December 07, 2007 has come into effect on January 30, 2008 from the appointed date of April 1, 2007.On the scheme becoming effective Stelmac stands dissolved without winding up.

Pursuant to the Scheme:

The amalgamation of erstwhile Stelmac with the Company has been accounted for under the 'pooling of interest method' in the manner specified in the Scheme and comply with the Accounting Standard notified u/s 211(3C) of the Companies Act,1956 and the following balances as at April 1, 2007 of erstwhile Stelmac have been adjusted with the profit and loss account forming part of reserves of the Company:

Rs./Crores

Assets	
Fixed assets (net) (including capital work-in-progress Rs.4.93 Crores)	21.73
Cash and Bank balances	0.03
Other Current Assets and Loans and Advances	0.02
Total	21.78
Liabilities	
Current Liabilities and Provisions	0.01
Unsecured Loan	5.07
Total	**5.08**
Net assets acquired on amalgamation (a)	**16.70**
Transfer of balances of Amalgamated Company	
Profit and Loss (Debit Balance) (b)	(0.39)
Revaluation Reserve (c)	17.03
Less:-	
Adjustment for cancellation of Company's investment in Transferor Company (d)	16.76
Shortfall arising on Amalgamation adjusted with revaluation reserve (a) - (b) - (c) - (d)	**16.70**

The transactions including income and expenses for the period from July 1, 2007 to January 31, 2008 when the business was being run and managed in trust by erstwhile Stelmac have also been incorporated in these accounts which do not have any material impact on the profit for the year and net assets at the balance sheet date. The results of the said business for the period from April 1, 2007 to June 30, 2007 have been adjusted to the profit and loss account forming part of reserves.

24. During May 2008, the Company acquired Natural Technologies Private Ltd. ("NTPL"), engaged in the business of developing software products for the Indian banking sector.

    The Company acquired 100% of the share holding in NTPL for a consideration of Rs. 8.41 Crores.

    A Scheme of Amalgamation for merging the NTPL, wholly owned subsidiary, with the Company w.e.f. July 1, 2008, the appointed date, has been filed with the Hon'ble High Courts of Delhi and Rajasthan.

25. **Disclosure of related parties and related party transactions.**

a) **Company having substantial interest:**
HCL Corporation Ltd. due to substantial interest in the voting power

b) **List of Parties where control exists/existed:**
Wholly owned Subsidiaries:
HCL Infinet Ltd. (Formerly Known as Microcomp Ltd.)
Stelmac Engineering Private Ltd. (Ceases to be a Subsidiary w.e.f. January 30, 2008)
HCL Security Ltd.[1]
Natural Technologies Private Ltd.[2]

c) **Other related parties with whom transactions have taken place during the year and/or where balances exist:**
HCL Technologies Ltd.
HCL Comnet Ltd.
HCL Comnet Systems and Services Ltd.
HCL Peripherals Ltd
HCL Infosolutions Ltd.
Universal Office Automation Ltd. (Formerly known as HCL Office Automation Ltd.)
HCL America Inc.
Others (where significant influence exist):
SSN College of Engineering
Shri Sivasubramaniya Nadar Educational and Charitable Trust.

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

Key Management Personnel

i) **Directors:**
Mr. Ajai Chowdhry
Mr. J. V. Ramamurthy

ii) Other Key Management Personnel:

Mr. George Paul
Mr. Hari Baskaran
Mr. Rajeev Asija
Mr. Rajendra Kumar
Mr. Sandeep Kanwar
Mr. Suman Ghose Hazra
Mr. Sushil Kumar Jain
Mr. Vivek Punekar
Mr. Rakesh Mehta[3]
Mr. D. Veeraraghavan[4]

Notes:

[1] Incorporated as a wholly owned subsidiary w.e.f. March 19, 2008
[2] Acquired as a wholly owned subsidiary w.e.f. May 5, 2008
[3] Resigned w.e.f June 30, 2008
[4] Resigned w.e.f Nov 17, 2007

d) Summary of Related Party disclosures

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

(Rs./Crores)

A. Transactions	**Company having substantial interest**		**Subsidiaries Personnel**		**Others**		**Key Management Personnel**		**Total**	
	Jun-08	Jun-07	**Jun-08**	Jun-07	**Jun-08**	Jun-07	**Jun-08**	Jun-07	**Jun-08**	Jun-07
Sales & Related Income	**2.22**	1.41	**1.05**	0.45	**68.70**	87.07	**0.01**		**71.98**	88.93
- HCL Technologies Ltd.					**57.37**	80.21				
Services			**2.47**	0.89	**10.09**	4.80			**12.56**	5.69
- HCL Technologies Ltd.					**9.27**	4.34				
- HCL Infinet Ltd.			**2.47**	0.89						
Other Income					**1.31**	0.93			**1.31**	0.93
- HCL Technologies Ltd.					**1.31**	0.93				
Purchase of Goods					**0.33**	0.24			**0.33**	0.24
- HCL Technologies Ltd.					**0.33**	0.24				
Purchase of Services			**1.75**	1.36	**5.71**	5.23			**7.46**	6.59
- HCL Technologies Ltd.					**4.37**	3.75				
- HCL Infinet Ltd.			**1.75**	1.36						
Purchase of Investment			**8.41**	16.76					**8.41**	16.76
- Natural Technologies Private Ltd.			**8.41**							
- Stelmac Engineering Private Ltd.				16.76						
Loans & Advances Given			**1.63**	5.12					**1.63**	5.12
- Stelmac Engineering Private Ltd.				5.12						
- Natural Technologies Private Ltd.			**1.28**							
- HCL Infinet Ltd.			**0.25**							
Donations Given					**0.48**	0.96			**0.48**	0.96
- Shri Sivasubramaniya Nadar Educational & Charitable Trust					**0.48**	0.96				
Impairment/ Debts written off						0.18			**0.00**	0.18
- HCL Technologies Ltd.						0.05				
Assets Purchased					**0.66**	0.22			**0.66**	0.22
- HCL Technologies Ltd.					**0.66**	0.22				
Remuneration							**9.01**	6.90	**9.01**	6.90
- Mr.Ajai Chowdhry							**3.25**	2.59		
- Mr.Rajeev Asija							**1.00**	0.45		
- Mr.J V Ramamurthy							**0.99**	0.69		
- Mr.Sandeep Kanwar							**0.86**	0.71		
Reimbursements towards expenditure										
a) Received	**0.05**	0.04	**0.56**		**0.11**	0.07			**0.72**	0.11
- HCL Technologies Ltd.					**0.09**	0.04				
- HCL Infinet Ltd.			**0.56**							

b) Made	**0.05**	0.05	**0.02**	0.02	**0.04**	0.68			**0.11**	0.75
- HCL Technologies Ltd.					**0.01**	0.67				
- HCL Comnet Ltd.					**0.03**	0.01				
- HCL Infinet Ltd.			**0.02**	0.02						
B. Amount due to / from related parties										
Investment			**10.13**	18.44					**10.13**	18.44
Accounts Receivables	**1.81**	0.45	**1.61**	0.62	**21.25**	17.23			**24.67**	18.30
Loans & Advances & Other Recoverables			**1.63**	5.22	**0.46**	0.82			**2.09**	6.04
Creditors			**0.01**	0.42	**0.99**	0.30			**1.00**	0.72
Other Payables	**0.01**	0.01			**0.88**	0.69			**0.89**	0.70

26) **Pursuant to clause ix (b) of section 227 (4A) of the Companies Act, 1956, the details of disputed dues are as follows:**

SL. No.	Name of Statute	Nature of the dues	Amount (Rs./crores)	Amount Deposited under protest (Rs./crores)	Period to which the amount relates	Forum where dispute is pending
1.1	**U.P. Trade Tax Act 1948.****	Sales Tax (including Penalty)	0.01	0.01	2008-2009	Joint Commissioner (Assessment) of Sales Tax
1.2		Sales Tax (including Penalty)	0.32	0.19	2007-2008	Joint Commissioner (Assessment) of Sales Tax
1.3		Sales Tax (including Penalty)	0.05	0.06	2006-2007	Joint Commissioner (Appeals) of Sales Tax
1.4		Sales Tax (including Penalty)	0.01	0.03	2005-2006	Joint Commissioner (Appeals) of Sales Tax
1.5		Sales Tax (Including interest)	0.91	0.34	2004-2005	Joint Commissioner (Appeals) of Sales Tax
1.6		Sales Tax (Including interest)	0.04	0.19	2003-2004	Joint Commissioner (Appeals) of Sales Tax
1.7		Sales Tax (Including interest)	1.11	0.20	2002-2003	Trade Tax Tribunal
1.8		Sales Tax (Including interest)	0.04	0.03	1998-1999	Joint Commissioner (Appeals) of Sales Tax
2.1	**Delhi Sales Tax Act, 1975.****	Sales Tax	0.56	0.03	2004-2005	Deputy Commissioner (Appeals) of Sales Tax
2.2		Sales Tax	0.20	0.00	2003-2004	Deputy Commissioner (Appeals) of Sales Tax
2.3		Sales Tax	0.26	0.00	1999-2000	Additional Commissioner of Sales Tax
3.1	**Tamil Nadu General Sales Tax Act, 1959.****	Sales Tax	0.18	-	2004-2005	Commercial Tax Officer
3.2		Sales Tax	0.07	0.07	2003-2004	Assistant Appellate Commissioner
3.3		Sales Tax	0.44	0.10	2002-2003	Assistant Appellate Commissioner
3.4		Sales Tax	0.07	-	2001-2002	Commercial Tax Officer
3.5		Sales Tax	0.01	-	2000-2001	Commercial Tax Officer
3.6		Sales Tax	0.04	0.08	1998-1999	Tribunal Chennai
4.1	**West Bangal Sales Tax Act, 1994.****	Sales Tax	0.02	0.02	2000-2001	Joint Commissioner (Appeals) of Sales Tax
5.1	**Assam General Sales Tax, 1993.****	Sales Tax	0.01	0.01	2003-2004	Superintendent, Sales Tax
5.2		Sales Tax	0.03	-	2002-2003	Superintendent, Sales Tax
5.3		Sales Tax	0.01	-	2001-2002	Superintendent, Sales Tax
6.1	**Rajasthan Sales Tax Act, 1994.****	Sales Tax	0.06	-	2003-2004, 2004-2005, 2005-2006, 2006-2007.	Deputy Commissioner (Appeals) of Sales Tax
6.2		Sales Tax	0.04	0.01	1998-1999; 2000-2001; 2001-2002; 2003-2004.	Deputy Commissioner (Appeals) of Sales Tax
7.1	**Kerala General Sales Tax Act, 1963.****	Sales Tax	0.06	-	2007-2008	Intelligence Inspector
7.2		Sales Tax	0.27	0.12	2001-2002	Deputy Commissioner (Appeals) of Sales Tax
7.3		Sales Tax	0.05	0.02	2000-2001	Deputy Commissioner (Appeals) of Sales Tax

SL. No.	Name of Statute	Nature of the dues	Amount (Rs./crores)	Amount Deposited under protest (Rs./crores)	Period to which the amount relates	Forum where dispute the amount relates
8.1	**Maharashtra Sales Tax Act, 1969.****	Sales Tax	0.01	0.01	2003-2004	Deputy Commissioner (Appeals) of Sales Tax
9.1	**Utrakhand Sales Tax Act ,1948.**	Sales Tax (Including interest)	0.01	-	2002-2003	Deputy Commissioner (Appeals) of Sales Tax
10.1	**J & K Sales Tax Act, 1962.**	Sales Tax (Including Penalty)	0.17	-	2008-2009	Deputy Commissioner (Appeals) of Sales Tax
10.2		Sales Tax (Including Penalty)	2.59	0.08	2007-2008	Deputy Commissioner (Appeals) of Sales Tax
11.1	**Punjab Sales Tax Act, 1948.**	Sales Tax (Including interest)	0.44	0.11	2007-2008	Deputy Commissioner (Appeals) of Sales Tax
12.1	**Himachal Pradesh Sales tax Act, 1969.**	Sales Tax	0.08	0.08	2006-2007	Additional commissionner
13.1	**Karnataka Sales Tax Act, 1957.****	Sales Tax	0.47	-	2006-2007	Assessing Officer
	Sub Total (a)		**8.64**	**1.79***		
14.1	**Central Excise Act, 1944.**	Excise Duty (Including Penalty)	3.24	0.60	1980-1981; 1981-1982; 1982-1983; 1983-1984	CESTAT, New Delhi
14.2		Excise Duty (Including Penalty)	2.24	-	January 2004 to December 2005	CESTAT, Chennai
14.3		Excise Duty (Including Penalty)	1.63	-	July 2003 to March 2006	CESTAT, New Delhi
14.4		Excise Duty (Including Penalty)	1.14	-	January 2006 to September 2006	CESTAT, Chennai
14.5		Excise Duty (Including Penalty)	1.08	0.10	Cenvat Balance as on March 1, 2006	CESTAT, Chennai
14.6		Excise Duty (Including Penalty)	1.03	-	July 2003 to September 2005	CESTAT, New Delhi
14.7		Excise Duty (Including Penalty)	0.95	-	April 2002 to June 2004	CESTAT, Chennai
14.8		Excise Duty (Including Penalty)	0.82	-	March 2006 to September 2006	Commissioner (Appeals), Chennai
14.9		Excise Duty (Including Penalty)	0.67	-	October 2006 to April 2007	CESTAT, Chennai
14.10		Excise Duty (Including Penalty)	0.44	-	October 2006 to June 2007	Commissioner (Appeals), Chennai
14.11		Excise Duty (Including Penalty)	0.42	-	April 2002 to Feb 2003	Commissioner (Appeals), Chennai
14.12		Excise Duty (Including Penalty)	0.34	-	September 2005 to September 2006	Commissioner (Appeals), Chennai
14.13		Excise Duty (Including Penalty)	0.34	-	October 2006 to March 2007	Commissioner (Appeals), Chennai
14.14		Excise Duty (Including Penalty)	0.25	0.15	Cenvat Balance as on March 1, 2006	CESTAT, Chennai
14.15		Excise Duty (Including Penalty)	0.13	-	January 2007 to June 2007	Commissioner (Appeals), Chennai
14.16		Excise Duty (Including Penalty)	0.08	-	July 2006 to December 2006	Commissioner (Appeals), Chennai
14.17		Excise Duty (Including Penalty)	0.04	-	March 2006 to December 2006	Commissioner (Appeals), Chennai
14.18		Excise Duty (Including Penalty)	0.02	-	March 2006 to September 2006	Commissioner (Appeals), Chennai
14.19		Excise Duty (Including Penalty)	0.01	-	June 2006 to December 2006	Commissioner (Appeals), Chennai
	Sub Total (b) #		**14.87**	**0.85**		
15.1	**Income Tax Act 1961**	Income Tax (Representative Assessee)	0.37	**-**	1989-1990	High Court, Delhi
15.2		Income Tax (Representative Assessee)	0.16	0.16	1990-1991	High Court, Delhi
	Sub Total (c)		**0.53**	**0.16**		
	Total (a) + (b) + (c)		**24.04**	**2.80**		

Notes:

1 *Deposits under sales tax are adjustable against demand of other assessment years.

2 ** Including balances under Central Sales Tax Act, 1956 with relevant rule of respective states.

3 # Excludes interest for which there is no demand on the Company.

27. **Additional disclosure as per Clause 32 of the Listing Agreement**

		2008 Rs./Crores	2007 Rs./Crores
Disclosure of amounts at the year end and the maximum amount of loans/advances/investments outstanding during the year ended June 30, 2008.			
A.	**Loans and Advances in the nature of Loans to Subsidiary.**		
a.	Name	**Natural Technologies Private Ltd.**	Stelmac Engineering Private Ltd.
b.	Balance outstanding at the year end	**1.00**	5.12
c.	Maximum amount outstanding during the year ended June 30, 2008	**1.00**	5.12
B.	**Loans and Advances in the nature of loans to Fellow Subsidiaries**		
a.	Name	**Nil**	Nil
b.	Balance outstanding at the year end	**Nil**	Nil
c.	Maximum amount outstanding during the year ended June 30, 2008	**Nil**	Nil
C.	**Loans and Advances in the nature of Loans where there is no repayment schedule**		
a.	Name	**Natural Technologies Private Ltd.**	Stelmac Engineering Private Ltd.
b.	Balance outstanding at the year end	**1.00**	5.12
c.	Maximum amount outstanding during the year ended June 30, 2008	**1.00**	5.12
D.	**Loans and Advances in the nature of loans where no interest or interest below Section 372A of Companies Act is charged**		
a.	Name	**Natural Technologies Private Ltd.**	Stelmac Engineering Private Ltd.
b.	Balance outstanding at the year end	**1.00**	5.12
c.	Maximum amount outstanding during the year ended June 30, 2008	**1.00**	5.12
	Loans given to employees under various schemes of the Company have been considered to be out of purview of disclosure requirement.		
E.	**Loans and Advances in the nature of loans to firms/companies in which directors are interested**	**Nil**	Nil
F.	**Disclosure of Investment in the Company's own shares**		
a.	Name of the Loanee	**Nil**	Nil
b.	Balance outstanding at the year end	**Nil**	Nil
c.	Maximum amount outstanding during the year ended June 30, 2008	**Nil**	Nil
d.	Investments made by the Loanee	**Nil**	Nil
e.	Maximum amount of Investment during the year ended June 30, 2008	**Nil**	Nil

28. A Scheme of Arrangement for demerger of Networking business of erstwhile HCL Infinet Ltd. with Microcomp Ltd.(Now known as HCL Infinet Ltd.) and amalgamation of erstwhile HCL Infinet Ltd. with its residual Telecommunication and Office Automation business with the Company was concluded in the previous year. The amalgamation was accounted for under the 'pooling of interest method' being an amalgamation in the nature of merger as prescribed by the Accounting Standard AS-14 "Accounting for Amalgamation " issued by Institute of Chartered Accountant of India notified under section 211(3C) of the Companies Act, 1956 . The accounts of the Company for the year ended June 30 2007 included the results of said business. Consequently revenue and profit before tax for that year were higher by Rs.9033.67 Crores and Rs.268.83 Crores respectively.

29. Forward Contracts on Imports/Royalty payables:

The Company has following outstanding forward contracts to buy foreign currency as at June 30, 2008:

Currency	**Foreign Currency Value/Crores**		**Average Rate**		**Maximum Maturity Period**	
	2008	2007	**2008**	2007	**2008**	2007
USD	**$ 8.19**	$ 5.41	**41.72**	42.26	**5 Months**	5 Months
SEK	**Kr 0.48**	Kr 1.31	**7.06**	6.50	**3 Months**	3 Months
JPY	**15.12**	12.32	**40.20***	37.28*	**3 Months**	3 Months

*Average rate of JPY/INR is for 100 Yen.

The above forward contacts have been undertaken to hedge the foreign currency exposures on Import/Royalty payables as at June 30, 2008.

As on June 30, 2008, the foreign currency exposure that is not hedged by a derivative instrument or otherwise is Rs.165.86 Crores (2007-Rs.218.84 Crores).

30. Previous year's figures have been regrouped / recasted, where necessary, to conform to current year's presentation.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details

Corporation Identity Number (CIN)

L72200DL1986PLC023955

State Code

55

Balance Sheet Date

30 06 2008

DD MM YYYY

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

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

	Total Liabilities	Total Assets
Sources of Funds	13657714	13657714
	Paid-up Capital	Reserves and Surplus
	342299	9720294
	Secured Loans	Unsecured Loans
	NIL	3526648
Application of Funds	Net Fixed Assets	Investments
	1524632	2150239
	Net Current Assets	Misc. Expenditure
	9982843	NIL
	Accumulated Losses	
	NIL	
Performance of Company	Turnover	Total Expenditure
	124513756	120169084
(Please tick Appropriate box + for Profit, - for Loss)	Profit/ Loss before Tax	Profit/ Loss After Tax
	+ 4344672	+ 3047478
	Earning Per Share in Rs.	Dividend Rate (%)
	17.88	400

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

Item Code No. (ITC Code)	847100
Product Description	COMPUTERS
Item Code No. (ITC Code)	852500
Product Description	TELECOMMUNICATION PRODUCTS
Item Code No. (ITC Code)	900900
Product Description	OFFICE AUTOMATION PRODUCTS

CONSOLIDATED ACCOUNTS

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Report of the Auditors' to the Board of Directors of HCL Infosystems Limited on the Consolidated Financial Statements of HCL Infosystems and its Subsidiaries.

1. We have audited the attached consolidated Balance Sheet of HCL Infosystems Limited and its subsidiaries, as at June 30, 2008, the consolidated Profit and Loss Account and 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 Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of a subsidiary whose financial statements reflect total assets of Rs. 6.86 Crores, as at June 30, 2008 and total revenues of Rs. 0.54 Crores for the period ended on that date, considered in the consolidated financial statements. These financial statements have been audited by other auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of other auditor.

4. We report that the consolidated financial statements have been prepared by HCL Infosystems Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified u/s 211(3C) of the Companies Act, 1956 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 case of the Consolidated Balance Sheet, of the consolidated state of affairs of the HCL Infosystems Limited and its subsidiaries as at June 30, 2008;

    b. in case of the Consolidated Profit and Loss Account, of the consolidated results of operations for the year ended on that date; and

    c. in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of the HCL Infosystems Limited and its subsidiaries for the year ended on that date.

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : September 2, 2008

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE

	Schedule (Note No.)		As at 30.06.2008 Rs./Crores		As at 30.06.2007 Rs./Crores
Sources of Funds:					
Shareholders' Funds :					
Capital	1		**34.23**		33.83
Reserves and Surplus	2		**981.96**		825.85
Loan Funds:					
Secured Loans	3		**1.52**		12.02
Unsecured Loans	4		**353.00**		223.87
Deferred Tax Liabilities (Net)	21 (6 b)		**6.72**		12.48
			1377.43		1108.05
Application of Funds:					
Fixed Assets:	5				
Gross Block		**270.87**		223.78	
Less: Depreciation		**116.36**		99.37	
Net Block		**154.51**		124.41	
Capital Work-In-Progress (Including Capital Advances)		**15.30**	**169.81**	26.81	151.22
Investments	6		**215.61**		271.59
Current Assets, Loans and Advances:					
Inventories	7	**898.53**		791.88	
Sundry Debtors	8	**1248.08**		1005.23	
Cash and Bank Balances	9	**319.20**		197.65	
Other Current Assets	10	**95.20**		69.17	
Loans and Advances	11	**143.51**		96.60	
		2704.52		2160.53	
Less: Current Liabilities and Provisions	12				
Current Liabilities		**1643.36**		1394.41	
Provisions		**69.15**		80.88	
		1712.51		1475.29	
Net Current Assets			**992.01**		685.24
			1377.43		1108.05
Consolidated Significant Accounting Policies	20				
Consolidated Notes to Accounts	21				

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

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

For and on behalf of the Board of Directors

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S. BHATTACHARYA
Director

SUSHIL KUMAR JAIN
Company Secretary

Place : New Delhi
Date : September 02, 2008

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

	Schedule (Note No.)		Year ended 30.06.2008 Rs./Crores		Year ended 30.06.2007 Rs./Crores
Income					
Business Income	13	**12605.29**		11855.43	
Less : Excise Duty		**158.00**	**12447.29**	183.57	11671.86
Other Income	14		**42.07**		49.93
			12489.36		11721.79
Expenditure					
Cost of Goods and Services Sold	15		**11391.29**		10794.80
Personnel	16		**301.17**		227.17
Administration, Selling, Distribution and Others	17		**294.61**		233.20
Repairs and Maintenance	18		**11.63**		11.03
Finance Charges (Net)	19		**39.73**		10.50
License fees			**2.18**		1.57
Depreciation and Amortisation	5	**18.67**		14.85	
Less : Transfer from Revaluation Reserve		**0.05**	**18.62**	0.04	14.81
			12059.23		11293.08
Profit before Tax			**430.13**		428.71
Tax Expense	21 (6 b)				
- Current [Wealth tax Rs.0.02 Crores (2007 - Rs.0.02 Crores)]		**131.50**		105.90	
- Fringe Benefit		**4.11**		4.15	
- Deferred		**(5.63)**	**129.98**	2.71	112.76
Profit after Tax			**300.15**		315.95
Balance in Profit and Loss Account brought forward			**603.57**		475.69
Profit available for Appropriation			**903.72**		791.64
Appropriations:					
Proposed Dividend			**34.23**		33.91
Corporate Dividend Tax on Proposed Dividend			**5.83**		5.76
Interim Dividend [including Rs.0.20 Crores (2007-Rs.0.02 Crores) paid for previous year]			**102.61**		101.39
Corporate Dividend Tax on Interim Dividend			**17.44**		15.22
Transfer to General Reserve			**30.47**		31.79
Balance Carried over			**713.14**		603.57
			903.72		791.64
Earning per equity share (in Rs.)					
Basic (of Rs.2/- each)	21 (12)		**17.61**		18.70
Diluted (of Rs.2/- each)	21 (12)		**17.38**		18.57
Consolidated Significant Accounting Policies	20				
Consolidated Notes to Accounts	21				

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

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

For and on behalf of the Board of Directors

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S. BHATTACHARYA
Director

SUSHIL KUMAR JAIN
Company Secretary

Place : New Delhi
Date : September 02, 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

			Year ended 30.06.2008 Rs./Crores		Year ended 30.06.2007 Rs./Crores
1	**Cash Flow from Operating Activities**				
	Profit before Tax		**430.13**		428.71
	Adjustments for:				
	Depreciation and Amortisation	**18.62**		14.81	
	(Profit)/Loss on sale of Fixed Assets(Net)	**-**		0.06	
	(Profit)/Loss on disposal of (Others) Investments (Net)	**(1.75)**		(5.88)	
	Interest on borrowings	**47.60**		21.46	
	Interest and Dividend income	**(14.77)**		(13.41)	
	Unrealised (Gain)/Loss on Foreign Exchange Fluctuation (Net)	**8.54**		(9.99)	
	Provision for Doubtful Debts	**2.36**		0.92	
	Provisions/Liabilities no longer required written back	**(16.66)**		(7.37)	
	Diminution in the value of Current Investments	**0.21**		0.36	
	Provision for Warranty Liability	**13.32**		12.26	
	Provision for Gratuity and other Employee Benefits	**4.43**	**61.90**	5.00	18.22
	Operating profit before Working Capital Changes		**492.03**		446.93
	Adjustments for:				
	Trade and Other Receivables	**(311.15)**		(315.88)	
	Inventories	**(106.66)**		(322.27)	
	Trade Payables and Other Liabilities	**236.84**	**(180.97)**	311.22	(326.93)
	Cash generated from Operations		**311.06**		120.00
	Direct Tax (paid)/Refund (Net) (Including Interest)		**(152.12)**		(93.53)
	Cash from Operating activities		**158.94**		26.47
	Net Cash from Operating activities (A)		**158.94**		26.47
2	**Cash Flow from Investing Activities**				
	Interest and Dividend Received (Gross)	**14.82**		15.20	
	Purchase of Fixed Assets	**(52.23)**		(63.68)	
	Sale of Fixed Assets	**2.51**		0.16	
	Purchase of Investments	**(3553.81)**		(1805.82)	
	Disposal/Redemption of Investments	**3611.33**		1834.72	
	Capital Work-in-Progress (Net)	**11.51**		(3.77)	
	Net cash from/(used in) Investing activities (B)		**34.13**		(23.19)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE

			Year ended 30.06.2008 Rs./Crores		Year ended 30.06.2007 Rs./Crores
3 Cash Flow from Financing Activities					
Share Capital Issued		**0.40**		0.08	
Interest Paid		**(46.43)**		(21.61)	
Share Premium Received		**16.12**		4.34	
Secured Loans - Short Term Received/(Paid)		**(4.50)**		(7.47)	
Secured Loans - Long Term (Paid)		**(6.00)**		(25.00)	
Unsecured Loans Received/(Paid)		**128.21**		183.72	
Dividend Paid (including dividend tax)		**(159.32)**		(154.61)	
Net cash from Financing Activities	**(C)**		**(71.52)**		(20.55)
Opening Balance of Cash and Cash Equivalents			**197.65**		214.92
Closing Balance of Cash and Cash Equivalents			**319.20**		197.65
[(Includes Exchange Rate Fluctuation of Rs.0.01 Crores (2007 - Rs.0.01 Crores)]					
[Includes unclaimed dividend of Rs.2.94 Crores (2007 - Rs.2.54 Crores)]					
Net Increase /(Decrease) in Cash and Cash Equivalents			**121.55**		(17.27)
Total (A)+(B)+(C)			**121.55**		(17.27)
Cash and Cash Equivalents comprise			**319.20**		197.65
Cash,Cheques & Drafts (in hand)			**100.62**		35.55
Balance with Scheduled Banks in Current Accounts			**217.32**		146.40
Balance with Scheduled Banks in Deposits Accounts			**0.79**		15.52
Balance with Non-Scheduled Banks in Current Accounts			**0.47**		0.18

Notes:

1. The above Consolidated Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified under section 211(3C) of Companies Act, 1956.
2. Schedules 1 to 21 form an integral part of the Consolidated Cash Flow Statement
3. Figures in brackets indicate cash outgo.

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

V. NIJHAWAN
Partner
Membership Number F-87228
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : September 02, 2008

For and on behalf of the Board of Directors

AJAI CHOWDHRY
Chairman and
Chief Executive Officer

S. BHATTACHARYA
Director

SUSHIL KUMAR JAIN
Company Secretary

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
1- Capital		
[Schedule-21, Note 7]		
Authorised:		
55,00,00,000 (2007 - 55,00,00,000 Equity shares of Rs.2/- each)	**110.00**	110.00
5,00,000 (2007 - 5,00,000) Preference Shares of Rs.100/- each	**5.00**	5.00
	115.00	115.00
Issued, Subscribed and Paid up:		
17,11,49,656 (2007 - 16,91,52,650) Equity shares of Rs.2/- each, fully paid up.	**34.23**	33.83
Add : Shares Forfeited [Represents Rs.1000 (2007 - Rs.1000)]	**0.00**	0.00
	34.23	33.83

Notes:-

1. Paid up share capital includes :
   a) 5,04,47,295 (2007 - 5,04,47,295) Equity Shares of Rs.2/- each issued pursuant to contract without payment being received in cash.
   b) 5,31,82,765 (2007 - 5,31,82,765) Equity Shares of Rs.2/- each Bonus shares issued from Securities Premium Account.
   c) 1,15,22,340 (2007 - 96,05,355) Equity Shares of Rs.2/- each issued pursuant to the exercise of options granted under Employee Stock Option Scheme 2000.
   d) 80,021 (2007 - Nil) Equity Shares of Rs.2/- each issued pursuant to the exercise of options granted under Employee Stock Based Compensation Plan 2005.
2. Of the above subscribed shares, 7,46,51,388 (2007 - 7,46,51,388) Equity Shares of Rs.2/- each are held by HCL Corporation Limited.

2- Reserves and Surplus [Schedule-21, Notes 7 and 14]	As at 01.07.2007 Rs./Crores	Additions/ Adjustments Rs./Crores	Deductions/ Adjustments Rs./Crores	**As at 30.06.2008 Rs./Crores**
Capital Reserve	**0.00**	**-**	**-**	**0.00**
[Represents Rs.37135 (2007 - Rs.37135)]	(0.00)	(-)	(-)	(0.00)
Securities Premium Account	**108.79**	**22.66**	**6.54**	**124.91**
	(104.45)	(4.34)	(-)	(108.79)
General Reserve	**110.57**	**30.47**	**-**	**141.04**
	(80.82)	(31.79)	(2.04)	(110.57)
Revaluation Reserve (Adj.)	**2.92**	**-**	**0.05**	**2.87**
	(2.96)	(-)	(0.04)	(2.92)
Profit and Loss Account	**603.57**	**109.57**	**-**	**713.14**
	(475.69)	(127.88)	(-)	(603.57)
	825.85	**162.70**	**6.59**	**981.96**
	(663.92)	(164.01)	(2.08)	(825.85)

Notes:-

1 Addition to the Securties Premium Account is in respect of allotment of equity shares of Rs.2 each to employees of the company and its subsidiaries under the Employee Stock Option Scheme 2000 and Employee Stock Based Compenstion Plan 2005.

2 Deduction from the Securities Premium Account is in respect of the amount paid towards Fringe benefit tax on exercise of options granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compenstion Plan 2005.

3 Previous year's figures are given in brackets.

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
3- Secured Loans		
Loans and Advances from Banks:		
- Cash Credits	**1.46**	3.14
- Short Term Foreign Currency Loan		
External Commercial Borrowings	**-**	2.88
- Long Term Loan		
From others	**-**	6.00
Finance Lease Obligation	**0.06**	-
	1.52	12.02

Notes:-

1) Cash Credits along with non-fund based facilities from Banks (External Commercial Borrowings) 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.
2) Term loan from a Bank was secured by way of hypothecation of all movable current assets. The charge ranks pari-passu with company's bankers.
3) Finance lease obligations are secured by way of hypothecation of leased vehicles.
4) Payable within one year Rs.1.52 Crores (2007-Rs. 12.02 Crores).

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
4- Unsecured Loans		
Public Deposits	**0.01**	0.06
Interest accrued and due	**0.00**	0.01
Short term Loans		
- From Banks - Commercial Paper	**165.00**	70.00
- Others	**0.34**	25.00
- Foreign Currency loan	**106.21**	17.22
Other Loans		
- From a Financial Institution	**-**	0.01
- From Others	**81.44**	111.57
	353.00	223.87

Notes:-

1) Amount payable within one year is Rs. 353.00 Crores (2007 - Rs.201.47 Crores)
2) Public Deposits represent matured deposits.

5- Fixed Assets

[Schedule-21, Notes 2, 3, 8(b), 14 and 15]

Rs./Crores

	Gross Block				Depreciation				Net Block	
	As at 01.07.2007	Additions/ Adjusments during the Year	Deductions/ Adjustments/ Retired during the Year	**As at 30.06.2008**	As at 01.07.2007	Additions/ Adjustments during the Year	Deductions Adjustments/ Retired during the Year	**As at 30.06.2008**	**As at 30.06.2008**	As at 30.06.2007
Tangible:										
Land - Leasehold	7.91	2.97	-	**10.88**	0.48	0.14	-	**0.62**	**10.26**	7.43
Land - Freehold	21.81	3.80	-	**25.61**	-	-	-	**-**	**25.61**	21.81
Leasehold Premises	1.82	-	-	**1.82**	0.06	0.03	-	**0.09**	**1.73**	1.76
Buildings	57.54	17.65	-	**75.19**	11.69	1.73	-	**13.42**	**61.77**	45.85
Plant and Machinery , Air Conditioners and Networking Equipments	76.97	8.75	3.55	**82.17**	50.23	8.03	1.18	**57.08**	**25.09**	26.74
Furniture, Fixtures and Office Equipment	50.36	12.70	1.38	**61.68**	33.31	8.44	1.31	**40.44**	**21.24**	17.05
Vehicles -Owned	1.48	0.17	0.17	**1.48**	0.88	0.20	0.16	**0.92**	**0.56**	0.60
-Leased	-	0.16	-	**0.16**	-	0.09	-	**0.09**	**0.07**	-
Intangible :										
Goodwill	0.08	4.14	-	**4.22**	-	-	-	**-**	**4.22**	0.08
Acquired Software	3.31	1.85	-	**5.16**	2.60	0.85	-	**3.45**	**1.71**	0.71
License Fees	2.50	-	-	**2.50**	0.12	0.13	-	**0.25**	**2.25**	2.38
TOTAL	**223.78**	**52.19**	**5.10**	**270.87**	**99.37**	**19.64**	**2.65**	**116.36**	**154.51**	124.41
Previous Year	167.83	59.22	3.27	223.78	87.55	14.85	3.03	99.37		
Capital Work-In-Progress									**15.30**	26.81
[Including Capital Advances of Rs.3.92 Crores (2007 - Rs. 1.60 Crores)]									**169.81**	**151.22**

Notes:-

1. Land-Freehold and Building at Ambattur amounting to Rs.0.57 Crores (2007 - Rs.0.57 Crores) are pending registration in the name of the company.
2. Additions to Gross Block and Accumulated Depreciation include Rs.4.25 Crores and Rs.0.97 Crores respectively, on account of assets acquired on acquisition of Natural Technologies Private Limited (Refer Note 15).
3. For the previous year, addition to Gross Block includes Rs. 21.73 Crores , on account of assets acquired on Acquisition of erstwhile Stelmac Engineering Private Limited (Refer Note 14 on Schedule 21).

6- Investments

	As at 30.06.2008 Units	As at 30.06.2007 Units	Face Value Rs.	**As at 30.06.2008 Rs./Crores**	As at 30.06.2007 Rs./Crores
Unquoted (Others) : Current					
Growth Options					
Birla Fixed Maturity Plan		3565062	10	**-**	4.00
HDFC Fixed Maturity Plan		5000000	10	**-**	5.00
Kotak Fixed Maturity Plan		4000000	10	**-**	4.00
				-	13.00
Dividend Options					
DSP Merrill Lynch Liquidity Fund		200081	1000	**-**	20.02
HSBC Liquid Plus	**10438484**		10	**10.47**	-
IDFC Floating Rate Fund - Long Term Plan	**29051418**		10	**29.14**	-
ICICI Prudential Flexible Income Plan	**40575673**		10	**42.80**	-
Kotak Flexi Debt	**24946136**		10	**25.37**	-
Reliance Liquid Plus	**320890**		1000	**32.15**	-
Tata Floater Fund	**19630564**		10	**19.79**	-

	As at 30.06.2008 Units	As at 30.06.2007 Units	Face Value Rs.	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
UTI Liquid Cash Plan	**167269**		1000	**17.11**	-
HDFC Cash Management Fund	**7995757**		10	**8.01**	-
HDFC Liquid Fund		12242390	10	**-**	15.28
HSBC Cash Fund		35656946	10	**-**	35.71
HSBC Fixed Term Series		5215431	10	**-**	5.21
Prudential ICICI Liquid Plan		36887901	10	**-**	43.96
Principal Cash Management Liquid Fund	**20034216**	50106372	10	**20.04**	50.14
Standard Chartered Liquidity Manager Plus		467270	1000	**-**	46.75
Templeton India Treasury Management Account		312474	1000	**-**	31.27
Grindlays Cash Fund - Daily Dividend	**10135922**	9685301	10	**10.73**	10.25
				215.61	258.59
				215.61	271.59

Note:- Net asset value of Unquoted (Others) Current Investments in Mutual Funds as on June 30, 2008 is Rs. 215.69 Crores (2007 - Rs.272.42 Crores).

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
7- Inventories		
Raw materials and Components [Including in Transit Rs.36.81 Crores (2007 - Rs.52.61 Crores)]	**119.67**	110.89
Stores and Spares	**64.22**	56.18
Finished Goods [Including in Transit Rs.118.23 Crores (2007 - Rs.108.28 Crores)]	**712.96**	623.58
Work-In-Progress	**1.68**	1.23
	898.53	791.88

		30.06.2008		30.06.2007
8- Sundry Debtors - Unsecured				
Debts outstanding for a period exceeding six months :				
- Considered Good	**364.49**		128.53	
- Considered Doubtful	**3.25**		1.36	
	367.74		129.89	
Other Debts :				
- Considered Good	**883.59**		876.70	
	1251.33		1006.59	
Less : Provision for Doubtful Debts	**3.25**	**1248.08**	1.36	1005.23
		1248.08		1005.23

		As at 30.06.2008 Rs./Crores		As at 30.06.2007 Rs./Crores
9- Cash and Bank Balances				
Cash balance on hand		**0.43**		0.42
Cheques in hand		**100.19**		35.13
Balances with Scheduled Banks :				
- On Current Account	**214.34**		143.70	
Less :- Money held in Trust	**0.39**	**213.95**	0.40	143.30
- On Dividend Account		**2.94**		2.54
- On Margin Account		**0.43**		0.56
- On Fixed Deposits	**1.11**		15.84	
Less :- Money held in Trust	**0.32**	**0.79**	0.32	15.52
Balances with Non-Scheduled Banks:				
- On Current Account				
Standard Chartered Bank, Singapore-USD [Maxmium amount outstanding during the year Rs.1.05 Crores (2007 - Rs.1.08 Crores)]	**0.44**		0.16	
Standard Chartered Bank, Singapore- SGD [Maxmium amount outstanding during the year Rs.0.03 Crores (2007 - Rs.0.02 Crores)]	**0.03**	**0.47**	0.02	0.18
		319.20		197.65

Note:- Fixed Deposit includes Rs.0.07 Crores (2007 - Rs.0.07 Crores) under lien as margin money on bank guarantee.

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
10- Other Current Assets		
[Schedule-21, Notes 4(c), 8 and 9]		
Deposits	**27.40**	22.40
Lease Rental Recoverable	**35.63**	46.04
Unbilled Revenue	**32.17**	0.73
	95.20	69.17

	As at 30.06.2008 Rs./Crores	As at 30.06.2007 Rs./Crores
11- Loans and Advances		
Unsecured Considered Good		
- Amounts Recoverable in cash or in kind or for value to be received	**124.93**	88.12
- Balances with Customs, Port Trust, Excise and Sales Tax Authorities	**18.58**	8.48
	143.51	96.60

		As at 30.06.2008 Rs./Crores		As at 30.06.2007 Rs./Crores
12- Current Liabilities and Provisions [Schedule-21, Notes 4, 5, 6 and 13]				
Current Liabilities:				
Acceptances		**252.82**		313.93
Sundry Creditors :				
- Due to Micro and Small Enterprises	**0.60**		0.16	
- Other than Micro and Small Enterprises	**1170.22**	**1170.82**	866.96	867.12
Sundry Deposits		**4.31**		3.90
Interest accrued but not due :				
- On Secured Loans		**-**		0.01
- On Unsecured Loans - Others		**1.73**		0.54
Investor Education and Protection Fund :				
- Unclaimed Dividend *		**2.94**		2.54
Advances from Customers		**26.82**		24.98
Deferred Revenue		**147.14**		141.14
Other Liabilities		**36.78**		40.25
		1643.36		1394.41
Provisions:				
Proposed Dividend		**34.23**		33.91
Corporate Dividend Tax on Proposed Dividend		**5.82**		5.76
For Income Tax [Net of Advance Income Tax of Rs.446.99 Crores (2007 - Rs.290.65 Crores)]		**3.02**		19.52
For Warranty Liability		**5.65**		3.80
For Gratuity and other Employee Benefits		**20.43**		17.89
		69.15		80.88
		1712.51		1475.29

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at June 30, 2008. These shall be credited and paid to the fund as and when due.

13- Business Income		
Sales and Related Income	**12120.53**	11495.59
Services	**484.76**	359.84
	12605.29	11855.43

14- Other Income		
Dividend from (Others) Current Investments	**14.50**	11.42
Insurance Claims	**0.10**	0.47
Provisions/Liabilities no longer required written back	**16.66**	7.37
Profit on disposal of (Others) Current Investments (Net)	**1.75**	5.88
Profit on Foreign Exchange Fluctuation (Net)	**1.66**	18.96
Miscellaneous Income	**7.40**	5.83
	42.07	49.93

	Year ended 30.06.2008 Rs./Crores	Year ended 30.06.2007 Rs./Crores
15- Cost of Goods and Services Sold		
Raw Materials and Components Consumed	**1753.81**	1312.95
Purchase of Traded Goods	**9447.25**	9503.46
Purchase of Services (Net)	**114.32**	84.75
Stores and Spares Consumed	**54.13**	41.24
Power and Fuel	**1.60**	1.64
Labour and Processing Charges	**10.49**	4.82
Royalty (Net)	**99.52**	117.18
	11481.12	11066.04
(Increase)/Decrease in stocks of Finished Goods and Work-In-Progress :		
Closing Stock		
- Finished Goods (Including in Transit)	**712.96**	623.58
[Including excise duty of Rs.3.43 Crores (2007 - Rs.3.77 Crores)]		
- Work-In-Progress	**1.68**	1.23
	714.64	624.81
Opening stock		
- Finished Goods (Including in Transit)	**623.58**	347.62
[Including excise duty Rs.3.77 Crores (2007 - Rs.3.53 Crores)]		
- Work-In-Progress	**1.23**	5.95
	624.81	353.57
	(89.83)	(271.24)
	11391.29	10794.80

16- Personnel		
[Schedule-21, Note 13]		
Salaries, Wages, Allowances, Bonus and Gratuity	**283.02**	212.74
Contribution to Provident Fund and Other Funds	**10.16**	8.06
Staff Welfare Expenses	**7.99**	6.37
	301.17	227.17

	Year ended 30.06.2008 Rs./Crores	Year ended 30.06.2007 Rs./Crores
17- Administration, Selling, Distribution and Others		
[Schedule-21, Note 8(b)]		
Rent	**19.50**	13.89
Rates and Taxes	**9.75**	7.81
Printing and Stationery	**3.98**	4.08
Communication	**10.71**	9.57
Travelling and Conveyance	**33.64**	26.21
Packing, Freight and Forwarding	**55.32**	43.51
Legal and Professional	**19.00**	11.85
Training and Conference	**5.02**	3.83
Office Electricity and Water	**8.34**	6.92
Insurance	**7.27**	8.07
Advertisement, Publicity and Entertainment (Net of Reimbursements)	**71.61**	44.81
Hire Charges	**4.15**	3.46
Commission on Sales	**20.03**	17.54
Bank Charges	**9.43**	8.69
Provision for Doubtful Debts	**2.36**	0.92
Loss on Sale of Fixed Assets (Net)	**-**	0.06
Diminution in value of Current Investment	**0.21**	0.36
Miscellaneous	**14.29**	21.62
	294.61	233.20
18- Repairs and Maintenance		
Plant and Machinery	**1.62**	0.96
Buildings	**0.84**	0.56
Others	**9.17**	9.51
	11.63	11.03
19- Finance Charges		
[Schedule-21, Note 8(a)]		
Interest paid :		
- On Fixed Loans	**32.76**	14.26
- On Others	**14.84**	7.20
	47.60	21.46
Less : Interest received :		
- On Lease Rental	**5.28**	6.04
- On Fixed Deposits (Gross)	**0.26**	1.97
[Tax deducted at source Rs.0.06 Crores (2007 - Rs.0.56 Crores)]		
- On Other Loans and Advances	**0.01**	0.02
- On Others	**2.32**	2.93
	7.87	10.96
	39.73	10.50

SCHEDULE 20 - CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

1. GROUP COMPANIES

HCL Infosystems Ltd (The Company) has three wholly owned subsidiaries companies (The Group), as given in the following table.

During the current year, the company has formed one new wholly owned subsidiary, HCL Security Ltd to engage in the business of providing security and surveillance solutions

Name of the Subsidiary Company	Country of Incorporation	Extent of holding (%) as at June 30	
		2008	2007
HCL Infinet Ltd. (formerly known as Microcomp Ltd.)	India	**100**	100
Stelmac Engineering Private Ltd. (Refer Note 14 on Schedule 21)	India	-	100
Natural Technologies Private Ltd. ("NTPL") (Refer Note 15 on Schedule 21)	India	**100**	**-**
HCL Security Ltd.	India	**100**	**-**

2. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified under section 211(3C) of the Companies Act, 1956 to the extent applicable.

Financial statements of the Company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions in full as per Accounting Standard 21 on Consolidated Financial Statements.

All unrealized surpluses and deficits on transactions between the Group companies are eliminated.

Accounting policies between the Group companies are consistent to the extent practicable. Appropriate disclosure is made of significant deviations from the company accounting policies, which have not been adjusted.

3. 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 Group, net of depreciation.

Assets taken on finance lease on or after 1.4.2001 are stated at fair value of the assets or present value of minimum lease payments whichever is lower.

Intangible Assets are stated at cost net of amortization.

4. DEPRECIATION

Depreciation has been calculated under Straight Line Method on:

(i) 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	3-5	years

d) The assets taken on finance lease on or after 1st April, 2001 over their expected useful lives.

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

(iii) Intangible Assets are amortised over a period of 1-3 years.

(iv) The One-time license fee capitalised is amortised equally over the balance period of license from the date of payment of license fee.

5. INVESTMENTS

Current Investments are carried at lower of cost or fair value where fair value for mutual funds is based on net asset value.

6. INVENTORIES

Raw Materials and components held for use in the production of inventories and Work-in-Progress 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. Cost is determined on the basis of weighted average.

Finished Goods and Work-in-Progress are valued at lower of cost and net realisable value.

Cost of Finished Goods and Work-in-Progress includes cost of raw materials and components, direct labour and proportionate overhead expenses. Cost is determined on the basis of weighted average.

Stores and Spares are valued at lower of cost and net realisable value. Adequate adjustments are made to the carrying value for obsolescence. Cost is determined on the basis of weighted average.

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

7. FOREIGN CURRENCY TRANSACTIONS

a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.

b) At the balance sheet date, all assets and liabilities denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date.

c) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the life of the contract.

d) In case of forward foreign exchange contracts taken for highly probable /forecast transactions, the net loss, if any, calculated on 'Mark to Market' principle as at the balance sheet date is recorded.

e) Profit or loss arising on cancellation or renewal of a forward contract is recognised as income or expense in the year in which such cancellation or renewal is made.

8. EMPLOYEE BENEFITS

Defined Benefit:

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. Gains/losses arising out of actuarial valuation are recognised immediately in the profit and loss account as income/expense.

Defined Contribution:

Group's contributions towards recognised Provident Fund and Superannuation Fund are accounted for on accrual basis. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the provident fund trust and the notified interest rate.

The Company makes defined contribution to a superannuation trust established for the purpose. The Company has no further obligations beyond its monthly contributions.

9. 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) Composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of total cost expected to be incurred.

c) Service income includes income

(i) From maintenance of products and facilities under maintenance agreements, and extended warranty, which is recognised upon creation of contractual obligations rateably over the period of contract, where no significant uncertainty exists regarding realisation of the consideration.

(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 engaged in providing technical and administrative help desk support to its various customers through the Web. Revenue for the same has been recognised based on fulfilling obligations as contracted in the respective agreements.

10. GOVERNMENT GRANTS

Revenue grants where reasonable certainty exists that the ultimate collection will be made are recognized on a systematic basis in profit and loss statement over the periods necessary to match them with the related cost which they are intended to compensate.

11. LICENSE FEES – REVENUE SHARE

With effect from December 16th, 2004 the variable license fee computed at prescribed rate of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue from the Group's Networking and Internet related products and services segment arises.

12. ROYALTY

Royalty expense, net of performance based discounts, is recognised when the related revenue is recognised.

13. LEASES

i) Assets taken under leases where the Group 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.

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 included as part of the amount capitalised as an asset under the lease.

14. 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/income are enterprise expenses/income, 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 Investments in assets given on finance lease.

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.

15. 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.

16. INCOME TAXES

The current charge for income taxes including fringe benefit tax 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.

17. PROVISIONS AND CONTINGENCIES

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the amount of the obligation cannot be made.

18. USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment retirement benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

19. EMPLOYEE STOCK OPTION SCHEME

The Company calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of market price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Company, is recognised as deferred stock compensation expense and is amortised over the vesting period on the basis of Generally Accepted Accounting principles in accordance with the guidelines of Securities and Exchange Board of India.

SCHEDULE 21 - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. A Scheme of Arrangement for demerger of Networking business of erstwhile HCL Infinet Ltd. with Microcomp Ltd.(Now known as HCL Infinet Ltd.) and amalgamation of erstwhile HCL Infinet Ltd. with its residual Telecommunication and Office Automation business with the Company was concluded in the previous year. The amalgamation was accounted for under the 'pooling of interest method' being an amalgamation in the nature of merger as prescribed by the Accounting Standard AS-14 "Accounting for Amalgamation " issued by Institute of Chartered Accountant of India notified under Section 211 (3C) of the Companies Act, 1956.

2. 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. The amounts added/reduced on aforesaid revaluation in 1992, 2003, 2005 and 2007 were as under:

	Rs./Crores
Land	4.44
Leasehold Land (NTPL) [Refer Note 15]	1.89
Leasehold Premises	1.81
Buildings	6.44
Plant & Machinery	(1.01)
Total	13.57
Less : Goodwill	5.70
Transferred to Revaluation Reserve	7.87
Less:	
-Expenditure incurred on acquisition of business in 1992	0.86
-Loss on sale of Land	0.15
	6.86

In 2007 Land and Building of erstwhile Stelmac Engineering Ltd. (Refer Note-14) were revalued and consequently addition of Rs.16.78 Crores and Rs.0.25 Crores, respectively were made to the Gross Block.

3. Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for amount to Rs.8.73 Crores (2007 - Rs.2.57 Crores)

4. Contingent Liabilities:

(a) Claims against the Group not acknowledged as debts:

	2008 Rs./Crores	2007 Rs./Crores
Sales Tax*	**8.66**	9.73
Excise*	**14.87**	10.47
Income Tax*	**0.72**	0.54
Industrial Disputes, Civil Suits and Consumer Disputes	**8.37**	7.29

*Against the above, the Group has deposited a sum of Rs.3.19 Crores (2007 - Rs.4.28 Crores)

(b) (i) Corporate Guarantee of Rs.6.50 Crores (2007-Rs. Nil) was given to a Bank for working capital facilities sanctioned to 100% subsidiary, HCL Infinet Ltd. (Formerly Microcomp Ltd.) against which the total amount utilised as at June 30, 2008 is Rs. 2.25 Crores (2007- Rs. Nil).

(ii) Corporate Guarantee of Rs.1.54 Crores has been given to Federal bank Ltd., Noida in favour of M/S Allied Technologies by a subsidiary.

(c) The Company has transferred Financial Assets (Lease Rental Recoverable) to a Bank under a financing arrangement for which the balance outstanding with the bank as on June 30, 2008 is Rs.30.55 Crores (2007 – Rs.39.64 Crores). The transfer of these Financial Assets is with recourse to the Company.

5. The Group has the following warranty provision in the books of accounts:

	2008 Rs./Crores	2007 Rs./Crores
Opening Balance as on July 1	**3.80**	2.82
Additions during the year	**13.32**	12.26
Utilised/Reversed during the year	**11.47**	11.28
Closing Balance as on June 30	**5.65**	3.80

The warranty provision has been recognised for expected warranty claims for the first year of warranty on products sold during the year. Due to the very nature of such costs, it is not possible to estimate the timing/uncertainties relating to the outflows of economic benefits.

6. Taxation:

a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the financial year ended June 30, 2008, although the actual tax liability of the Group has to be computed each year by reference to taxable profit for each fiscal year ended March 31.

b) Deferred Tax:

Major Components of Deferred Tax arising on account of temporary timing difference along with their movement as at June 30, 2008 are:

Rs./Crores

	As at 30.06.07	Movement/ Adjustments during the year	**As at 30.06.08**
Assets			
Allowances for doubtful debts	0.67	(0.09)	**0.58**
Expense Accruals (including impact of revised AS-15 in 2007 Rs. 0.99 Crores)	5.86	4.58	**10.44**
Other timing differences	0.09	(0.09)	**-**
Depreciation (including Rs.0.13 Crores on acquisition of NTPL-Refer note 15)	0.81	1.31	**2.12**
Total (A)	7.43	5.71	**13.14**
Liabilities			
Lease adjustments	12.84	(3.04)	**9.80**
Other timing differences	7.07	2.99	**10.06**
Total (B)	19.91	(0.05)	**19.86**
Net Deferred Tax Liability (B)-(A)	12.48	(5.76)	**6.72**
Previous Year	10.76	1.72	**12.48**

7. Employee Stock Option Plan (ESOP)

The Company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 for a total grant of 3190200 and 3335487 options to the employees of the Company and its subsidiaries. These options are vested over a maximum period of 42 and 60 months respectively from the date of grant and are to be exercised with in a maximum period of 5 years from the date of vesting.

Committee/Board of Directors approves the grant of options including the grant of options that lapse out of each grant.

Each option of Rs.10/- confers on the employee a right to five equity shares of Rs. 2/- each.

Exercise Price is market price as specified in the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI").

Details of Grants made under Employee Stock Option Scheme 2000.

Date of grant	**Exercise price of the option for five equity Shares of Rs. 2/- each**	**Options outstanding at the beginning of the year**	**Options granted during the year**	**Options forfeited during the year**	**Options exercised during the year**	**Options expired during the year**	**Options outstanding at the end of the year**	**Options exercisable at the end of the year**
10-Aug-00	289.00	35195	-	-	10460	6710	18025	18025
		(47967)	(-)	(-)	(7700)	(5072)	(35195)	(35195)
28-Jan-04	538.15	560758	-	1864	310058	23217	225619	225619
		(691611)	(-)	(50552)	(69459)	(10842)	(560758)	(193000)
25-Aug-04	603.95	89619	-	4736	19775	6036	59072	59072
		(116092)	(-)	(12480)	(6920)	(7073)	(89619)	(47073)
18-Jan-05	809.85	225350	-	6912	23897	9232	185309	97457
		(243874)	(-)	(13048)	(600)	(4876)	(225350)	(132598)
15-Feb-05	809.30	3500	-	-	1900	-	1600	-
		(4820)	(-)	(-)	(-)	(1320)	(3500)	(2296)
15-Mar-05	834.40	44488	-	5004	3794	5520	30170	18224
		(52520)	(-)	(5440)	(-)	(2592)	(44488)	(27835)
15-Apr-05	789.85	13848	-	3072	960	4032	5784	3470
		(18712)	(-)	(3136)	(-)	(1728)	(13848)	(9096)
14-May-05	770.15	9240	-	-	970	-	8270	4574
		(9240)	(-)	(-)	(-)	(-)	(9240)	(5544)

Date of grant	Exercise price of the option for five equity Shares of Rs. 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
15-Jun-05	756.15	11840	-	1280	3565	4560	2435	35
		(13600)	(-)	(1760)	(-)	(-)	(11840)	(7632)
15-Jul-05	978.75	18384	-	2784	1318	2304	11978	7754
		(26160)	(-)	(6048)	(-)	(1728)	(18384)	(12154)
13-Aug-05	1144.00	25630	-	640	-	-	24990	15378
		(27230)	(-)	(1120)	(-)	(480)	(25630)	(15522)
15-Sep-05	1271.25	13620	-	-	-	-	13620	8172
		(13620)	(-)	(-)	(-)	(-)	(13620)	(8172)
15-Mar-07	648.75	158000	-	7000	6700	-	144300	38600
		(-)	(158000)	(-)	(-)	(-)	(158000)	(-)
23-Jan-08	898.25	-	105000	16800	-	-	88200	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Total	**1209472**	**105000**	**50092**	**383397**	**61611**	**819372**	**496380**
		(1265446)	(158000)	(93584)	(84679)	(35711)	(1209472)	(496117)

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

Details of Grant made under Employee Stock Based Compensation Plan 2005.

Date of grant	Exercise price of the option for five equity Shares of Rs. 2/- each	Options outstanding at the beginning of the year	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options expired during the year	Options outstanding at the end of the year	Options exercisable at the end of the year
13-Aug-05	1144.00	2430660	-	139190	9074	75267	2207129	891173
		(2821780)	(-)	(335898)	(-)	(55222)	(2430660)	(499270)
19-Oct-05	1157.50	67340	-	4090	-	2300	60950	24588
		(82320)	(-)	(13830)	(-)	(1150)	(67340)	(14084)
15-Nov-05	1267.75	22928	-	1400	-	328	21200	8720
		(47380)	(-)	(22666)	(-)	(1786)	(22928)	(3802)
15-Dec-05	1348.25	25260	-	2130	-	2030	21100	8470
		(49000)	(-)	(22930)	(-)	(810)	(25260)	(5404)
14-Jan-06	1300.00	31754	-	5160	-	2044	24550	10060
		(54220)	(-)	(22138)	(-)	(328)	(31754)	(6972)
15-Feb-06	1308.00	7374	-	1200	-	300	5874	2388
		(9630)	(-)	(2224)	(-)	(32)	(7374)	(1526)
16-Mar-06	1031.00	39940	-	1760	-	440	37740	15216
		(46340)	(-)	(6240)	(-)	(160)	(39940)	(7988)
17-Apr-06	868.75	15400	-	3200	-	1380	10820	4520
		(33760)	(-)	(18360)	(-)	(-)	(15400)	(3640)
15-May-06	842.50	30150	-	8830	-	1990	19330	8080
		(38100)	(-)	(7950)	(-)	(-)	(30150)	(6030)
15-Jun-06	620.50	31510	-	5256	430	1344	24480	9630
		(54740)	(-)	(23230)	(-)	(-)	(31510)	(6246)
17-Jul-06	673.75	36380	-	7160	80	1670	27470	5526
		(-)	(46120)	(9740)	(-)	(-)	(36380)	(-)
15-Mar-07	648.75	431100	-	21860	6420	-	402820	77700
		(-)	(445100)	(14000)	(-)	(-)	(431100)	(-)
23-Jan-08	898.25	-	293475	37425	-	-	256050	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Total	**3169796**	**293475**	**238661**	**16004**	**89093**	**3119513**	**1066071**
		(3237270)	(491220)	(499206)	(-)	(59488)	(3169796)	(554962)

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

Assumptions

The fair value of each stock option granted under Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 as on the date of grant has been computed using Black- Scholes Option Pricing Formula and the model inputs are given as under:

	Employee Stock Option Plan 2000	**Employee Stock Based Compensation Plan 2005**
Volatility	45% to 68%	47% to 62%
Risk free rate	4.57% to 7.99%	6.49% to 7.98%
Exercise Price	Rs. 538.15 to Rs. 1271.25	Rs. 620.50 to Rs. 1348.25
Time to Maturity (years)	2.20 to 5.50	2.50 to 7.00
Dividend Yield	9% to 28%	10% to 28%
Life of options	8.5 Years	10 Years
Fair Value of options as at the grant date	Rs. 35.10 to Rs. 203.14	Rs. 24.75 to Rs. 262.97

Notes:
1. Volatility: Based on historical volatility in the share price movement of the Company.
2. Risk Free Rate: Being the interest rate applicable for maturity equal to the expected life of options based on yield curve for Government Securities.
3. Time to Maturity: Vesting period and volatility of the underlying equity shares have been considered for estimation.
4. Dividend Yield: Based on historical dividend payouts.

The impact on the profit of the Company for the year ended June 30, 2008 and the basic and diluted earnings per share had the Company followed the fair value method of accounting for stock options is set out below:

Proforma disclosures

	2008 Rs./Crores	2007 Rs./Crores
Profit/(Loss) after tax as per Profit and Loss Account (a)	**300.15**	315.95
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	**-**	-
Less: Employee Stock Compensation Expense as per Fair Value Method	**8.26**	11.39
Profit/(Loss) after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	**291.89**	304.56
Earning Per Share based on earnings as per (a) above: (Refer note 12)		
- Basic	**17.61**	18.70
- Diluted	**17.38**	18.57
Earning Per Share had fair value method been employed for accounting of employee stock options:		
- Basic	**17.12**	18.03
- Diluted	**16.90**	17.90

8. Leases :

a) Finance Leases:

(i) The Company has given on finance lease certain Assets/ Inventories which comprise of computers and office equipments etc. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/ restrictive covenants in the lease agreements.

(ii) The gross investment in the assets given on finance leases as at June 30, 2008 and its present value as at that date are as follows [Refer Note 4(c)]:

Rs./Crores

	Total minimum lease payments receivable	**Interest included in minimum lease payments receivable**	**Present value of minimum lease payments receivable**
Not later than one year	**24.28**	**3.80**	**20.48**
	(23.65)	(4.01)	(19.64)
Later than one year and not later than five years	**17.05**	**1.90**	**15.15**
	(28.81)	(2.41)	(26.40)
Total	**41.33**	**5.70**	**35.63**
	(52.46)	(6.42)	(46.04)

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

b) Operating Leases:

(i) Cancelable Operating leases

(a) The Group has taken various residential /commercial premises under cancelable operating leases. These leases are normally renewable on expiry.

(b) The rental expense in respect of operating leases is Rs.19.50 Crores (2007 - Rs.13.89 Crores)

(c) The gross carrying amount accumulated depreciation and depreciation expense in respect of building and office automation products i.e. photocopying machines given on operating lease are as below:

	2008 Rs./Crores	2007 Rs./Crores
Gross Carrying Amount	**13.43**	5.33
Accumulated Depreciation	**3.37**	0.64
Depreciation Expense	**1.42**	0.52

(ii) Non-cancelable Operating Leases

As Lessee:

a) The Group has taken computer systems, furniture and fixture, routers and networking equipments on non-cancelable operating leases the future minimum lease payments in respect of which are:

	2008 Rs./Crores	2007 Rs./Crores
Not later than one year	**3.72**	2.43
Later than one year and not later than five years	**6.82**	4.47
Total	**10.54**	6.90

(b) Minimum Lease Payments in respect of assets taken on lease recognised as an expense in the Profit and Loss Account for the year ended June 30, 2008 are Rs.2.35 Crores (2007- Rs 2.20 Crores).

As Lessor:

The company has given photocopying machines on non-cancelable operating leases the future minimum lease receipts in respect of which are:

	2008 Rs./Crores	2007 Rs./Crores
Not later than one year	**0.01**	0.02
Later than one year and not later than five years	**-**	0.01
Total	**0.01**	0.03

9. Unaccrued forward exchange cover as on June 30, 2008 of Rs.1.81 Crores (2007- Rs.1.93 Crores) has been included in prepaid expenses.

10. Disclosure of related parties/related party transactions.

a) Company having substantial interest:

HCL Corporation Ltd. due to substantial interest in the voting power.

b) Related parties with whom transactions have taken place during the year and/or where balances exist:

HCL Technologies Ltd.
HCL Comnet Ltd.
HCL Comnet Systems and Services Ltd.
HCL Peripherals Ltd.
HCL Infosolutions Ltd.
Universal Office Automation Ltd. (Formerly known as HCL Office Automation Ltd.)
HCL America Inc.

Others (where significant influence exist):

SSN College of Engineering
Shri Sivasubramaniya Nadar Educational and Charitable Trust.

Note: Parties with whom transactions are more than 10% of the total value have been disclosed separately.

Key Management Personnel

i) Directors:

Mr. Ajai Chowdhry
Mr. J. V. Ramamurthy

ii) Other Key Management Personnel:

Mr. George Paul
Mr. Hari Baskaran
Mr. Rajeev Asija
Mr. Rajendra Kumar
Mr. Sandeep Kanwar
Mr. Suman Ghose Hazra
Mr. Sushil Kumar Jain
Mr. Vivek Punekar
Mr. Rakesh Mehta[1]
Mr. D. Veeraraghavan[2]

Notes:

[1] Resigned w.e.f June 30, 2008
[2] Resigned w.e.f Nov. 17, 2007

c) **Summary of Related party disclosures**

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

(Rs./Crores)

A. Transactions	**Company having Substantial interest**		**Others**		**Key Management Personnel**		**Total**	
	June-08	June-07	**June-08**	June-07	**June-08**	June-07	**June-08**	June-07
Sales & Related Income	**2.22**	1.41	**68.70**	87.07	**0.01**		**70.93**	88.48
- HCL Technologies Ltd.			**57.37**	80.21				
Services			**11.42**	6.60			**11.42**	6.60
- HCL Technologies Ltd.			**8.76**	6.04				
Other Income			**1.31**	0.93			**1.31**	0.93
- HCL Technologies Ltd.			**1.31**	0.93				
Purchase of Goods			**0.33**	0.24			**0.33**	0.24
- HCL Technologies Ltd.			**0.33**	0.24				
Purchase of Services			**5.84**	5.66			**5.84**	5.66
- HCL Technologies Ltd.			**4.37**	4.07				
- HCL Peripherals Ltd			**0.73**	0.52				
Donations Given			**0.48**	0.96			**0.48**	0.96
- Shri Sivasubramaniaya Nadar Educational & Charitable Trust			**0.48**	0.96				
Bad Debts written off			**0.00**	0.20			**0.00**	0.20
- HCL Technologies Ltd.			**0.00**	0.07				
Assets Purchased			**0.66**	0.22			**0.66**	0.22
- HCL Technologies Ltd.			**0.66**	0.22				
Remuneration					**9.03**	6.90	**9.03**	6.90
- Mr. Ajai Chowdhry					**3.25**	2.59		
- Mr. Rajeev Asija					**1.00**	0.45		
- Mr. J V Ramamurthy					**0.99**	0.69		
- Mr. Sandeep Kanwar					**0.86**	0.71		
Reimbursements towards expenditure								
a) Received	**0.05**	0.04	**0.11**	0.07			**0.16**	0.11
- HCL Technologies Ltd.			**0.09**	0.04				
- HCL Comnet Ltd.			**0.02**	0.03				
b) Made	**0.05**	0.05	**0.04**	0.69			**0.09**	0.74
- HCL Technologies Ltd.			**0.02**	0.68				
- HCL Comnet Ltd.			**0.03**	0.01				
B. Amount due to / from related parties								
Accounts Receivables	**1.81**	0.45	**21.33**	17.33			**23.14**	17.78
Loans & Advances & Other Recoverables			**0.46**	0.82			**0.46**	0.82
Creditors			**1.06**	0.67			**1.06**	0.67
Other Payables	**0.01**	0.01	**0.90**	0.72			**0.91**	0.73

11. Segment Reporting

The Group recognises the following segments as its primary segments.

a) The operations of Product and Related Services consists of sale of Computer Hardware and system integration products and providing a comprehensive range of IT services, including system maintenance and facility management in different industries.

b) The businesses of Telecom products Office Automation and services consist of sale of telecommunication products office equipment products and related services.

c) Internet and Related Services include Internet related products and services consisting of Internet Access services, Virtual Private Network, other connectivity services and sale of related hardware.

Secondary segmental reporting is based on the geographical location of the customers. Details of secondary segments are not disclosed as more than 90% of the Group's revenues results and assets relate to the domestic market.

Consolidated Segment wise performance for the year ended June 30, 2008 **Rs. Crores**

	Primary Segments	**Products & Related Services**		**Internet & Related Services**	**Inter-segment Elimination**	**Total**
		Computer Systems & Other Related Products	Telecommuni-cation & Office Automations			
(i)	**Revenue**					
	External Revenue	3363.45	9202.99	38.85		**12605.29**
		(2775.56)	(9041.35)	(38.52)		(11855.43)
	Intersegment Revenue	25.47	19.99	1.75	-47.21	
		(9.02)	(8.21)	(1.35)	(-18.58)	
	Total Gross Revenue	3388.92	9222.98	40.60	-47.21	**12605.29**
		(2784.58)	(9049.56)	(39.87)	(-18.58)	(11855.43)
	Less: Excise Duty	157.84	0.16			**158.00**
		(183.48)	(0.09)			(183.57)
	Total Net Revenue	3231.08	9222.82	40.60	-47.21	**12447.29**
		(2601.10)	(9049.47)	(39.87)	(-18.58)	(11671.86)
(ii)	**Results**	199.52	285.44	(4.10)		**480.86**
		(174.33)	(267.13)	(1.86)		(439.60)
	Less: Unallocable Expenditure					**30.54**
						(20.19)
	Operating Profit					**450.32**
						(419.41)
	Add: Other Income (Excluding Operational Income)					**19.54**
						(19.80)
	Less: Interest (Net)					**39.73**
						(10.50)
	Profit Before Tax					**430.13**
						(428.71)
	Less: Tax Expense					
	- Current Tax					**131.50**
						(105.90)
	- Deferred Tax					**-5.63**
						(2.71)
	- Fringe Benefit Tax					**4.11**
						(4.15)
	Profit After Tax					**300.15**
						(315.95)

Rs. Crores

	Primary Segments	Products & Related Services		Internet & Related Services	Inter-segment Elimination	Total
		Computer Systems & Other Related Products	Telecommunication & Office Automations			
(iii)	**Segment Assets**	1794.42	975.93	19.50		**2789.85**
		(1464.15)	(709.38)	(21.21)		(2194.74)
	Unallocated Corporate Assets					
	a) Liquid Assets					**216.40**
						(287.51)
	b) Others (including investment in assets given on finance lease)					**83.70**
						(101.10)
	Total Assets					**3089.95**
						(2583.35)
(iv)	**Segment Liabilities**	841.04	798.13	21.76		**1660.93**
		(810.32)	(584.56)	(18.80)		(1413.68)
	Unallocated Corporate Liabilities					
	a) Current Liabilities					**51.58**
						(61.61)
	b) Deferred Tax Liabilities					**6.72**
						(12.48)
	c) Loan Funds					**354.52**
						(235.88)
	Total Liabilities					**2073.75**
						(1723.65)
(v)	**Capital Expenditure**	44.10	5.44	1.63		**51.17**
		(30.33)	(9.56)	(2.51)		(42.40)
(vi)	**Depreciation**	11.63	4.18	2.26		**18.07**
		(8.61)	(3.57)	(2.30)		(14.48)
(vii)	**Other Non Cash Expenses**	21.09	7.02	1.12		**29.23**
		(16.79)	(1.05)	(0.87)		(18.71)

Note: Previous year's figures are given in brackets

12. Earnings per share (EPS)

The earnings considered in ascertaining the Group's earnings per share comprise net profit for the year after tax. Basic earnings per share is 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.

Calculation of EPS:

Particulars	**30.06.2008**	30.06.2007
Profit after tax (Rs./Crores)	**300.15**	315.95
Weighted average number of shares considered as outstanding in computation of Basic EPS	**170,454,520**	1,68,923,402
Add dilutive impact of stock options:		
- Exercised	**264,066**	71,822
- Lapsed	**110,209**	65,530
- Issued for no consideration	**1,900,787**	1,098,004
Weighted average number of shares outstanding in computation of Diluted EPS	**172,729,582**	1,70,158,758
Basic EPS (of Rs.2/- each)	**Rs.17.61**	Rs.18.70
Diluted EPS (of Rs.2/- each)	**Rs.17.38**	Rs.18.57

13. The Group has calculated the various benefits provided to employees as under:

(a) Defined Contribution Plans
  (i) Provident Fund
  (ii) Superannuation Fund

During the year the Group has recognised the following amounts in the Profit and Loss account:

	2008 Rs./Crores	2007 Rs./Crores
Employers Contribution to Provident Fund*	**3.34**	2.80
Employers Contribution to Superannuation Fund*	**1.03**	0.83

(b) State Plans
  (i) Employee State Insurance
  (ii) Employee's Pension Scheme 1995

During the year the Group has recognised the following amounts in the Profit and Loss account:

	2008 Rs./Crores	2007 Rs./Crores
Employers contribution to Employee State Insurance*	**2.03**	1.70
Employers contribution to Employee's Pension Scheme 1995*	**3.76**	2.73

* Included in Contribution to Provident Fund and Other Funds under Personnel Cost (Refer Schedule-16)

(c) Defined Benefit
  (i) Gratuity
  (ii) Leave Encashment/Compensated Absence

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans based on the following assumptions.

	Employees Gratuity Fund	**Leave Encashment/ Compensated Absence**
Discount Rate (per annum)	7.50% - 8.00%	7.50%-8.00%
Rate of increase in compensation levels	6.50% - 7.00%	6.50% - 7.00%
Rate of return on plan assets	Not Applicable	Not Applicable
Expected Average remaining working lives of employees (years)	25.70-25.92	25.70-25.92

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Rs./Crores

	2008		2007	
	Gratuity	**Leave Encashment**	Gratuity	Leave Encashment
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:				
Present value of obligation at the beginning of the year*	**10.93**	**6.96**	8.24	3.59
Current service cost	**1.26**	**1.41**	1.97	3.50
Interest cost	**0.84**	**0.48**	0.65	0.37
Actuarial (gain)/loss	**0.03**	**0.41**	0.77	0.96
Benefits (paid)	**(0.70)**	**(1.19)**	(0.70)	(1.46)
Present value of obligation at the end of the year	**12.36**	**8.07**	10.93	6.96
Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:				
Present value of the obligation as at the end of the year	**12.36**	**8.07**	10.93	6.96
Fair value of plan assets at the end of the year	**-**	**-**	-	-
Assets/(Liabilities) recognised in the Balance Sheet.	**(12.36)**	**(8.07)**	(10.93)	(6.96)
Cost recognised for the period (included under Salaries, Wages, Allowances, Bonus and Gratuity)				
Current service cost	**1.26**	**1.41**	1.97	3.50
Interest cost	**0.84**	**0.48**	0.65	0.37
Actuarial (gain)/loss	**0.03**	**0.41**	0.77	0.96
Net cost recognised for the year*	**2.13**	**2.30**	3.39	4.83

* Included in Salaries, Wages, Allowances, Bonus and Gratuity under Personnel Cost (Refer Schedule- 16)

14. The Scheme of Amalgamation ("Scheme") for merging the wholly owned subsidiary Stelmac Engineering Private Limited (Stelmac) with the company under sections 391 to 394 of the Companies Act, 1956 sanctioned by Hon'ble High Court of Delhi vide order dated December 07, 2007 has come into effect on January 30, 2008 from the appointed date of April 1, 2007. On the scheme becoming effective Stelmac stands dissolved without winding up.

    The amalgamation of erstwhile Stelmac has been accounted for under the 'pooling of interest method' in the manner specified in the Scheme and comply with the Accounting Standard notified under section 211(3C) of the Companies Act, 1956.

    The amalgamation of Stelmac with the Company has no impact on the consolidated financial statements.

15. a) During May 2008, the Company acquired Natural Technologies Private Ltd. ("NTPL"), engaged in the business of developing software products for the Indian banking sector.

    The Company acquired 100% of the share holding in NTPL for a consideration of Rs. 8.41 Crores

    b) A Scheme of Amalgamation for merging the NTPL, wholly owned subsidiary, with the Company w.e.f. July 1, 2008, the appointed date, has been filed with the Hon'ble High Courts of Delhi and Rajasthan.

    c) The loss after tax of NTPL has been taken on the basis of unaudited financial statements for period ended June 30, 2008. It is unlikely that the audited results would be materially different from unaudited results.

    d) Differences between accounting policies of the Company and Natural Technologies Private Limited: In case of NTPL, depreciation on Fixed Assets is charged to Profit & Loss Account on written down value method as compared to straight line method of the Company. However, the impact of the same is not material to the consolidated financial results.

16. Forward Contracts on Imports/Royalty payables:

    The Company has following outstanding forward contracts to buy foreign currency as at June 30, 2008:

Currency	**Foreign Currency Value/Crores**		**Average Rate**		**Maximum Maturity Period**	
	2008	2007	**2008**	2007	**2008**	2007
USD	**$ 8.19**	**$** 5.41	**41.72**	42.26	**5 Months**	5 Months
SEK	**Kr 0.48**	**Kr** 1.31	**7.06**	6.50	**3 Months**	3 Months
JPY	**15.12**	12.32	**40.20***	37.28*	**3 Months**	3 Months

*Average rate of JPY/INR is for 100 Yen.

The above forward contacts have been undertaken to hedge the foreign currency exposures on Import/Royalty payables as at June 30, 2008.

As on June 30, 2008, the foreign currency exposure that is not hedged by a derivative instrument or otherwise is Rs.165.86 Crores (2007-Rs.218.84 Crores).

17. Previous year's figures have been regrouped/recasted, where necessary, to conform to current year's presentation.

FINANCIAL SUMMARY OF SUBSIDIARIES AS AT MARCH 31, 2008

HCL Infinet Limited

Particulars	Amount in Rs.
Share Capital	170181000
Reserves	18073833
Total Assets	188254833
Total Liabilities	188254833
Details of investment	105917792
Turnover	422382915
(Loss) before taxation	(42754442)
Provision for taxation (Current/FBT)	2616497
(Loss) after taxation	(45370939)
Proposed Dividend	Nil

Natural Technologies Private Limited

Particulars	Amount in Rs.
Share Capital	4848560
Reserves	39369900
Total Assets	64113501
Total Liabilities	64113501
Details of investment	Nil
Turnover	117275445
Profit before taxation	1906821
Provision for taxation (Current/FBT)	1271185
Profit after taxation	635636
Proposed Dividend	Nil

HCL INFOSYSTEMS LTD
E-4,5,6, Sector XI, Noida 201 301, U.P., India
www.hclinfosystems.in
www.hcl.in

Thomson Press