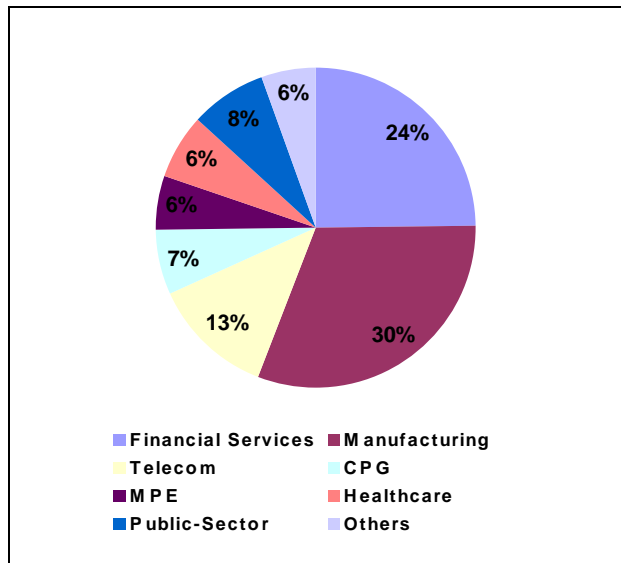
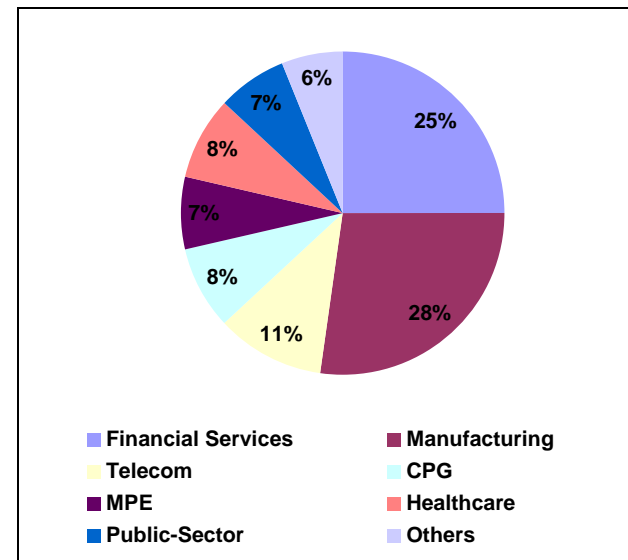


Service Vertical contribution, Q4FY09



Service Vertical contribution, Q4FY10



Headcount addition at 6428 highest in any quarter

HCL has added 6428 employees taking it to the total of 64557 employees at the end of Q4FY10. The addition of employees is on the back of growing business prospects. During the quarter, HCL won its first deal for the implementation of the Oracle E-Business Suite of applications for a Qatar based Group that provides trading, construction, manufacturing and industrial services. HCL also won significant deals in Africa, Singapore, Malaysia, Japan, Australia and New Zealand, one of which includes setting up a new global technology centre, and several other deals.

Decline in margin

The margin has declined on the back of a rise of 31.1% in employee cost due to addition of 6428 employees during the quarter. The EBIDTA margin for the quarter ended June 2010 stood at 23.4% (-260 bps yoy and -330 qoq). The Segment wise EBIDTA margins – Software Services at 21.2% (-160 bps qoq and -260 bps yoy), Infrastructure services at 18.8% (+40 bps qoq and -60 bps yoy), BPO services at -11.4% (-700 bps qoq and -2650 bps yoy) showed a mix performance. Lower effective tax rate lifted the Net margin by 110 bps to 17.9%.

Valuation and recommendations

At CMP of Rs 378, the stock is trading at 14.8 x of its FY12 earnings of Rs 24.3. On the back of strong quarterly numbers and long term revenue visibility, we recommend a strong 'buy' on stock.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

HCL Technologies Ltd.	Q4FY10	Q4FY09	% Chg.	Q4FY10	Q3FY10	% Chg.	FY201006	FY200906	% Chg.
Net Sales	1330.6	1145.5	16.2	1330.6	1287.1	3.4	5078.8	4675.1	8.6
Other operational Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Oper. Income(TOI)	1330.6	1145.5	16.2	1330.6	1287.1	3.4	5078.8	4675.1	8.6
Raw Materials Cons.-	119.3	183.9	-35.1	119.3	115.9	2.9	490.3	462.1	6.1
% to TOI	9.0%	16.1%	-	9.0%	9.0%	-	9.7%	9.9%	-
Stock adj. (-)Inc / (+)Dec-			-		0.0	0.0		0.0	
% to TOI	%	%	-	%	0.0%	-	%	0.0%	-
Net Raw Mat adj. for stock	119.3	183.9	-35.1	119.3	115.9	2.9	490.3	462.1	6.1
% to TOI	9.0%	16.1%	-	9.0%	9.0%	-	9.7%	9.9%	-
Other expenses	280.5	191.6	46.4	280.5	235.1	19.3	1035.7	1074.7	-3.6
% to TOI	21.1%	16.7%	-	21.1%	18.3%	-	20.4%	23.0%	-
Contribution Net_Sales	930.8	770.1	20.9	930.8	936.1	-0.6	3552.8	3138.3	13.2
Personnel	619.9	472.7	31.1	619.9	592.1	4.7	2187.7	1930.2	13.3
% to TOI	46.6%	41.3%	-	46.6%	46.0%	-	43.1%	41.3%	-
Total expenditure	1019.7	848.2	20.2	1019.7	943.1	8.1	3713.6	3467.0	7.1
Operating Profit	310.9	297.4	4.6	310.9	344.0	-9.6	1365.2	1208.1	13.0
<i>% to TOI</i>	<i>23.4%</i>	<i>26.0%</i>	<i>-</i>	<i>23.4%</i>	<i>26.7%</i>	<i>-</i>	<i>26.9%</i>	<i>25.8%</i>	<i>-</i>
Non-Operating Income	37.6	46.2	-18.5	37.6	34.1	10.5	163.1	265.8	-38.7
Interest	25.5	20.3	25.2	25.5	24.6	3.4	101.4	28.1	260.8
Exceptional Items			-		0.0	0.0		0.0	
Gross Profit	323.1	323.2	0.0	323.1	353.5	-8.6	1426.9	1445.8	-1.3
Depreciation	73.4	66.4	10.6	73.4	64.7	13.4	274.0	251.9	8.8
PBT before Extra-ord	249.7	256.8	-2.8	249.7	288.7	-13.5	1152.8	1193.9	-3.4
% to TOI	18.8%	22.4%	-	18.8%	22.4%	-	22.7%	25.5%	-
Extraordinary Items			-		0.0	0.0		0.0	
PBT	249.7	256.8	-2.8	249.7	288.7	-13.5	1152.8	1193.9	-3.4
Tax Rate	4.8%	24.9%	-	4.8%	9.1%	-	8.4%	16.5%	-
Prov. for Tax	11.9	63.8	-81.4	11.9	26.2	-54.6	96.2	196.6	-51.1
% to TOI	0.9%	5.6%	-	0.9%	2.0%	-	1.9%	4.2%	-
Profit after Tax	237.8	192.9	23.3	237.8	262.6	-9.4	1056.6	997.3	5.9
<i>% to TOI</i>	<i>17.9%</i>	<i>16.8%</i>	<i>-</i>	<i>17.9%</i>	<i>20.4%</i>	<i>-</i>	<i>20.8%</i>	<i>21.3%</i>	<i>-</i>
Face Value	2.0	2.0	0.0	2.0	2.0		2.0	2.0	0.0
Equity Share capital	135.8	134.1	1.3	135.8	135.2	0.4	135.8	134.1	1.3
EPS (Rs.)	3.5	2.9	21.7	3.5	3.9	-9.8	15.6	14.9	4.6
CEPS (Rs.)	4.6	3.9	18.5	4.6	4.8	-5.2	19.6	18.6	5.2

