



HCL HEWLETT-PACKARD LIMITED

Registered Office : 806-808, Siddharth, 96, Nehru Place, New Delhi - 110 019.

LETTER OF OFFER

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSSES ON
MONDAY OCTOBER 19, 1992	TUESDAY NOVEMBER 3, 1992	WEDNESDAY NOVEMBER 18, 1992

Issue of 1,05,49,624 equity shares of Rs. 10/- each for cash at a premium of Rs. 50/- per share aggregating to Rs. 63,29,77,440/- to the equity shareholders on rights basis, and 5,27,481 equity shares of Rs. 10/- each for cash at a premium of Rs. 50/- per share aggregating to Rs. 3,16,48,860/- to the permanent/regular employees (including Indian Working of the Company) and 1,85,331 equity shares (additional) of Rs. 10/- each for cash at a premium of Rs. 50/- per share aggregating to Rs. 1,11,19,860/- to Hewlett-Packard Delaware Capital Inc., U.S.A. (a wholly owned subsidiary of Hewlett-Packard Company, U.S.A.).

LISTING

Existing equity shares of the Company are listed at Delhi, Bombay and Kanpur Stock Exchanges. Applications will be made at these Stock Exchanges for permission to deal in and for an official quotation of the new Equity Shares of the Company being issued in terms of this Letter of Offer.

IMPORTANT :

1. Please read this Letter of Offer and instructions given in the Composite Application Form carefully before filling in the Composite Application Form.
2. The instructions contained in the Composite Application Form are an integral part of the conditions of this Letter of Offer and must be carefully followed, otherwise the application is liable to be rejected.
3. All enquiries/correspondence in connection with this Letter of Offer or the accompanying Composite Application Form including requests for Split Application Forms should be addressed to the Company at Share Processing Cell, HCL Hewlett-Packard Limited, A-10 & 11, Sector III, Noida, (U.P.) 201 301 quoting the Registered Folio Number and the Composite Application Form Number as mentioned in the Composite Application Form.

IF THE COMPANY DOES NOT RECEIVE THE MINIMUM SUBSCRIPTION OF 90% OF THE ISSUE AMOUNT, THE ENTIRE SUBSCRIPTION WILL BE REFUNDED TO THE APPLICANTS WITHIN 90 DAYS FROM THE DATE OF CLOSURE OF THE ISSUE. IF THERE IS A DELAY IN REFUND OF SUCH AMOUNT BY MORE THAN 8 DAYS, THE COMPANY WILL PAY INTEREST AS SPECIFIED IN SECTION 73(2A) OF COMPANIES ACT, 1956.

LEAD MANAGERS TO THE ISSUE



SBI Capital Markets Ltd.
World Trade Tower, Barakhamba Road,
New Delhi - 110 001.



The Industrial Credit and Investment Corporation of India Limited
Merchant Banking Division,
Jeevan Bharati Building, Tower-II,
Level-6, 124, Connaught Circus,
New Delhi-110 001.

ANZ Grindlays Bank
Merchant Banking Division, Mercantile House,
Kasturba Gandhi Marg, New Delhi - 110 001.

BANKERS TO THE ISSUE

Citibank, N.A.
Jeevan Vihar Building,
Parliament Street, New Delhi - 110 001.

Vijaya Bank
101, Sakhar Bhawan,
Nariman Point,
Bombay - 400 021.

Corporation Bank
Bharat House,
104, Bombay Samachar Marg,
Fort, Bombay - 400 001.

REGISTRARS TO THE ISSUE

All communications in connection with the application should be addressed to the Company at -

Share Processing Cell,
HCL Hewlett-Packard Limited,
A-10 & 11, Sector III,
Noida (U.P.) 201 301.

Dear Shareholder(s)/Employee(s),

Re : Issue of

- i) 1,05,49,624 equity shares of Rs. 10/- each for cash at a premium of Rs. 50/- per share aggregating to Rs. 63,29,77,440/- to the equity shareholders on rights basis,
- ii) 5,27,481 equity shares of Rs. 10/- each for cash at a premium of Rs. 50/- per share aggregating to Rs. 3,16,48,860/- to the permanent/regular employees (including Indian Working of the Company),
- iii) 1,85,331 equity shares (additional) of Rs. 10/- each for cash at a premium of Rs. 50/- per share aggregating to Rs. 1,11,19,860/- to Hewlett-Packard Delaware Capital Inc., U.S.A. (a wholly owned subsidiary of Hewlett-Packard Company, U.S.A.).

LISTING

Existing equity shares of the Company are listed at Delhi, Bombay and Kanpur Stock Exchanges. Applications will be made at these Stock Exchanges for permission to deal in and for an official quotation of the new Equity Shares of the Company being issued in terms of this Letter of Offer.

I. GENERAL INFORMATION

ISSUE OPENS ON	October 19, 1992
LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	November 3, 1992
ISSUE CLOSES ON	November 18, 1992

Credit Rating

As the issue is for Equity Shares, credit rating is not required.

II. CAPITAL STRUCTURE OF THE COMPANY

SHARE CAPITAL AUTHORISED

	Nominal Value (Rs.)	Premium (Rs.)
4,50,00,000 Equity Shares of Rs. 10/- each	45,00,00,000	--
5,00,000 Preference Shares of Rs. 100/- each	5,00,00,000	--
	<u>50,00,00,000</u>	--
ISSUED, SUBSCRIBED AND PAID UP		
1,05,49,624 Equity Shares of Rs. 10/- each	<u>10,54,96,240</u>	--

NOTES:

1. In terms of the Scheme of Arrangement as approved by the Hon'ble Delhi High Court vide its order dated 26th November, 1991, the paid-up value per equity share of the Company was reduced from Rs. 10/- to Rs. 6.80 per share. These shares have then been consolidated into equity shares of Rs. 10/- each. The paid up share capital as given above is after taking into account the reduction and consolidation of shares in terms of the Scheme of Arrangement.
2. The paid up equity share capital given above includes 1,00,89,459 equity shares (after reduction and consolidation) issued pursuant to a contract without payment being received in cash.
3. The paid-up equity share capital above includes 4,60,160 Nos. equity shares (after reduction and consolidation) which have been issued to the financial institutions against conversion of part of the loans.

PRESENT ISSUE:

	Nominal Value (Rs)	Premium (Rs)	Total (Rs)
1,12,62,436 equity shares of Rs.10/- each for cash at a premium of Rs. 50/- per share:	11,26,24,360	56,31,21,800	67,57,46,160

OUT OF THE PRESENT ISSUE

- | | | | |
|--|--------------|--------------|--------------|
| i) 1,05,49,624 equity shares of Rs. 10/- for cash at a premium of Rs.50/- per share are offered to the equity shareholders on "Rights Basis" in the ratio of 1 equity share for every 1 fully paid up equity share held and | 10,54,96,240 | 52,74,81,200 | 63,29,77,440 |
| ii) 5,27,481 equity shares of Rs. 10/- each at a premium of Rs.50/- per share are offered to the permanent/regular employees (including Indian Working Directors)/workers of the Company on preferential offer and on equitable basis (unsubscribed portion shall lapse) and | 52,74,810 | 2,63,74,050 | 3,16,48,860 |

LEAD MANAGERS TO THE ISSUE

SBI Capital Markets Ltd.
World Trade Tower, Barakhamba Road,
New Delhi - 110 001.
The Industrial Credit and Investment Corporation of India Limited
Merchant Banking Division,
Jeevan Bharati Building, Tower-II,
Level-6,124, Connaught Circus, New Delhi-110 001.
ANZ Grindlays Bank
Merchant Banking Division, Mercantile House,
Kasturba Gandhi Marg, New Delhi - 110 001.

REGISTRARS TO THE ISSUE

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Share Processing Cell,
HCL Hewlett-Packard Limited,
A-10 & 11, Sector III, Noida (U.P.) 201 301.

BANKERS TO THE ISSUE

Citibank, N.A.
Jeevan Vihar Building,
Parliament Street, New Delhi - 110 001.
Vijaya Bank
101, Sakhar Bhawan,
Nariman Point, Bombay - 400 021.
Corporation Bank
Bharat House, 104, Bombay Samachar Marg,
Fort, Bombay - 400 001.

	Nominal Value (Rs)	Premium (Rs)	Total (Rs)
iii) 1,85,331 equity shares (additional) of Rs. 10/- each at a premium of Rs.50/- per share are offered to Hewlett-Packard Delaware Capital Inc., U.S.A. (a wholly owned subsidiary of Hewlett-Packard Company, U.S.A.) consequent to issue of shares mentioned at (ii) above so that the proportion of shares held by Hewlett-Packard Delaware Capital Inc., U.S.A. after issue of new equity shares to the total number of shares allotted shall remain at the level ruling prior to issue of new shares viz 26%. In the event of undersubscription of the issue of shares mentioned at (ii) above, the additional shares to be offered to Hewlett-Packard Delaware Capital Inc., U.S.A. shall be limited to the extent that after the issue of new equity shares the proportion of shares held by Hewlett-Packard Delaware Capital Inc., U.S.A. shall not exceed the level of 26%.	18,53,310	92,66,550	1,11,19,860

NOTES:

1. The Promoters' have already made contributions by placing interest bearing advances of Rs. 664.31 lacs. These monies have been employed by the Company and the Company has been specifically instructed by the promoters to apply these advances or any interest accrued thereon towards the subscription moneys payable by the promoters in terms of this Letter of Offer. This constitutes 19.66% of the total application money payable in terms of this Letter of Offer.
2. As on September 1, 1992, the promoters held 60,14,408 equity shares constituting 57% of the total paid up equity capital of the Company. The rights entitlement of the promoters comes to 60,14,408 equity shares. As on date, the promoters intend to subscribe to their rights entitlement based on which the promoters holding comes to 1,20,28,816 equity shares which constitutes about 55.1% on the expanded capital base of the Company. It may be noted that in any event the holding of the promoters would not fall below 25% of the expanded equity share capital base.

EQUITY SHARE CAPITAL AND SHARE PREMIUM AFTER THE PRESENT ISSUE

	Nominal value (Rs)	Premium (Rs)
2,18,12,060 equity shares of Rs. 10/- each	<u>21,81,20,600</u>	<u>56,31,21,800</u>

NOTES:

- a) The number of permanent/regular employees on the payroll of the Company as on 1st September, 1992 was 2419. Each employee will be offered upto 200 equity shares. Accordingly, the total number of shares being offered to the employees shall come to 4,83,800. The balance 43,681 shares alongwith the unsubscribed portion, if any, shall lapse.
- b) The unsubscribed portion, if any, out of additional shares being offered to Hewlett-Packard Delaware Capital Inc. U.S.A, shall lapse.
- c) The equity shares to be allotted to the employees out of the preferential offer shall not be sold/ hypothecated/ transferred for at least three years from the date of allotment. Similarly, additional shares to be allotted to Hewlett-Packard Delaware Capital Inc. U.S.A. out of preferential offer of 1,85,331 equity shares shall not be transferable for at least three years from the date of allotment.
- d) The equity shares offered to employees on preferential basis and additional shares offered to Hewlett-Packard Delaware Capital Inc., U.S.A. on preferential basis shall not carry any right of renunciation.

III. TERMS OF THE PRESENT ISSUE:

1. AUTHORITY FOR THE ISSUE

Pursuant to Section 81 (1A) of the Companies Act, 1956, the present Issue of Equity Shares has been authorised by the Shareholders of the Company by a Special Resolution passed at the Extraordinary General Meeting held on June 15, 1992.

2. BASIS OF OFFER

Out of the total issue--

- a) 1,05,49,624 Equity Shares of Rs. 10/- each are being offered for subscription for cash at a premium of Rs. 50/- each to the Equity Shareholders whose name appear in the Register of members of the Company as at the close of business hours on 1st September, 1992 (hereinafter referred to as 'Record Date'), on Rights basis, in the proportion of one Equity Share for every one Equity Share held and
- b) 5,27,481 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 50/- per share to the permanent/regular employees (including Indian working Directors)/workers of the Company (unsubscribed portion shall lapse) and

- c) 1,85,331 Equity Shares (additional) of Rs. 10/- each for cash at a premium of Rs. 50/- per share to Hewlett-Packard Delaware Capital Inc., U.S.A. (a wholly owned subsidiary of Hewlett-Packard Company, U.S.A.) consequent to issue of shares mentioned at (b) above so that the proportion of shares held by Hewlett-Packard Delaware Capital Inc., U.S.A. after issue of new shares to the total number of shares allotted shall remain at the level ruling prior to the issue of new shares viz. 26%. In the event of undersubscription of the issue of shares mentioned at (b) above, the additional shares to be offered to Hewlett-Packard Delaware Capital Inc., U.S.A. shall be limited to the extent that after the issue of new equity shares the proportion of shares held by Hewlett-Packard Delaware Capital Inc., U.S.A. shall not exceed 26%.

NOTE:

The number of permanent/regular employees on the payroll of the Company as on 1st September, 1992 was 2419. Each employee will be offered upto 200 equity shares. Accordingly, the total number of shares being offered to the employees works out to 4,83,800 shares. The balance 43,681 shares alongwith the unsubscribed portion, if any, shall lapse.

3. PREMIUM FIXATION

The basis for arriving at a premium of Rs 50/- per Equity Share is based on the past financial performance and the future profitability projections as under:

Year Ending June 30,	HCL Limited			HCL Hewlett-Packard Ltd.				
	1988	1989	1990	1991	1992 (Prov.)	1993	1994	1995
Equity Share Capital (Rs/Lacs)	1484	1484	1484	1009	1055	2181	2181	2181
Reserves & Surplus (*) (Rs/Lacs)	1656	2258	2772	1745	2118	9291	11152	12809
Net Worth (Rs/Lacs)	3140	3742	4256	2754	3171	11472	13333	14990
Net Asset Value (Rs)	21.2	25.2	28.7	27.3	30.1	52.6	61.1	68.7
EPS (Rs)	4.7	6.5	4.1	5.5	3.1	11.5	10.0	9.8
Dividend (Rs/Lacs)	148	148	148	101	-	318	318	478
Rate (%)	10	10	10	10	-	15	15	22

(*) includes goodwill as stated in the Notes to the Accounts of each year appearing in Part VI hereto.

In view of the above, the shareholders of the Company at the extraordinary general meeting held on June 15, 1992 and the Board of Directors of the Company in consultation with the Lead Managers have decided to make an issue of equity share of Rs 10 each a premium of Rs 50 per share.

4. ENTITLEMENT

As your name appears on the Register of Members as on the Record Date, you are entitled to this offer. The number of equity shares to which you are entitled is shown in column (4) of Part 'A' of the enclosed Composite Application Form.

5. TERMS OF THE ISSUE

The equity shares now being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the Letter of Offer and the Composite Application Form. The principal terms and conditions of the equity shares are as follows:-

a) Value

Each equity share will be of the face value of Rs.10/- and will be issued at a premium of Rs.50/-

b) Ranking

The equity shares now being offered shall rank pari-passu in all respects with the existing equity shares of the Company, save and except that these will qualify for dividend, if any, only from the date of allotment and such dividend shall be proportionate to the amount paid up thereon and pro-rata for the period during which such capital is paid-up.

c) Terms of Payment

The amount of Rs.60/- per equity share will be payable as follows:

	Nominal value (Rs)	Premium (Rs)	Total (Rs)
On Application	5	25	30
On Call(s)	5	25	30
	10	50	60

Failure to pay the call(s) money shall render the allottee liable to pay interest thereon @ 12% per annum on the outstanding

amount from the last date due for payment upto the date of actual payment. It will also render the equity shares liable for forfeiture in terms of Articles of Association of the Company (hereinafter referred to as the "Articles"). The Board will be at liberty to re-issue such equity shares to any other person(s).

NOTE:

The Promoters have already made contributions by placing interest bearing advances in the sum of Rs. 664.31 lacs. These monies have been employed by the Company and the Company has been specifically instructed by the promoters to apply these advances or any interest accrued thereon towards the subscription moneys payable by the promoters in terms of this Letter of Offer. This constitutes 19.66% of the total application money payable in terms of this Letter of Offer.

6. ACCEPTANCE OF OFFER

You may accept and apply for the equity shares hereby offered wholly or in part, by filling up the enclosed Composite Application Form and submitting the same along with the application money @ Rs.30/- per share to the Bankers to the Issue or its collecting branches as stated in the enclosed Composite Application Form on or before the close of banking hours on November 18, 1992.

7. RENUNCIATION

Subject to the conditions mentioned in Para 8 hereunder, you may renounce all or any of the equity shares you are entitled to in favour of any individual(s) who is/ are Indian national(s) resident in India or a registered society or a limited company registered/incorporated in India. Renunciation by residents in favour of non-residents is subject to the renouncer/renouncee obtaining requisite permission of the Reserve Bank of India. It may also be noted that Equity Shares being offered to the employees on preferential basis and additional shares being offered to Hewlett-Packard Delaware Capital Inc. U.S.A. on preferential basis do not carry right of renunciation.

COMPLETE RENUNCIATION IN FAVOUR OF ONE RENOUNCEE

If you do not wish to apply for any of the equity shares offered to you and further wish to renounce these equity shares to one renouncee (joint renouncees being treated as one), you will fill in and sign the form of renunciation, i.e. Part 'B' of the Composite Application Form and hand over the form in entirety to the Renouncee. The renouncee should fill in and sign Part 'C' of the Composite Application Form and send the same together with remittance for the amount payable to any of the Banker(s) to the Issue or their Collecting branches mentioned on the reverse of the Composite Application Form so as to reach them not later than the close of banking hours on November 18, 1992.

RENUNCIATION IN PART AND SPLITTING

If you wish to accept part of the equity shares offered to you and renounce the balance or to renounce the equity shares in favour of two or more renouncees (or sets of renouncees), fill in Part 'D' of the Composite Application Form for this purpose and forward the entire Composite Application Form to the Company, so as to reach them on or before November 3, 1992 for obtaining Split Application forms. Split Application Forms cannot be re-split. Only the person or persons to whom this Letter of Offer was originally addressed and not a renouncee shall be entitled to renounce and/or obtain Split Application Forms. However, Split Application Forms will be issued only for a minimum of 50 shares or in multiple thereof. Submission

of the Split Application Form to any of the Banker(s) to the Issue, or their Collecting branches mentioned in the Composite Application Form accompanied by Form of Renunciation duly completed and purporting to have been signed by you, shall be conclusive evidence of the title of the person(s) applying for the equity shares in Part C of the Composite Application Form and to receive the Letter of Allotment/Share Certificate. If you wish to apply for equity shares jointly with any person or persons who is/are not already jointholder(s) with you, then it will amount to renunciation and the procedure as detailed above shall have to be followed. Further, the right of renunciation is subject to the express condition that the Board shall be entitled in their absolute discretion to reject the request for allotment from renouncee(s) without assigning any reason thereto.

Please note that the Company will not register any equity shares in favour of :

- a) more than three persons as joint holders; or
- b) any trust (unless the Trust is registered under the Societies Registration Act, 1860 or similar law and is authorised under its constitution to hold shares of a Company); or
- c) Minor (except through natural guardian), partnership firm or foreign nationals or their nominees.

Please also note the following:

1. Part 'A' of the Composite Application Form must not be used by any person(s) in whose favour this offer has been renounced. This will render the application invalid.
2. A person in whose favour the equity shares are renounced has no right to renounce.
3. All requests for Split Application Forms should be forwarded to the Company.
- d) Any renunciation from Resident(s) to Non-Resident(s) or from Non-Resident(s) to Resident(s) or from Non-Resident(s) to other Non-Resident(s) is subject to the renouncer(s)/renouncee(s) obtaining necessary permission of the Reserve Bank of India. The said permission should be attached with the Composite Application Form. In case of NRI shareholders renouncing their rights without consideration in favour of other NRIs/Residents, the renunciation will be subject to payment of Gift-tax, if any, and a declaration to that effect should be attached to the respective Composite Application Form, failing which the application is liable to be rejected.

8. APPLICATION BY NON-RESIDENTS

In the event of applications by Non-Residents or Non-Resident Indians (NRIs) who are subject to limitation of non-repatriation as conditions for investments applicable to them and to determine investment ceilings in the Company, any applicants who are Non-Residents or NRIs shall not without the express written consent of the Company, be entitled to seek a deletion of the non-repatriability conditions. Any shares allotted to such applicants shall also bear an endorsement on the face of the share scrip that they are subject to non-repatriability condition. The same conditions shall apply to any renunciation concerning the entitlement of non-residents or NRIs and to persons deriving title therefrom. The above is however subject to the provisions of the applicable existing laws and the provisions of the Articles of Association of the Company.

9. ADDITIONAL EQUITY SHARES

You are eligible to apply for additional equity shares over and above the number of equity shares you are entitled to, provided you have applied for all the equity shares offered to you without renouncing them in favour of any other person(s).

If you desire to apply for additional equity shares, please indicate your requirement in **Block II Part 'A'** of the Composite Application Form. The allotment of additional equity shares shall be at the absolute discretion of the Board of Directors and in the event of over-subscription shall be made on an equitable basis with reference to the equity shares held on the Record Date and if necessary in consultation with the Delhi Stock Exchange. In case of Non-Resident Indians, the allotment of additional equity shares will be subject to the applicants obtaining the requisite approval from the Reserve Bank of India and a copy of the approval should be attached to the Composite Application Form.

10. UNDERWRITING/STAND BY ARRANGEMENT

The Company has not made any Underwriting/ Stand by arrangements for the new Equity Shares offered in terms of this Letter of Offer.

11. TRANSFER AND TRANSMISSION

The Equity Shares comprised in the Present issue shall be transferable and transmittable in the same manner and to the same extent and subject to the same restrictions and limitations as in the case of existing Equity Shares of the Company and the provision relating to the transfer and transmission in respect of shares in the Articles of Association of the Company shall apply mutatis-mutandis to new Equity Shares.

12. HOW TO APPLY FOR EQUITY SHARES

Applications should be made only on Composite Application Form which are provided by the Company. The Composite Application Form should be complete in all respects as explained in the instructions contained in the Composite Application Form.

You may exercise any of the following options with regard to the equity shares offered to you using the enclosed Composite Application Form:

- | Option available | Action Required |
|---|---|
| i) Accept your entitlement to all the Equity Shares offered to you | : Fill in and sign Part 'A'. All joint-holders must sign. |
| OR | |
| ii) Accept your entitlement to all the Equity Shares offered to you and apply for additional Equity Shares | : Fill in Block I of Part 'A'. In Block II of Part A indicate the number of additional shares. Sign Part A. All jointholders must sign. |
| OR | |
| iii) Accept only part of your entitlement to the Equity Shares offered to you (without renouncing the balance) | : Fill in and sign Part 'A'. All joint-holders must sign. |
| OR | |
| iv) Renounce your entitlement to the Equity Shares offered to you to one person (Renouncee). (Joint Renouncees are considered as one) | : Fill and sign Part 'B' indicating the number of equity shares renounced. The renouncee(s) must fill in and sign Part 'C'. |
| OR | |
| v) Accept a part of your entitlement to the Equity Shares offered to you | : Fill and sign Part D for the required number of Split Application Forms and send the entire |

Option available

and renounce the balance to one person or more than one person jointly (not exceeding three Renouncee(s))

Action Required

Composite Application Form (Part A, B, C and D) to the Company so as to reach them on or before November 3, 1992. All joint-holders must sign. On receipt of the Split Application Form take further action as indicated below :

- a) For the Equity Shares, if any, which you wish to accept, fill in and sign Part 'A' of Split Application Form.
- b) For the Equity Shares you wish to renounce, fill in and sign Part 'B' of the Split Application Form(s) indicating the number of Equity Shares renounced to each Renouncee.
- c) Each of the Renouncee(s) should then fill in and sign Part 'C' of the respective Split Application Forms for the Equity Shares accepted by him/her.

OR

- vi) Renounce your entitlement of the Equity Shares offered to you to more than one person (Renouncees). : Follow the procedure as stated in (v) (b) & (c) above.

13. MODE OF PAYMENT

Payment should be made in cash or by cheque/draft/stockinvest drawn on any bank (including a Co-operative Bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the Composite Application Form is accepted. A separate cheque/draft/stockinvest must accompany each Composite Application Form. Outstation cheques or drafts will not be accepted and application accompanied by such cheques or drafts will be rejected. Money orders will not be accepted. All cheques or drafts/stockinvest(s) accompanying the Composite Application Form must be made payable to the Bankers to the Issue and marked "A/C HCL-HP RIGHTS EQUITY ISSUE" (e.g. "Citi Bank- A/C HCL-HP RIGHTS EQUITY ISSUE") and crossed "Account Payee Only". No separate receipt will be issued for the Composite Application Form received. However, the Bankers to the Issue receiving the Composite Application Form will acknowledge receipt of the Composite Application Form by stamping and returning to the applicant the Acknowledgement Slip attached at the bottom of the Composite Application Form.

Post-dated cheques/drafts will not be considered for allotment. Only one mode of payment per application shall be accepted, i.e., only cash or only cheque or only draft or only stockinvest. No person shall make an application in cash for equity shares if on the date of making the application the applicant has any deposit or loan (including equity shares), whether originally paid in cash or otherwise remaining unpaid (whether payment has fallen due or not), which by itself or taken together with the present application is Rs.20,000/- or more in terms of Section 269 SS of the Income-tax Act, 1961. The contravention of the said provisions shall make the application liable for rejection.

PAYMENT BY STOCKINVEST

The applicant can use the instrument called Stockinvest for payment of application money. The applicant using stock-

invest should submit the Composite Application Form alongwith the instrument with any of the Bankers to the issue or their Collecting Branches as mentioned in the Composite Application Form. Stockinvest instrument should be payable at par at all the branches of the issuing bank and as such outstation stockinvest instrument can be attached to the Composite Application Form.

The applicant has to fill in the following particulars:

1. Title of the A/c as mentioned in this Letter of Offer i.e. "A/C HCL-HP, Rights Equity Issue".
2. Number of Equity Shares applied for and
3. The amount payable on the Equity Shares applied for.

The instrument should thereafter be signed by the applicant. It should also bear the stamp of the bank issuing the instrument and should be crossed "A/c Payee Only". Service charges for issuing the Stockinvest must be borne by the applicant.

The applicant should not fill in the portion to be filled up by the Company. The Company will fill up the right hand side of the stockinvest indicating the Equity Shares allotted to the applicant and also the amount calculated as follows:

- a) In case of full allotment, the number of Equity Shares on the right hand side will be the same as the left hand side of the instrument.
- b) In case of partial allotment, the number filled up by the Company (on the right hand side of the instrument) will be less than the number filled up by the applicant (on the left hand side).
- c) In case the allotment is nil, the number filled up by the Company on the right hand side of the instrument will be Nil.

No refunds will be issued to those applicants using stockinvest for payment of application money.

PROCEDURE FOR PAYMENT BY MEANS OF STOCKINVEST

Investors are informed that only selected banks are introducing Stockinvest initially.

1. The prospective investor, at the time of request for issue of Stockinvest to the issuing Bank, may have to:
 - a) indicate that he agrees to abide by the terms of issue and encashment of the Stockinvest.
 - b) give irrevocable authority to his Bank to mark a lien for the value of the Stockinvest against the balance held in his savings/current/other deposit account.
 - c) agree for lifting of the banker's lien on expiry of the currency of the Stockinvest or upon intimation of partial/non-allotment of shares; and
 - d) agree that the issuing bank will not be liable for any damages or consequences arising out of the loss of these instruments.
2. Stockinvest are issued in five denominations, with ceiling for drawing upto Rs. 250/-, Rs. 500/-, Rs. 2500/-, Rs. 5000/- and Rs. 10000/-.
3. The Stockinvest should bear "Account Payee only" and "Non-negotiable" crossing and will be payable only into the account of the payee and to the purchaser investor on cancellation.
4. The currency of the Stockinvest shall not exceed 6 months.
5. Applications in the names of minors can be made by the guardians, as in the case of opening of deposit accounts.

Applications in the names of joint account holders will also be accepted.

6. The Stockinvest will be issued to the applicant in the blank format after authentication of the date of issue by the designated branch. The Stockinvest duly completed should be submitted along with the Composite Application Form to any of the Bankers to the Issue or their collecting branches. The applicant may approach the banks concerned for obtaining Stockinvest and detailed instructions for the same.

14. WHERE TO MAKE PAYMENT

After completing the enclosed Composite Application Form in the manner aforesaid, please submit/forward the Composite Application Form together with the remittance at the rate of Rs. 30/- per equity share on the total number of equity shares applied to any of the bankers to the issue or their Collecting branches as mentioned in the Composite Application Form.

15. LAST DATE FOR SUBMISSION OF FORMS

The last date for receipt of Composite Application Form by any of the Bankers to the Issue or their Collecting branches together with the amount payable on application is November 18, 1992.

The last date for submission of request for Split Application Forms is November 3, 1992. The Board will have the right from time to time to extend the last date for submission of Composite Application Form in consultation with the Delhi Stock Exchange, but such date cannot be extended beyond 60 days from the date of opening of the Issue.

If the Composite Application Form together with the amount payable thereunder is not received by the Bankers to the Issue or their Collecting branches on or before the close of banking hours on November 18, 1992 or such extended date as may be announced by the Board, the offer contained in this letter shall be deemed to have been declined by you.

NO APPLICATION WILL BE ACCEPTED DIRECTLY BY THE COMPANY OR BY THE LEAD MANAGERS TO THE ISSUE.

16. MINIMUM SUBSCRIPTION

The Company shall not proceed to allot new equity shares unless the Company receives 90% subscription against the present Rights Issue. If the Company does not receive the minimum subscription of 90% of the issued amount, the entire subscription will be refunded to the applicants within 90 days from the date of closure of the Issue. If there is a delay in refund of such amount by more than 8 days, the Company will pay interest as specified in Section 73(2A) of the Companies Act, 1956.

17. UNSUBSCRIBED EQUITY SHARES

If any portion of the Rights offer remains unsubscribed after considering the application for Rights, renunciation and additional shares, the same will be offered and allotted by the Board at its absolute discretion in such manner as they may in the best interest of the Company, deem fit.

17A. INCOMPLETE APPLICATIONS

Incomplete applications, in any respect, are liable to be rejected.

18. BASIS OF ALLOTMENT

The Board will proceed to allot new equity shares in the following order of priority:

1. Full allotment to the shareholders who have applied for their Rights either in full or in part and also to the Renouncees who have applied for new equity shares renounced in their favour either in full or in part.

2. To the shareholders who having applied for all the shares offered to them as Rights and have also applied for additional new shares, after making full allotment under (1) above.

In the event of oversubscription, the basis of allotment as given in (1) and (2) above, would be decided in consultation with the Delhi Stock Exchange.

19. ALLOTMENT AND SHARE CERTIFICATES

Letter of Allotment / Share Certificate for equity shares allotted together with refund cheques or pay orders, if any, will be despatched by registered post within six weeks from the date of closing of the Subscription List.

20. REFUNDS

In case the equity shares applied for are not allotted, the application money will be refunded without interest to the applicant(s) concerned within six weeks from the date of closing of Subscription List. Refunds will be made by "Account Payee" cheques/warrants drawn on the Company's Bankers through registered post. Such cheques/warrants will be payable at par at all the centres where the applications were received. In case of Stockinvest, the unused/partly-used stockinvests will be returned within six weeks of the date of closing of the subscription list.

21. GENERAL INFORMATION AND INSTRUCTIONS

- i) Application should be made on prescribed Composite Application Form provided by the Company and should be completed in full (in BLOCK letters) in English, in accordance with the instructions contained herein and in the said Composite Application Form.
- ii) In case of Joint holders the number of applicants should not exceed three. All Joint holders must sign the relevant parts of the Composite Application Form in the same order and as per the specimen signatures registered with the Company.
- iii) Signatures other than in English, Hindi, Bengali, Marathi, Gujarati or Tamil must be attested by a magistrate or a notary or a Special Executive Magistrate under his/her official seal and thumb impressions must also be verified by any one of the said authorities.
- iv) In case of applications made under Power of Attorney or by limited companies or corporate bodies or societies, the relevant power of attorney or the relevant resolution or authority to make the application, as the case may be, or a duly certified copy thereof along with a copy of the Memorandum and Articles of Association and/or Bye-laws must be lodged for scrutiny separately at the Office of the Company quoting the reference number of the Composite Application Form and Registered Folio No., failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number and the date of registration with the Company should be mentioned.
- v) All communications in connection with the application should be addressed to the Company giving details of your application.
- vi) Please communicate any change in your registered address by separate post to the Company.
- vii) Applications which are not accompanied by the remittance of proper amount and/or found incomplete with regard to any of the particulars required to be given therein or which are not completed in conformity with the terms of the offer or the Instructions contained herein and in

the Composite Application Form, will be liable for rejection and the application money received in respect thereof will be refunded in due course without interest.

- viii) If any of the Composite Application Form is detached or separated, the application shall be rejected.
- ix) The sum received in respect of the issue will be kept in separate bank account(s) and the Company will not appropriate the funds unless approval of the concerned Regional Stock Exchange is obtained for allotment and listing approval has been received from all the Stock Exchanges where listing is sought.

ADDITIONAL INSTRUCTIONS TO BE FOLLOWED BY NON-RESIDENT SHAREHOLDERS

1. The offer to Non-Resident Shareholders holding Equity Shares in the Company with Repatriation/Non-Repatriation rights will be on Repatriation/Non-Repatriation basis respectively.
2. The Application Forms should be accompanied by a Non-Repatriation/Repatriation Undertaking where applicable as per the form prescribed by the RBI.
3. The applicants applying with repatriation benefit must apply out of funds from NRE/FCNR Account and applicants applying with non-repatriation benefits may also apply out of funds from NRO Account.
4. Applicants should send their applications to the Company at Share Processing Cell, HCL Hewlett-Packard Limited, A-10 & 11, Sector III, Noida (U.P.)- 201 301 alongwith:
 - (a) An Indian MICR Rupee Draft purchased from abroad drawn on any Bank in New Delhi, India.
 - (b) A MICR cheque drawn in Indian Rupees on their Non-Resident (External) (NRE) Account or Foreign Currency Non-Resident (FCNR) Account or Non-Resident Ordinary (NRO) Account maintained in New Delhi, India.OR
 - (c) An Indian Rupee MICR Draft purchased out of NRE/FCNR/NRO Account maintained anywhere in India and payable at New Delhi, India.

Such Cheques/Drafts should be drawn in favour of **CITIBANK A/c "HCL-HP RIGHTS ISSUE - NR"** and should be crossed **"A/c. Payee Only."**

For further instructions please read the Composite Application Form carefully,
5. Applicants who have applied for shares by debit to the NRE/FCNR/NRO Accounts should indicate the NRE/FCNR/NRO Account Number in the box provided in the Composite Application Form so that the refund, if any, can be credited to the respective Account(s).
6. Refunds, if any, will be made as under:
 - (a) Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable in New Delhi, India, refund will be made in US dollars equivalent to Indian rupees to be refunded. Indian rupees will be converted into US dollars at the rate of exchange which is prevailing on the date of refund. The exchange risk on such refund shall be borne by the concerned applicant and the Company shall not bear any part of the risk.
 - (b) Where the applications made are accompanied by NRE/FCNR/NRO cheques payable in New Delhi, refund will be credited to NRE/FCNR/NRO accounts respectively on which such cheques are drawn.
7. In case of applications by overseas Companies, and other Corporate bodies owned predominantly by Non-Resident individuals of

India Nationality/Origin a certificate in the prescribed Form OAC/OAC-I from an overseas Auditor/Chartered Accountant/Certified Public Accountant should be submitted along with the application.

8. Non-Resident applicants who have purchased Indian Rupee Drafts by debit to their NRE/FCNR Account(s) maintained in India must enclose the necessary certificates from the banks to the effect that the drafts have been purchased out of funds held in such accounts along with the application, otherwise such applications will be considered as incomplete and are liable to be rejected.

Approval for issue to Non-Resident shareholders

The Company has obtained "in principle" approval of the Reserve Bank of India (RBI) vide its letter No: EC.CO.FID.(I) 318/252 (ND) 92/93 dated 30th July, 1992 for the offer of equity shares (including additional shares offered on preferential basis) to Hewlett-Packard Delaware Capital Inc., U.S.A. on repatriation basis. The issue of shares to NRIs/OCBs on non-repatriation basis is being made in terms of the general permission granted by Reserve Bank of India vide Notification No. F.E.R.A. 114/92-RB dated 27th April, 1992. Therefore, there is no necessity for the NRI shareholders to apply to the Reserve Bank of India.

TAX BENEFITS

The Company has been advised that according to the current tax laws in force, following tax benefits and deductions under the Income-Tax Act, 1961 (hereinafter referred to as "I.T. Act") and other related Tax Laws will inter alia be available to the Company and its members:-

A. TO THE COMPANY

1. The Company being a Company, in which public are substantially interested as defined under Section 2(18) of the I.T. Act, will continue to enjoy concessional rates of tax applicable to a domestic company in which public are substantially interested.
2. Under the provisions of Section 35(1) (iv) of the I.T. Act, the Company will be entitled to deduction of an amount equal to 100% in respect of capital expenditure (other than on acquisition of land) incurred on Scientific Research related to the business carried on by the Company, in the year in which such expenditure is incurred.
3. The expenditure incurred by the Company being in the nature of share issue expenses as specified under Section 35D of the I.T. Act can be amortized over a period of ten years, subject to the overall limits provided under that section.
4. Under the provisions of Section 35 AB of the I.T. Act, the Company will be entitled to amortize over a period of six years the lumpsum consideration paid by it for acquiring know how for the purpose of manufacturing its products.
5. In accordance with and subject to the terms and conditions specified in Section 80 HHC of the I.T. Act the Company shall be entitled to deduction in respect of income that may be derived by it from export of goods and merchandise.
6. In accordance with and subject to the terms and conditions specified in Section 80 HHE of the I.T. Act, the Company shall be entitled to deduction in respect of income that may be derived by it from export of computer software and from providing technical services outside India in development of computer software.
7. Under the provisions of Section 80I of the I.T. Act, the Company is entitled for deduction of an amount equal to 25% of the profit derived from this industrial undertaking for a period of eight assessment years beginning with the assessment year 1990-

91 relevant to the previous years in which the said Industrial undertaking had commenced production.

8. Under Section 80 M of the I.T. Act, the Company is entitled to a deduction in respect of the dividends received from another domestic company to the extent of the dividends distributed by the Company to its members before the due date of filing of return of income.

B. TO THE MEMBERS OF THE COMPANY

a) Resident Members

1. Members of the Company who are Individuals, Hindu undivided families or Association of persons or body of individuals of specified categories under Section 80L of the I.T. Act will be entitled to a deduction from their gross total income, upto a maximum of Rs. 7,000/- in the aggregate per year in respect of specified items which would include dividend received from the Company.
- 2 (i) Members who are Scheduled banks or public financial institutions or state financial corporations or state industrial investment corporations or companies registered under Section 25 of the Companies Act, 1956, would be entitled to a deduction of 60% of the income by way of dividends received by them from the Company and included in their gross total income under Section 80M of I.T. Act.
- (ii) Members who are domestic companies, other than those referred to in (i) above would be entitled to deduction under Section 80 M of an amount equal to so much of the income by way of dividends received from the Company as does not exceed the amount of dividend distributed by such domestic company on or before the due date for furnishing the return of income for respective previous year.
3. Under the provisions of Section 112 of I.T. Act, the tax on Long Term Capital Gain will levied as under:-
 - (i) in case the assessee is Individual or Hindu undivided family - at the rate of 20%.
 - (ii) in case the assessee is a Company other than venture capital company - at the rate of 40%.
 - (iii) in case the assessee is a venture capital company - at the rate of 20%.
 - (iv) in any other case - at the rate of 30%.
4. Members being individuals will be entitled to receive dividends without deduction of tax at source provided:-
 - (i) the aggregate amount of such dividend distributed or paid to the member by the Company during the financial year does not exceed Rs. 2,500/- and the dividend is paid by account payee cheque (Section 194 of the I.T. Act)
 - or
 - (ii) the assessing officer gives a certificate in writing in prescribed manner that to the best of his belief the total income of a member will be less than the minimum liable to income tax (Section 194 of the I.T. Act).
5. A member being an individual and resident in India will be entitled to receive dividend without deduction of tax at source if such individual furnishes a declaration in writing in duplicate to the Company in the prescribed form and verified in the prescribed manner to the effect that tax on his estimated total income of the previous year in which such dividend income is to be included in computing his total income will be NIL. (Section 197 A of the I.T. Act).
6. Under Section 48 of the I.T. Act, the long term capital gain arising out of sale of shares will be computed after indexing the cost of acquisition.
7. All Mutual Funds set up by Public Sector Banks or Financial Institutions or Mutual Fund authorised by the Securities and Exchange Board of India, subject to the conditions specified, will be

exempt from Income tax on all their income, including income from investment in shares of the Company.

8. Total exemption from wealth tax would be available on investment in shares.

b) Non-Resident

1. Under the provisions of Section 115E of the I.T. Act, any Non-Resident who has acquired Equity Shares of the Company in convertible Foreign Exchange whose income consists only of investment income including dividend on such shares or income by way of long term capital gains relating to the shares of the Company shall be charged to Income Tax at the option of such person at a flat rate of 20%.
2. Under the provisions of Section 115 F of the I.T. Act, the long term capital gains arising from the transfer of shares of the Company subscribed to in convertible Foreign Exchange, shall be exempted from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
3. Under the provisions of Section 115 G of the I.T. Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both and tax deductible at source is deducted therefrom.
4. Under the provisions of Section 115 I of the I.T. Act, a Non-Resident Indian if elects not to be governed by the above mentioned provisions of Chapter XII-A of I.T. Act then he will be entitled to tax benefits as mentioned in B(a)(1), B(a)(3)(i), B(a)(6) as applicable to resident members.
5. Total exemption from wealth tax would be available on investment in shares.
6. Under the provisions of Section 5(1)(iid) of the Gift Tax Act, 1958, gifts made by citizens of India or persons of Indian origin, who are not a Resident in India, to any of their relatives in India in the form of shares acquired by them in Convertible Foreign Exchange will be wholly exempt from gift tax.

IV. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The object of the present issue is to meet the expenditure on the expansion-cum-modernisation of the Company's computer manufacturing facilities, meet capital cost of setting up a test and repair centre, acquire the computer division from Hewlett-Packard India Private Limited and to meet other long-term requirement of funds for normal capital expenditure and working capital. The installed capacity of computers is being increased from equivalent of 14,000 micros per annum to equivalent of 36,000 micros per annum.

PROJECT COST

The estimated cost of the project as appraised by the Industrial Credit and Investment Corporation of India Limited (ICICI) in June 1992 and its means of financing are as under:-

	Rs. in lacs
Land and site development	23
Buildings	580
Plant & Machinery	1305
Technical know-how fees	704
Misc. Fixed Assets	307
Share Issue Expenses	125
Contingencies	121
Margin Money for working capital for the project	2893
Goodwill payment to	
Hewlett-Packard India Pvt. Limited	430
Other long term requirements	269
	<u>6757</u>

NOTE

The payment of goodwill of Rs. 450 lacs included in the cost of the project represents the consideration paid by the Company to Hewlett-Packard India Private Limited (HPI) to restrict HPI from carrying on computer business in terms of the agreement executed between the Company and HPI on October 31, 1991.

HPI is the joint venture with Hewlett-Packard Co., U.S.A. (HPCo.) formed among others for the manufacture, marketing, selling and servicing of computer systems and test and measurement instruments. HPI commenced commercial production from December '90 and is presently a closely-held Private Limited Company. HPCo is a leading Company in the world in computers and test and measurement instruments. The consideration paid to HPI is by reason of negative covenant whereby HPI is restricted from doing similar business as that of the Company and is not based upon a value of assets or income stream of HPI.

MEANS OF FINANCE

The above capital outlay of Rs 6757 lacs is proposed to be financed by a rights issue of 1,12,62,436 equity shares (including preferential offer to employees of the Company and to Hewlett-Packard Delaware Capital Inc. USA) of Rs 10 each at a premium of Rs 50 per share aggregating Rs 6757.46 lacs.

NOTES

- a. The above funds include an amount to be raised by preferential offer to employees of the Company aggregating Rs 316.48 lacs which if left unsubscribed will lapse. The above funds also include an amount to be raised by offer of additional shares to Hewlett-Packard Delaware Capital Inc. USA aggregating Rs 111.20 lacs which if left unsubscribed would lapse. The shortfall, if any, would be met by Internal accruals of the Company.
- b. The Company has received sanction of Bridge Loan against the rights issue from UTI of Rs. 2000 lacs. The Company has since drawn Rs. 1750 lacs which has been utilised for the above project. The proceeds of the issue shall be utilised in the first instance towards repayment of the bridge loan, to the extent availed, together with interest and other charges, costs and expenses due thereon.

V. COMPANY, MANAGEMENT AND PROJECT

HISTORY AND PRESENT BUSINESS OF THE COMPANY

The Company was originally incorporated on 17th April, 1986 as a public limited company under the name "HCL Limited". The Company took over by way of amalgamation the assets and liabilities of the following companies w.e.f. 1st May, 1986:

- a) Hindustan Computers Limited;
- b) Hindustan Reprographics Limited;
- c) Hindustan Instruments Limited; and
- d) Indian Computer Software Co. Ltd.

The Company started with the business of manufacture, sale and servicing of computer systems, plain paper copiers, electronic teleprinters, EPABX systems, computer peripherals and other office automation products.

In April, 1991, the Company entered into joint venture agreement with Hewlett-Packard Co., U.S.A. for the purpose of combining the respective computer manufacturing, marketing and service activities in India of HCL Limited and Hewlett-Packard India Pvt. Limited. A scheme of arrangement was proposed between HCL Limited (the existing company), HCL Hewlett-Packard Limited (the new company) and their respective shareholders and creditors. The scheme provided for retaining of Computer, CAD/CAM and Peripheral Divisions in the existing company itself and for transferring Reprographic, Communication and Instrument Divisions together with the investments held by the existing Company in HCL America Inc., USA; Far East Computers Pvt. Ltd., Sin-

gapore; HCL Finance and Investments Limited and other investments from the appointed date (i.e. July 1, 1990) in the new company. On the scheme becoming effective both the companies were to interchange their name i.e. "HCL Limited" was to become "HCL Hewlett-Packard Limited" and "HCL Hewlett-Packard Limited" was to become "HCL Limited". The scheme was approved by the Hon'ble Delhi High Court vide its order dated 26th November, 1991 and has become effective from 23rd December, 1991 on the Company getting all the approvals as required under the Scheme. The name of the Company has been changed to "HCL Hewlett-Packard Limited" effective from 27th December, 1991. Presently, the Company is in the business of manufacturing, marketing and servicing of Computer systems and peripherals and export of services. The Company has plants at Noida (Uttar Pradesh) for manufacture of computer systems and at Madras for manufacture of computer peripherals. The computer systems are being manufactured under the stiff quality norms prescribed by Hewlett-Packard Company, USA (HP). To assist the joint venture company, HP has deputed three of its technical personnel in the areas of manufacturing management, customer support and R & D. The Company has now taken up the manufacture of multi-user super-minis and engineering workstations, the technology for which is being supplied by Hewlett-Packard Company, U.S.A.

MAIN OBJECTS OF THE COMPANY

The main objects of the Company are set out in the Memorandum and Articles of Association and include, inter alia, the following:-

1. To carry on in India or elsewhere all or any of the business or businesses of engineers in all or any of the fields of electronics, electrical, telecommunications, mechanical, chemical and civil engineering and designers, assemblers and manufacturers of, dealers in stockists, distributors, representatives, agents, hirers, repairers, cleaners, storers and leasing of all kinds of plant, machinery, equipment, apparatus, implements, parts, components, spares, assemblies, sub-assemblies and other devices and scientific or other instruments, precision tools, moulds and other equipments (including in particular computers, accessories thereof and peripherals therefor, digital products, electronic aids and appliances, copiers, microfilm readers and processors and other reprographic equipments, hardware and software for electronic and electro-mechanical and other related equipment and other ancillary items) and any other articles, products, by-products, materials appliances, apparatus and substitutes thereof.
2. To render as principals, agents, contractors or otherwise, technical know-how and consultancy services in the field of electronics and electrical, telecommunication, mechanical, chemical and civil engineering, particularly those requiring use of sophisticated technology, including the provision of facilities and collection and dissemination of knowledge for manufacture, hire and use of equipment and devices for commercial exploitation thereof and of any patents, know-how, rights or privileges for the time being acquired by or belonging to the Company.

PROMOTERS AND THEIR BACKGROUND:

The Company has been promoted by a group of technocrats consisting of Mr. Shiv Nadar, Mr. Arjun Malhotra, Mr. Y.C. Vaidya, Mr. Ajai Chowdhry, Mr. Subhash Arora and Mr. D.S. Puri.

Mr. Shiv Nadar is a graduate in Electrical Engineering from University of Madras. He has more than 25 years of experience in the electronics industry. He successfully promoted Hindustan Computers Limited in the year 1976 and was its managing director before this company got merged with HCL Limited in 1986. Again, in HCL Limited he has been the Chairman and Managing Director. Presently he is the Chairman and Chief Executive Officer of the

Company.

Mr. Arjun Malhotra graduated in Electronics from IIT, Kharagpur and has 22 years of experience in the electronics industry. He is a whole-time Director of the Company looking after marketing function.

Mr. Y.C. Vaidya is a B.E. and has more than 16 years of experience in the electronics industry in India and abroad. He is presently the President of HCL America Inc., U.S.A.

Mr. D.S. Puri did his graduation in Commerce from Calcutta University. He was one of the co-promoters of Hindustan Computers Ltd. in 1976. He has more than 20 years of experience in the electronics industry and is presently heading HCL Limited as President and Chief Operating Officer.

Mr. Ajai Chowdhry is B.E. in Electronics and Telecommunication. Mr. Chowdhry has over 21 years of experience in computer industry in India and abroad. Presently he is the whole-time Director of the Company looking after field marketing operations.

Mr. Subhash Arora is a graduate in Aeronautical Engineering and is a alumni of Harvard University. He is having more than 20 years of experience in the computer industry in India and abroad. He is presently looking after the operations of Far East Computers Pvt. Ltd., Singapore.

The companies which have been promoted by some of the promoters of this Company and their financial highlights are as under:-

(Figures Rs. in Lacs)

Year Ended on	Network	NIIT	HCL	First
	Limited	Ltd.	Ltd.	Stonex Ltd.
	30.6.92	30.9.91	30.6.92	31.12.91
Sales and other Income	4701	2638	7797	--
Gross Profit	769	659	1366	--
Profit before Tax	360	416	157	--
Profit after Tax	315	395	150	--
Share Capital	638	24	496	--
Share Application	--	--	--	250
Reserves & Surplus	1255	1040	1569	(2)
Dividend	134	119	123	--
	(25%)	(500%)	(25%)	--

Note

First Stonex Ltd. has not commenced commercial production within 31st December, 1991. The Company's paid-up share capital is Rs. 700/-.

There are no pending litigations, defaults, overdues to Banks/Financial Institutions/Government Bodies and proceedings initiated for economic offences against Promoters/Promoter Companies.

MANAGEMENT

The Company is managed by a Board of Directors comprising the following persons:

Mr. Shiv Nadar	-- Chairman and Chief Executive Officer (Technocrat and Industrialist)
Mr. Arjun Malhotra	-- Whole time Director (Technocrat and Industrialist)
Mr. Ajai Chowdhry	-- Whole time Director (Technocrat)
Mr. S.Raman	-- Wholetime Director
Mr. R.P.Khosla	-- Director (Nominee of ICICI)
Mr. Suresh Rajpal	-- Director (Nominee of Hewlett-Packard Company, USA)

The day to day affairs are managed by Mr. Shiv Nadar, Mr. Arjun Malhotra, Mr. Ajai Chowdhry and Mr. S.Raman who are assisted by professional Vice-presidents/Chief officers in various functions.

LOCATION OF THE PROJECT

The proposed project is to be located at Noida in Uttar Pradesh.

LAND AND BUILDING

The Company has purchased 4800 Sq. Mtrs. of land at Noida in Uttar Pradesh. This land is on lease from New Okhla Industrial Development Authority for a period of 90 years from 9th April, 1980. The factory building having covered area of 9035 sq. metres has already been completed. The Company also plans to acquire 4000 square feet of space for Test and Repair Centre.

PLANT AND MACHINERY

The plant and machinery include latest equipment for assembly of computers using surface mounting technology to achieve better quality. Most of the plant and machinery required has already been ordered. Most of the equipment have already arrived and are under installation under the supervision of the foreign suppliers. The balance machinery is likely to be ordered by October '92.

The present status in respect of critical items of plant and machinery is given below:

Sr. No.	Item	Landed Cost (Rs./Lacs)	Status
1.	HP 9000 System	10	Arrived
2.	Automatic Screen Printer	92	Arrived
3.	Automatic Placement M/C	137	Arrived
4.	In Circuit Tester	442	Under customs clearance
5.	Logic Analyser	31	"

All orders for the critical items of plant and machinery have been placed and the equipment arrived.

TECHNOLOGY AND PROCESS

The manufacture of computers involves assembly process. The components are mounted on Printed Circuit Boards using through-hole and surface mounting technologies. These sub-assemblies are integrated into a computer system.

TECHNICAL COLLABORATION:

The technology for manufacture of multi-user super-minis and engineering workstations is being supplied by Hewlett-Packard Company, USA, who are the world leader in manufacture of engineering workstations and commercial unix systems. Hewlett-Packard Co., U.S.A. is holding 26% equity stake in the Company through its wholly-owned subsidiary namely Hewlett-Packard Delaware Capital Inc., U.S.A.

Hewlett-Packard is a 51 year old corporation having 475 offices in 102 countries. It employs around 92,000 employees world-wide. The sales turnover during 1990-91 was around US\$ 14.5 billion. It ranked 33rd in FORTUNE 500 U.S. Companies.

RAW-MATERIALS/COMPONENTS

The Company is sourcing its raw-material and component requirements from various local and overseas vendors. Alternate sources have been developed over a period and the Company is not dependent on any one single source. The imported raw-material content in the manufacture of the Company's products constitutes around 65% (inclusive of customs duty) of the total raw material cost. Any increase in the landed cost of imported components can effect the profitability of the Company.

UTILITIES

POWER

The Company has a connected load of 126 KVA. It has recently been sanctioned additional load of 2474 KVA by Uttar Pradesh State Electricity Board. The Company has also installed 3 D.G. sets

of an aggregate capacity of 1375 KVA.

WATER

The Company does not have any substantial requirement of water. 70000 litres per day of water will be required for drinking/washing and running the airconditioning plant. This requirement shall be met from supplies of Uttar Pradesh Jal Nigam and also from tubewells already bored at site.

COMPRESSED AIR

The compressed air requirement of the Company is estimated at 55 HP, which is met by 3 compressors of 40 HP, 10 HP and 5 HP each respectively.

EFFLUENTS

The manufacturing process does not generate any atmospheric, soil and water pollution. However, application for no objection certificate from Uttar Pradesh Pollution Control Board is being submitted.

MANPOWER

The Company is employing 2419 persons. Additional manpower requirement is 250 persons in managerial, non-managerial, skilled and non-skilled categories. No difficulty is envisaged in getting the additional manpower.

SCHEDULE OF IMPLEMENTATION

The Company has acquired land at Noida (U.P.). The civil construction has already been completed. The orders for critical items of plant and machinery have already been placed and machineries have arrived. Balance machinery is likely to be ordered by Oct. '92 and installed by Dec. '92. The site for Test and Repair Centre is being identified. The order for machinery at the Test and Repair Centre is likely to be placed by Dec. '92. The Company expects to complete the modernisation and upgradation scheme by December '92/ January '93.

PRODUCT & MARKETING

The Company is offering wide range of computers from micros, low end minis to multi-user super minis and engineering workstations for CAD/CAM applications. The Company has been in the Office Automation Industry for the last 16 years and also undertakes maintenance contracts. The Company has 80 service locations spread all over India and employs around 721 personnel for maintenance contract. Its major customers include private and public sector companies, educational and research institutions, banking and insurance companies and so on.

The Company is now focussing into growth areas like software development services for HP entities around the globe, application engineering services, consultancy, education and training services for customers in India and abroad along with hardware and software support services. The marketing set-up in the Company comprises of Head Office-marketing and field marketing. For field marketing function, the country has been divided into seven different zones each headed by a Business Entity Manager. Within each marketing zone, separate groups look after the various customer segments. The Company has sales force of 390 persons who operate through 30 sales offices. The marketing efforts are supplemented by the dealer network, which presently comprise of 50 dealers.

FUTURE PROSPECTS

The future profitability projections for the Company as a whole, as appraised by ICICI in June 1992 are given below. The Company expects to achieve the following performance, barring unforeseen circumstances:

	1992-93	1993-94	1994-95
	(Rs. in lacs)		
Net Sales & Other related Income	21830	26193	26193
Profit before interest, depreciation and tax	3623	4430	4430
Interest	1334	1506	1412
Depreciation	256	280	305
Profit before Tax	2033	2644	2713
Taxation	171	465	578
Profit after Tax	1862	2179	2135
Gross Cash accruals	2118	2459	2440
EPS (Rs)	11.5	10.0	9.8
NAV (Rs)	52.6	61.1	68.7

As a matter of abundant caution, the attention of the investors is drawn to the fact that the projected figures mentioned above are only indicative and subject to change.

VI. FINANCIAL PERFORMANCE OF THE COMPANY FOR THE LAST FIVE YEARS

As mentioned elsewhere in this Letter of Offer all the assets and liabilities of earlier HCL Limited got vested in "HCL Limited", and "HCL Hewlett-Packard Ltd." with effect from 1st July, 1990, the appointed date in terms of the Scheme of Arrangement as approved by the Hon'ble Delhi High Court. Accordingly, the Balance Sheet Data of the Company prior to the split has been shown under "HCL Limited" and the Balance Sheet data of the restructured entity has been shown under "HCL Hewlett-Packard Limited". The profit and loss position has also been accordingly reflected.

	HCL Hewlett-Packard Limited		HCL Limited		
	1991-92 (Provisional)	1990-91	1989-90	1988-89	1987-88 (13 months) (Rs in lacs)
A. BALANCE SHEET					
FIXED ASSETS					
Gross Block	3807	2383	3691	3281	2505
(including goodwill)					
Depreciation	624	492	590	422	283
Net Block	3183	1891	3101	2859	2222
Capital work-in-progress	-	412	421	250	416
Sub Total	3183	2303	3522	3109	2638
Investments	17	17	1371	1013	520
Net Current Assets	11999	8607	7979	6572	3193
TOTAL	15199	10927	12872	10694	6351
Less: Borrowings (Secured and un-secured)	12028	8173	8616	6952	3211
NET WORTH	3171	2754	4256	3742	3140
Represented by:					
Share capital	1055	1009	1484	1484	1484
Reserves & surplus	2116	1745	2772	2258	1656
B. PROFIT AND LOSS					
	HCL Hewlett-Packard Limited		HCL Limited		
Year Ending	30.6.92 (Provisional)	30.6.91	30.6.90	30.6.89	30.6.88 (13 months)
Gross sales	19634	17889	22666	17254	9847
Other Income	388	181	331	204	245
Total income	20022	18070	22997	17458	10092
Profit before Interest, Depreciation (PBID)	2729	2448	2903	2477	1665
Interest	2262	1735	2061	1333	639
Depreciation	140	114	178	138	124

Profit before tax	327	599	664	1006	902
Tax and adjustments	-	40	50	46	208
Profit after tax	327	559	614	960	694

C. DATA PER EQUITY SHARE OF RS 10/- EACH

Year Ending	HCL Hewlett-Packard Limited		HCL Limited		
	30.6.92 (Provisional)	30.6.91	30.6.90	30.6.89	30.6.88 (13 months)
PARTICULARS					
Net Asset					
Value (Rs)	30.1	27.3	28.7	25.2	21.2
EPS (Rs)	3.1	5.5	4.1	6.5	4.7
Dividend (Rs/lacs)	-	101	148	148	148
Rate (%)	-	10	10	10	10

NOTES ON THE ACCOUNTS

The aforesaid figures given in the highlights should be read in conjunction with the notes appearing in the audited accounts of respective accounting years. Significant notes on the accounts pertaining to various accounting years are reproduced below:

ACCOUNTING YEAR 1987-88

- Net Goodwill of Rs 306.74 lacs as at 30.6.1988 is arrived at after adjustment of revaluation reserve of Rs 128.13 lacs arising out of revaluation of Land and Buildings and capital reserve of Rs 22.56 lacs created during the accounting period.
- (a) Depreciation has been charged to the accounts under straightline method.
(b) Depreciation on assets acquired prior to 1.5.1986 has been charged at the rates computed in the respective years of acquisition of those assets as per section 205(2)(b) of the Companies Act, 1956.
(c) Depreciation on assets acquired after 1.5.1986 has been charged on a prorata basis at the rates specified in Schedule XIV of the Companies (Amendment) Act, 1988. Accordingly, depreciation charge for the period ended 31.5.1987 has been recomputed and the excess charge for that period amounting to Rs 57.47 lacs has been written back.
- During the financial period, the Company has changed its method of accounting with regard to the following resulting in a net increase in profit by Rs 246.03 lacs:
 - A provision of Rs 58.78 lacs has been made in respect of Gratuity upto 30th June, 1988 evaluated on an actuarial basis and other Employee benefits like LTC and Medical, earlier accounted for on Cash basis.
 - Provision for expenses on unexpired period of annual maintenance service contracts amounting to Rs 51.27 lacs.
 - Inventories comprising stock of finished goods and work in progress in Divisions were earlier valued by computing their cost on different basis have now all been valued at lower of factory production cost and net realisable value resulting in increased valuation amounting to Rs 176.08 lacs.
 - The closing stock of usable spares lying at the regions and field offices in one of the Divisions which were hitherto charged out at the point of issue out of factory stores are now charged to cost of sales when consumed. The useful value of such spares at cost as on 30th June, 1988 is Rs 136.00 lacs.
 - In view of the substantial expenditure on software source codes purchases, the Company is holding a value of Rs 44 lacs in finished goods as on 30th June 1988. This expenditure will be charged to consumption on sale of the related operating systems.
- Prior period adjustments comprise:
 - purchases amounting to Rs 68.05 lacs relating to the prior

period, materials valued at Rs 53.32 lacs supplied during the current period for the previous period, sales reversals and credit notes amounting to Rs 58.96 lacs issued to customers pertaining to the previous period, identified through the ongoing process of reconciliation of party accounts.

- an excise duty demand of Rs 24.62 lacs raised in February 1987 and disclosed as 'contingent liabilities' in the accounts of the previous period.
- Contingent Liabilities:
 - Guarantees given on behalf of a subsidiary company Rs. 140.00 lacs (previous period Rs nil).
 - Land and buildings including those added during the period have been valued by a registered valuer as at 30.6.1988 (previous period as at 31.5.1987) after considering depreciation upto that date on the governing principle of current cost and the amount added on revaluation is as under:

	Period Ended 30.6.1988 (Rs. in lacs)	Period Ended 31.5.1987 (Rs. in Lacs)
Land	28.46	50.72
Building	99.67	125.35 *
	128.13	176.07

* includes Capital work-in-progress of Rs. 4.81 lacs.

ACCOUNTING YEAR 1988-89

- Net Goodwill of Rs 306.16 lacs (1988- Rs 306.74 lacs) is arrived at after adjustment of revaluation reserve of Rs Nil (1988- Rs 128.13 lacs) and capital reserve of Rs 0.58 lacs (1988 - Rs. 22.56 lacs).
- Depreciation has been charged to the accounts under straight-line method on:
 - Assets acquired 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.
 - Assets acquired after 1.5.1986 on a prorata basis at the rates specified in Schedule XIV of the Companies Act, 1956.
- Contingent Liabilities:
 - Guarantees given on behalf of a subsidiary company Rs. 5 crores (1988 - Rs 140 lacs) and on behalf of third party Rs 50 lacs (1988 - Rs Nil).
- Provision for taxation has been made on the basis of the previous year ended 31st March 1989 and consequently no provision for taxation on the profit for the period of three months ended 30th June 1989 has been made in these accounts as the provision will depend upon the results of the residual nine months ending 31st March 1990.
- Maintenance contracts are entered into by customers at the time of sale of equipments manufactured by the Company. Maintenance is tied to sales of such equipments and the customers don't have the right of refund. Accordingly following consistent accounting practice, the Company accounts for the related income at the point of invoicing after making adequate provision for foreseeable expenditure on all such contracts.
- Land and buildings including additions during the relevant periods were valued by a registered valuer on 31.5.87 and 30.6.1988 respectively and the amount added on revaluation is as under:

	Period Ended 30.6.1988 (Rs. in Lacs)	Period Ended 31.5.1987 (Rs. in Lacs)
Land	28.46	50.72
Building	99.67	125.35
	128.13	176.07

ACCOUNTING YEAR 1989-90

- Net Goodwill of Rs 276.98 lacs (1989- Rs 306.16 lacs) is

- arrived at after adjustment of capital reserve of Rs 29.18 lacs (1989-Rs 0.58 lacs).
2. Depreciation has been charged to the accounts under straight-line method on:
 - (a) Assets acquired 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 after 1.5.1986 on a prorata basis at the rates specified in Schedule XIV of the Companies Act, 1956.
 3. Contingent Liabilities:

Guarantees given on behalf of a subsidiary company Rs. 500 lacs (1989 - Rs 500 lacs) and on behalf of third party Rs 742 lacs (1989 - Rs 50 lacs).
 4. A provision for taxation has been made on the basis of the previous year ended 31st March 1990 and consequently no provision for taxation on the profit for the period of three months ended 30th June 1990 has been made in these accounts as the provision will depend upon the results of the residual nine months ending 31st March 1991.
 5. Maintenance contracts are entered into between the customers and the Company for maintenance of equipments manufactured and sold by the Company. Since such contracts are incidental to the sale of equipments and the customers don't have a right to the refund, the Company accounts for related income at the point of invoicing after making provision for foreseeable expenses of all such contracts. The Company has been following this accounting policy consistently.
 6. Land and buildings including additions during the relevant periods were valued by a registered valuer on 31.5.87 and 30.6.1988 respectively and the amount added on revaluation is as under:

	Period Ended 30.6.1988 (Rs. in Lacs)	Period Ended 31.5.1987 (Rs. in Lacs)
Land	28.46	50.72
Building	99.67	125.35
	<u>128.13</u>	<u>176.07</u>

ACCOUNTING YEAR 1990-91

1. Depreciation has been charged to the accounts under straightline method on:
 - (a) Assets acquired 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 after 1.5.1986 on a prorata basis at the rates specified in Schedule XIV of the Companies Act, 1956.
2. A provision for taxation has been made on the basis of the previous year ended 31st March 1991 and consequently no provision for taxation on the profit for the period of three months ended 30th June 1991 has been made in these accounts as the provision will depend upon the results of the residual nine months ending 31st March 1992.
3. Maintenance contracts are entered into between the customers and the Company for maintenance of equipments manufactured and sold by the Company. Since such contracts are incidental to the sale of equipments and the customers don't have a right to the refund, the Company accounts for related income at the point of invoicing after making provision for foreseeable expenses of all such contracts. The Company has been following this accounting policy consistently.
4. Land and buildings including additions during the relevant periods were valued by a registered valuer on 31.5.87 and 30.6.1988 respectively and the amount added on revaluation is as under:

	Period Ended 30.6.1988 (Rs. in Lacs)	Period Ended 31.5.1987 (Rs. in Lacs)
Land	12.31	30.18
Building	85.39	89.61
	<u>97.70</u>	<u>119.79</u>

The amount given above is after taking the effect of the Scheme of Arrangement and represents the amount added to assets which have got vested in the Company.

5. The net amount of goodwill included as part of fixed assets is Rs. 140 lacs after taking into account the goodwill which has got vested in HCL Limited (the new company).

STOCK MARKET DATA

The following is the movement in the equity share price of the Company at the Delhi Stock Exchange, being the regional Stock Exchange.

	High (Rs.)	Low (Rs.)
January to December, 1989	44.50	28.00
January to December, 1990	66.00	24.00
January to December, 1991	81.00	31.00
January, 1992	N.T.	N.T.
February, 1992	70.00	40.00
March, 1992	100.00	100.00
April, 1992	175.00	90.00
May, 1992	230.00	200.00
June, 1992	150.00	150.00
July, 1992	N.T.	N.T.
August, 1992	122.00	122.00
September, 1992	115.00	103.00
(N.T. - Not Traded)		

MATERIAL DEVELOPMENTS, IF ANY

There were no material developments after the date of the latest audited balance sheet as on June 30, 1991 and unaudited accounts upto June 30, 1992 having any impact on the performance and prospects of the Company other than what has been set out elsewhere in this Letter of Offer.

OUTSTANDING LITIGATION

In respect of demands made by Central Excise and other authorities, such demands are being contested. Further the outstanding claims pertaining thereto are not likely to affect the operations of the Company including disputed tax liabilities of any nature. The networth of the Company is more than adequate to meet such contested claims. As far as the Company is aware, no criminal proceedings have been launched against the Company and its Directors for any offences under the enactments Specified in Paragraph 1 of Part I of Schedule XIII to the Companies Act, 1956.

VII) STATUS OF INSTITUTIONAL DUES, PAYMENT OF REFUND, DEBENTURES, FIXED DEPOSITS AND INTEREST THEREON ETC.

All payments/refunds, debentures, statutory dues, fixed deposits, interest on fixed deposits, debenture interest, institutional dues have been paid to date.

VIII) COMPANIES UNDER THE SAME MANAGEMENT:

No Company was/is under the same management within the meaning of Section 370(1B) of the Companies Act, 1956 within the last three years.

IX) RISKS AS PERCEIVED BY THE MANAGEMENT

1. Import content in the manufacture of computers is fairly high. Any

change in Government Policies with regard to import of components/spares from time to time and foreign exchange fluctuation might have an adverse impact on the availability/cost of these components/spares with consequential impact on profitability.

2. Computer Industry has seen rapid technological changes. Fast obsolescence of technology may be considered a risk.
3. High labour turnover is associated with this industry. However, Company has successfully restricted its labour turnover to less than the industry average.
4. Highly competitive business environment combined with recessionary conditions may be considered a risk.
5. The software business is dependent upon the continuing availability of high calibre technical personnel - if shortages develop in this availability, the Company's growth may get affected.

OTHER INFORMATION

Information in terms of the Ministry of Finance Circular No: F.2/5/SE/76 dated February 5, 1977 as amended vide their Circular of even number dated March 8, 1977 is given below:

- A. The unaudited working results for the period from July 1, 1991 to June 30, 1992 and for the one month period from July 1, 1992 to July 31, 1992.

(Figures Rs. in Lacs)	July 1, 1991	July 1, 1992
	June 30, 1992	July 31, 1992
Sales and other income	20022	1132
Profit/(Loss) before Interest, Depreciation and Tax	2729	237
Interest	2262	210
Depreciation	140	17
Profit/(Loss) before Tax	327	10
Tax	-	-
Net Profit/(Loss) after tax	327	10

- B. There are no material changes and commitments affecting the financial position of the Company since the financial year ended on 30th June, 1992.

- C. i) Week end prices of the equity shares for the last four

weeks during the period on the Delhi Stock Exchange.

Week ended on	Highest (Rs.)	Lowest (Rs.)
September 04, 1992	115	110
September 11, 1992	110	110
September 18, 1992	112	112
September 25, 1992	110	105

The above prices are ex-rights.

- ii) Current Price Rs. 103 (Ex-Right) as on September 29, 1992 on The Delhi Stock Exchange.
- iii) Highest and Lowest prices of the equity shares of the Company during the period from July 1, 1992 to September 29, 1992 at The Delhi Stock Exchange.
Highest - Rs. 122 on August 4, 1992
Lowest - Rs. 103 on September 29, 1992

Your attention is drawn to the provisions of the sub-section (1) of the Section 68-A of the Companies Act, 1956 which reads as under:-

"Any person who

- a) makes in a fictitious name an application to a Company for acquiring or subscribing for any shares therein, or
- b) otherwise induces a Company to allot or register any transfer of shares therein to him or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend upto five years."

By Order of the Board
for HCL Hewlett-Packard Limited

Shiv Nadar

SHIV NADAR
Chairman & Chief Executive Officer

Place: New Delhi

Date : September 30, 1992

Encl : Composite Application Form.