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HCL Technologies Limited
A N N U A L   R E P O R T
2009-10

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BOARD OF DIRECTORS

MR. SHIV NADAR
Chairman & Chief Strategy Officer

MR. VINEET NAYAR
CEO & Whole-time Director

MR. T. S. R. SUBRAMANIAN
Non-Executive Director

MS. ROBIN ABRAMS
Non-Executive Director

MR. AJAI CHOWDHRY
Non-Executive Director

MR. SUBROTO BHATTACHARYA
Non-Executive Director

MR. AMAL GANGULI
Non-Executive Director

MR. P. C. SEN
Non-Executive Director

Auditors

S.R. Batliboi & Co.
Chartered Accountants
Gurgaon

Bankers

Citibank, N.A.
Global Corporate & Investment Banking
DLF Centre, 5th Floor
Parliament Street
New Delhi–110001

Deutsche Bank AG
Corp. Office – DLF Square
4th floor, Jacaranda Marg,
DLF City, Phase – II
Gurgaon-122002

Standard Chartered Bank
Corporate & Institutional Banking
Credit Operations, India
H -2, Connaught Circus
New Delhi–110001

State Bank of India
Corporate Accounts Group Branch
11th / 12th Floor Jawahar Vyapar Bhawan
1, Tolstoy Marg
New Delhi-110001

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MANAGEMENT DISCUSSION AND ANALYSIS

Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When words like 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions are used in this discussion, they relate to the Company or its business and are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading 'Risk Factors' in the Prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned as not to place undue reliance on the forward-looking statements as they speak only as of their dates. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

Industry Overview

Current State of Indian IT Industry

Indian IT Industry has witnessed a decade of growth. Indian IT exports have grown from $4bn in FY2000 to $50bn in FY2010 at a 10-year CAGR of 28.8%. During the first half of the decade, Indian IT exports grew at a 5-year CAGR of 35% from $4bn in FY2000 to $18bn in FY2005. During the second half of the decade, Indian IT exports grew at a 5-year CAGR of 23% from $18bn in FY2005 to $50bn in FY2010.
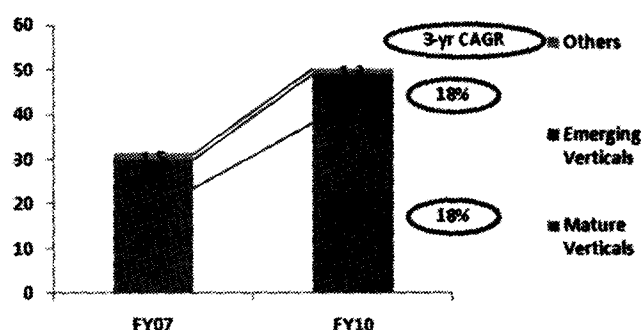

Indian IT Exports (USD Bn)
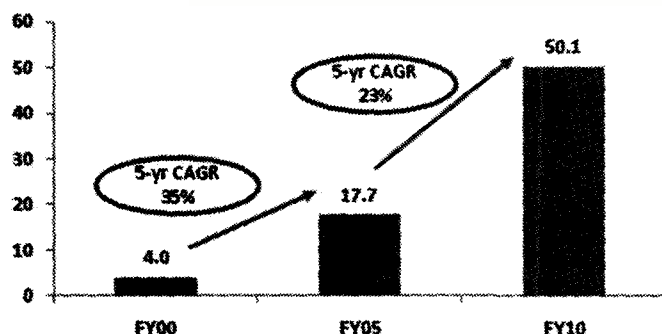
The industry can be segmented as per the (a) Verticals (b) Service Lines (c) Geographies.

BFSI, Hi-tech/Telecom, and Manufacturing were the dominant verticals contributing to over 3/4th of the exports over past several years. BFSI contributed to 40% of Indian IT Exports during FY10. Hitech/Telecom and Manufacturing contributed 20% and 16% respectively. Emerging verticals (Media & Entertainment, Retail, Healthcare, Utilities, and Transportation) have contributed to nearly 1/4th of the exports.


Indian IT Exports by Verticals (USD Bn)

IT Services contributed to 55% of the IT Exports during FY10. BPO and Engineering Services contributed 25% and 20% respectively. This share distribution has remained somewhat constant over past several years.

Indian IT Exports by Service Lines (USD Bn)
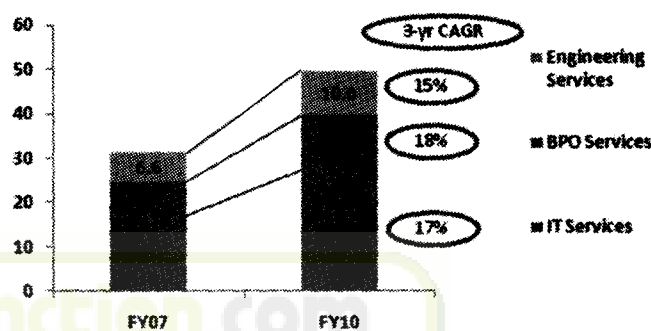
Within IT Services, the share of Custom Application Development Services came down from 49% to 37% during the 3-year period, whereas the share of Remote Infrastructure Management and System Integration services increased from 11% to 20%. Application Management Services grew much faster than Application development services at a 3-year CAGR of 24%. Other IT Services (such as IT Consulting, Support & Training, Software Testing, SOA/Web Services etc.) grew at a 3-year CAGR of 17%.


IT Services Exports (USD Bn)
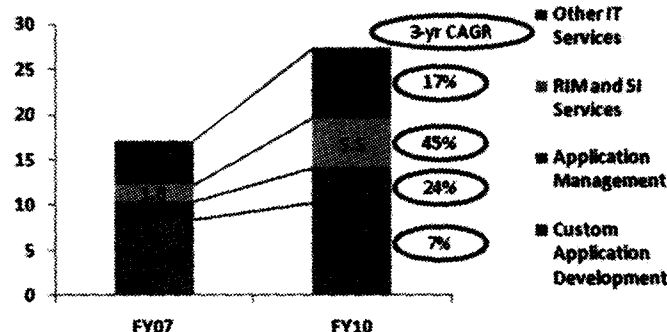
US and UK were the dominant regions receiving over 3/4th of the Indian IT exports over past several years. US received 61% of Indian IT Exports during FY10, whereas UK received 18%. Continental Europe and APAC received 12% and 7% of exports

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respectively. The Geo distribution has not changed much over past several years.

Indian IT Exports by Geo (USD Bn)
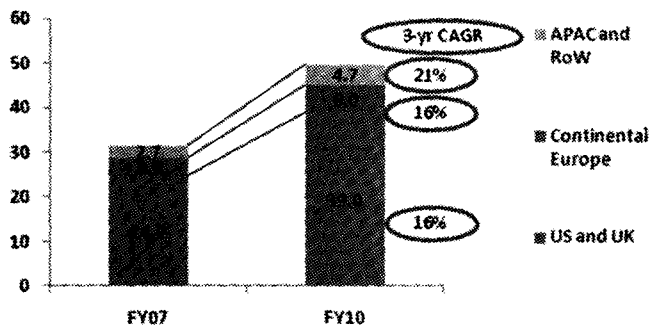
HCL has grown faster than Indian IT Industry during the last decade. While HCL growth was lagging behind Indian IT Industry growth during the first half of the decade, HCL came back strongly during the second half of the decade. During the first half of the decade, HCL revenues grew at a 5-year CAGR of 30% from $207mn in FY2000 to $764mn in FY2005. During the second half of the decade, HCL revenues grew at a 5-year CAGR of 29% from $764mn in FY2005 to $2705mn in FY2010. Overall, HCL revenues grew at a 10-year CAGR of 29.3%.

HCL Revenues (USD Mn)
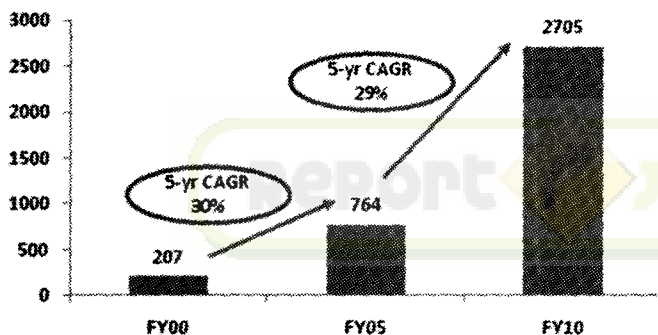
Drivers for Future Growth

While Indian IT exports grew at a 10-yr CAGR of 29% during the last decade, Global IT services spending grew at a 10-yr CAGR in lower single digits during the same period. This is a story of 'market-share gains' or 'replacement revenue'. At the start of the last decade, in the year 2000, Top Indian 5 IT players Market Share in the Global IT Services spending was just about 0.1%. By the end of the decade, in the year 2009, their Market share increased to about 2.4%. There is still big headroom for growth for Indian IT Industry.

According to a customer satisfaction (CSAT) survey of HCL customers in 2009, cost reduction was considered to be the most important business priority across all the verticals and geographies. With continued cost pressures across the businesses and India's still attractive 30-40% cost advantage, the next level of replacement revenue is about to begin.

Growth opportunities for HCL can come from existing customers as well as new customers. From existing customers, opportunities are in cross-sell, up-sell, and new propositions such as business-aligned IT, cloud computing, platform-based BPO, and green IT. HCL's ability to grow customer relationships

– particular into large accounts – will be critical for the company's growth in the coming years.

Figure: Opportunities for Growth
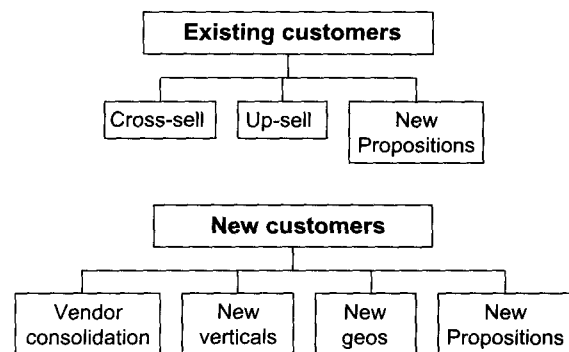
Growth opportunities from new customers can come from Vendor consolidation, New Verticals, New Geographies, and New Propositions. Vendor consolidation means reducing the number of vendor engagements to an efficient "core" capable of providing all needed services, software, systems, and partnering relationships. It offers the following business benefits to customers: reduced total cost of ownership (TCO), streamlined vendor relationship management, reduced number of support contracts to negotiate and manage, increased procurement process leverage, and reduced training, certification, and administration expenses. The trend of vendor consolidation will contribute significantly to greater offshore content in global IT services.

For growth opportunities from new customers, the NASSCOM-McKinsey 2020 report provides useful inputs. Published in April 2009, the NASSCOM-McKinsey 2020 report is the third report published by NASSCOM and McKinsey on the future of IT Industry. The report discusses seven Global Megatrends that will drive the increase in global sourcing and domestic outsourcing addressable market opportunity from $500 bn to $1.5 trn by 2020.

The NASSCOM-Mckinsey 2020 report examines the total addressable global sourcing market along four dimensions:

1. **Core Market Opportunities:** The total addressable market for core markets (large enterprises in developed countries in verticals such as telecom, banking, insurance, and manufacturing) was $500 bn in 2008. It is expected to reach $700 bn by 2020.

2. **New Verticals:** Over the next 12 years, several emerging verticals will become the next major segments after the core verticals. The four emerging verticals are: Public sector & defense, Healthcare Providers, Utilities, and Media. The addressable market for these emerging verticals is expected to reach $190 bn by 2020.

3. **New Geographies:** BRIC countries will offer a domestic outsourcing market of $380 bn by 2020.

4. **New Customer segments:** The global sourcing addressable market for SMBs in core geographies is likely to be around $230 bn in 2020.

While core markets will present an additional $200 bn addressable market by 2020, new verticals and new geographies will present a $580 bn addressable market by 2020—three times the additional opportunity presented by core verticals.

When looking at the growth opportunities, another dimension to explore is that of new propositions such as cloud computing, virtualization, platform-based BPO, green IT, digital technology & marketing, industry-specific smart Solutions, and advanced business analytics. Of all these propositions, Cloud computing is being touted as the most disruptive proposition that has the potential to change the way IT services are delivered. The key reason for that are the trends of the Industralization and Consumerization of IT.

Industralization of IT refers to the standardization of IT services and covers predesigned and preconfigured solutions that will be highly automated, efficient, repeatable, scalable, reliable, and available. Consumerization of IT refers the changing buyer behavior in IT. Buying centers will shift from IT to business. Buyers will buy services instead of skills – Infrastructure as a Service, Application as a Service, Platform as a Service, or even Business as a service. The key driver for the Consumerization of IT is the movement towards decreased IT hardware/software assets. Virtualization is making underlying hardware (and its ownership) non-strategic. Buyers are looking for scalability, pay-as-you-go, and freedom from infrastructure build-out and less capex sensitivity.

Industry Outlook

The first decade of the 21st Century was somewhat unique. It saw everything from highly volatile Oil prices, increasingly rising commodity prices, bulls and bears of stock markets, focus/defocus on climate change, and debates/concerns about scarcity of natural resources. It started with a recession and it is ending with a recession. But, there is big difference between the two. While the previous recession was led by the slowdown in business spending, the current recession is led by the slowdown in both business and consumer spending. Consumer confidence has completely shaken due to increasing job losses, salary freeze/cuts, and memory of loan foreclosures. Consumers are taking precautionary approach to spending and reducing their debt levels. They are spending on what they need rather than what they want. Banks have started adopting tighter credit and stricter lending standards towards consumers, as they side-step Risk with 'Be Prepared' approach instead of a 'Just do it' approach. All this is leading to the phenomenon of 'New Normal'.

The 'New Normal' means we will be living in a world of moderated business growth during next few years. The businesses across the world won't be growing at the same pace as they were growing from 2005-08. The customers will be demanding more for less. They will look for business benefits than IT benefits. They would want vendors to put skin in the game and co-invest in the transformation initiatives.

Indian IT Industry will also witness lesser growth rates in the next decade than in the last decade. As per NASSCOM Mckinsey 2020 report, the total global sourcing industry will grow at a CAGR of 15% from 2008 until 2020. It is likely to expand more than five-fold by 2020 from $80 bn in revenues in 2008 to $450 bn by 2020 (based on a penetration of 40% of the total addressable market of $ 1.1 trn). The Indian global sourcing industry will grow at a slightly lower CAGR of 13% and is likely to expand four-fold by 2020 from $40 bn in revenues in 2008 to $175 bn by 2020. This will imply a decline in India's share of the global market from 51% to around 40% by 2020. The companies with disruptive business models will be able to buck this trend and grow at much faster growth rates.

HCL Strategy

HCL's strategy of **focusing on growth, service innovation, and unique positioning in the marketplace** has improved the company's competitive standing. HCL has achieved profitable growth over the last five years, including through the recession.

HCL's transformation journey starting in 2005 was the product of choices. By 2005, the Indian IT industry had come of age, but HCL was lagging. Y2K-related work and expanded global delivery offerings fueled industry-wide growth from 2000 to 2005 – and HCL itself grew its annual revenue from $207 m to $764 m during the period – but HCL's market share in Indian IT exports had fallen. At risk of drifting into irrelevance in the industry – and mindful of intensifying competition from the likes of IBM and Accenture in India – HCL charted a multi-pronged strategy to differentiate itself in the marketplace. To make up for its loss in market share, **HCL chose to focus on growth and worked to diversify its revenue base through new service offerings.** To rejuvenate its employee base and be seen as an employer of choice, **HCL launched a portfolio of initiatives around Employees First Customers Second.** To deliver increased value for clients, **HCL created new operating processes and methodologies for customer relations through Trust, Transparency, and Flexibility and offered outcome-based engagements** before its peers. The company also worked to nurture customer intimacy through initiatives such as the annual Global Customer Meet. After falling behind Indian competitors during the first half of the decade, HCL increased its market share from 2005 to 2010.

Over the course of the last five years, HCL has acquired capabilities and adapted organizationally to a changing market and intensifying competition. HCL has been able to upgrade some lines of business, such as infrastructure services and engineering and R&D services, organically. Infrastructure services, for example, offered network and security services in 2005 but has since added world-class architecture and consulting capabilities. HCL identified Enterprise Application Services as a promising line of business as clients shifted from custom to packaged applications, but saw gaps in its capabilities that could not be filled organically. **The company acquired Axon, the biggest acquisition in the history of the Indian IT industry, to add consulting and solutioning capabilities to EAS** and successfully retained Axon's top leaders through a reverse merger. Organizationally, HCL simplified and consolidated its fragmented structure and established clear lines of accountability. **Through Dual GTM, HCL presented its horizontal and vertical depth to potential customers. New offerings, domain depth, and consulting capabilities enabled HCL to position itself as a provider of end-to-end services, not just skills.**

Just as HCL was catching up to its Indian rivals, the financial crisis and recession of 2008-09 hit the Indian IT industry. The pain of the recession was particularly acute for HCL and its peers because it was the industry's first major recession. **HCL responded to the recession by demonstrating value to its existing customers and ensuring security to its employees.** Through the assurance that **no HCLite would be left behind** and a collaborative process of consulting with 10,000 employees before imposing new policies, HCL managed internal strain through the recession. The company also saw

on reusable components and frameworks. Technology partnerships nurtured with leading global solutions providers like Microsoft, TIBCO, WebMethods, Oracle, Digite, and IBM, SUN Microsystems and others, enable HCL provide best-in-class services and solutions to customers. Additionally, all our software development centers are certified with ISO 9001:2000, CMM Level 5 and British Security Standard—BS7799, in keeping with our customers' information security requirements. Our customized software and application services have been rated as much higher than the industry average on the parameters of productivity, efficiency, and lower defects, and we provide 100% transparency to our clients through CXO dashboards with online SLA tracking and status reporting.

Engineering and R&D Services [ERS]

HCL is one of the few Indian companies with significant focus on engineering services. Contributing to over 19% of the company's revenues, this group brings a balance to the service portfolio unlike some of our peers. The ERS group offers end-to-end engineering services and solutions in hardware, embedded, mechanical and software product engineering to industry leaders across Aerospace & Defence, Automotive, Consumer Electronics, Industrial Manufacturing, Medical Devices, Networking & Telecom, Office Automation, Semiconductor, Servers & Storage and Software Products.

HCL well understands the importance of Research & Development (R&D) in augmenting its customers businesses and is committed to providing these world-class services to them. Over a decade of operating in complex multi-vendor environments and customer value chains, we have the ability to seamlessly integrate into their existing R&D ecosystem, working with other innovation partners, captive centers, universities, industry bodies and manufacturing partners. The group has recently started a business unit with a dedicated team to focus on Defense, Space & Security (DSS). It has also developed the Business Aligned Test Framework to specifically address the industry need for a standard and cost-effective approach to testing and verification activities in hardware, software, mechanical, system safety assessment, test engineering, prototyping, design assurance and new product realization. The group has rich experience in developing safety-critical embedded products involving cutting edge hardware, complex middleware, rich applications and interactive GUI across multiple processor families and real time operating systems. This group is Boeing's 787 software partner developing subsystems for Boeing's Tier-1 & Tier-2 partners. In addition, HCL reengineered the flight test system that is being used for certification and regulatory approvals for Boeing 787. For the Swiss division of a global medical devices major, HCL was responsible for the complete development of a Class III implantable drug delivery medical device that has recently been launched in the market. HCL's ERS was selected by an Italian Aerospace major to reengineer the complete aero structure of a transporter aircraft. With more than 35,000 parts, the complete reengineering program reduced operational cost of upto 15% across various systems. HCL runs the largest third party engineering centre for a global networking OEM company. For a European Tier-1 automotive company, HCL helped develop a complete infotainment solution for a leading French car series.

HCL foresees a shift towards clients preferring outsourcing companies to share their long-term vision, risks, and rewards

in developing product-based ecosystems that impact client-experience. Towards this, HCL is investing heavily in developing its own IPs and solutions to help customers' impact the overall product ecosystem faster and better. Solutions include a unified communication platform, a remote diagnostic reusable module, telematics and test platforms in multiple verticals. Some of our key IPs today are: Agora (HCL SaaS platform), Nimbo (private cloud enablement solution), Cirrus (Microsoft Azure enablement solution), Athena (sentiment analytics solution), Retail Track and Trace solution, UECPX (unified communications platform), ASPIRE (product portfolio management system), Telematics platform, and H-PAC (Aerospace verification platform), amongst others.

This is what it takes to make an R&D ecosystem truly business aligned. And this, coupled with HCL's 360 degree partnership approach, unique propositions like Concept to Manufacture, Engineering Portfolio Optimization (EPO) and First 2.0, full lifecycle expertise, IPs and frameworks and a strong vertical solutioning capability have positioned us as the Business Aligned R&D partner to several global technology giants.

Enterprise Application Services [EAS]

HCL's Enterprise Applications Services (EAS) division provides best-in-class services and solutions to customers in ERP, SCM, CRM, HCM, EPM, BI and Middleware. This is enhanced by leveraging strong strategic partnerships with SAP, Oracle and Microsoft. The EAS division accounts for over 22% of HCL's revenue and is one of the key areas of growth.

By acquiring Axon group plc, HCL made one of the biggest acquisitions by an Indian company, in recent times. HCL reverse merged its SAP practice with Axon and created HCL AXON, the largest dedicated SAP Global Partner in the world. HCL won the FT ArcelorMittal 'Boldness in Business' award in 2009 for this strategic acquisition. AMR Research believes that the Axon acquisition puts HCL in the Top 10 of SAP service providers, with a combined SAP consulting and support capability that is 60% larger than its closest India-based competitor.

The success of the acquisition has been recognized by analysts and clients. This year AMR published a case study on the HCL AXON SAP implementation for Birmingham City Council, highlighting the 'huge business value' generated (£400M worth of savings), and categorized this as a 'business transformation' case. More recently, IDC's Marketscape report on SAP System Integrators has ranked HCL higher than its competition. This has been supported by HCL AXON winning strategic deals at, GSK, Vodafone and ITT. Additional success includes winning the Frost & Sullivan Aerospace IT Solutions Provider 2010 award for outstanding performance. This was followed up by HCL AXON announcing that its iMRO solution that can reduce cost, complexity and risk for large and small airlines manufacturers and third-party providers is now a SAP-endorsed ERP add-on.

The second element of HCL's EAS service line is Oracle Universe (OU), which provides the entire range of end-to-end application life-cycle management services. The group delivers high value solutions in Oracle, PeopleSoft, Siebel, JD Edwards, Hyperion, Agile, Oracle Transportation Management, Stellent, and other Oracle Edge applications and technology products. HCL's OU has proven solution accelerators and proprietary tools, built to support this Oracle product suite, providing real value to

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clients. In addition to professional services, OU provides product engineering on Oracle Applications and Fusion Middleware, building connectors for Oracle's Content Management products, and testing services for Oracle product suites.

HCL's EAS service line is completed by its Microsoft group. This team enjoys a pivotal partnership with Microsoft's Business Solutions group. It has built capabilities on key Microsoft Dynamics product lines, particularly Microsoft Dynamics AX and Microsoft Dynamics CRM. The team provides life cycle services and solutions for these products across retail, insurance, media and entertainment, hi-tech, and manufacturing verticals. Being a Global Systems Integrator and Gold Certified Partner of Microsoft has enabled the team work with Microsoft to identify niche market opportunities in the Dynamics space and develop solutions to address specific client pain points. HCL is also one of the seven offshore Upgrade Partners worldwide for Microsoft Dynamics AX 4.0. To complement its Dynamics capability HCL recently launched the XpressMigrate suite of offerings for Windows 7 migration, *enabling enterprises to minimize risk, bring higher visibility and* reduce Windows 7 deployment costs by up to 25%.

HCL's EAS team has achieved Capability Maturity Model Integration (CMMI) Level 3 for Oracle Universe and Microsoft Dynamics as confirmed by SEI. The audit spanned multiple lines, locations and types of projects.

Enterprise Transformation Services (ETS)

HCL's Enterprise Transformation Services assists customers in developing a transformation roadmap by aligning business with IT strategy. HCL partners with customers and helps them identify the initiatives driving change, manage the transformation process, and implement supporting technology solutions that add value to the organization.

HCL's ETS offers an integrated approach for enabling transformations through the "Advise to Execute" services portfolio. The service portfolio consists of Process Transformation Services, Data Management Services, Integration Services, Architecture Services, Disruptive Technology Services (Including Cloud related services) and IT Strategy and Change Management services. This is offered through the bouquet of best-in-class services in key areas including Middleware & SOA, Data Warehousing & Business Intelligence Services, Enterprise Content Management & Portals, Independent Verification & Validation, Mainframe and Midrange Services, Business Consulting and Technology Consulting.

HCL's ETS services is backed by a rich set of IPs, frameworks and accelerators, domain solutions, robust methodologies, niche skills and strong infrastructure and BPO capabilities that puts ETS in a unique position to offer guaranteed benefits of transformation to its customers. Methodologies employed are compliant with industry standard frameworks such as ITIL, Six Sigma and CMM-I. Some of the propositions and frameworks that the group has launched in 2009-2010 include CoQ (Cost of Quality), "Test Factory in a Box", EBITS (Enterprise Business Intelligence Transformational Services), Social intelligence and xFIT (xFIT addresses challenges in EAI, SOA and BPM testing). HCL's ETS has recently won several accolades from advisors and partners for its propositions, frameworks and methodologies, technical depth, innovation and process delivery including accolades for bolt-on framework FraME [Framework for Manufacturing Execution], Visible Demand and

EAD [Enterprise Analytics Dashboard]. In 2009, Butler Group has profiled HCL's Middleware and SOA practice as having a comprehensive service suite encompassing the SOA lifecycle and various integration requirements - IPs and frameworks that reduce the time to value. HCL featured in the joint top spot for overall SOA client work and account management and its maturity in current offerings of SOA and BPM services.

Highly purposed and focused, Enterprise Transformation Services is a key area for HCL to drive value in customer engagements. In the past year, in conjunction with the EAS division, this group has bagged several global transformational high impact and high value deals.

Infrastructure Management Services (IMS)

HCL's Infrastructure Management Services group is the fastest growing business line and contributes to over 22% of HCL Technologies' total revenues. Through its differentiated value proposition - "Industrialized IT Management and co-sourcing *model", this practice has been able to carve a credible growth* story and solid foundation for the future. Today, it has close to 200+ customers globally, out of which, 100 are G/F 1000 companies - world leaders in their own space. The IMS division has been recognized as the leader in Global Delivery of Infrastructure Management by several Industry analysts, and is said to be the "leading light in RIM" by NASSCOM. HCL was the co-founder of the "NASSCOM IMS forum", which comprises of the leading industry players. David G Thomson in his global best seller, "Blueprint to a Billion" has compared HCL's Infrastructure Services' Division (ISD) growth story to world leaders like Cisco, Microsoft and Google.

IMS delivery is structured into six horizontal strategic business units such as End User Computing Services, Data Center Services, Cross Functional Services, Enterprise Network Services, Security Services, Integrated Operation Management, and Mainframe & AS400 Services. Its vertical reach spans 15 industries – Automotive, Chemical, Energy (Oil & Gas) and Utilities, Financial Services, Hi-Tech, Insurance, Manufacturing, Retail, Travel, Tourism & Logistics, Banking, Consumer Electronics, Food, Beverages & Tobacco, Independent Software Vendor (ISV), Life Science, Healthcare & Pharmaceuticals, and Telecom, Media, Publishing & Entertainment. IMS has a robust global delivery network with 17 delivery centres across the globe of which, six are outside India. The scale of IMS operations today stands at:

- 250,000 large/mid-range servers and over 200,000 distributed computing servers
- More than 60 PB of storage
- More than 250,000 network and security devices
- 800,000 mail boxes, and 10 million helpdesk trouble tickets
- Over 12,000 employees

This group has received its share of accolades: TPI recognizes HCL among the Top 10 Infrastructure Providers in the world; Datamonitor's Black Book of Outsourcing ranks HCL as the #1 vendor in both Traditional IT Outsourcing as well as RIM Outsourcing; Forrester featured HCL in their research study on Managed Desktop Services in EMEA. HCL was among the only two Indian MNCs featured in the report; Gartner Market Scope for Data Center Outsourcing, North America, rated HCL 'positive'

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with the necessary technical skills and resources to support most client requirements, and offer high-quality services; Gartner Magic Quadrants for Helpdesk and Desktop Services in EMEA features HCL - the only Indian MNC to be featured.

Business Process Outsourcing (BPO)

HCL's BPO Business Services accounts for over 6% of the company's revenues. This division of HCL Technologies is heading towards a maturity level where a new form of BPO called 'Transformational BPO' is evolving which constitutes Full Process and Multiple Process outsourcing. With over 11,000 professionals operating out of India, Northern Ireland and USA, it serves customers in Telecom, Retail, Media Publishing Entertainment (MPE), Energy Utility & Public Services, Banking & Financial Services, Insurance, and Healthcare. HCL BPO Business Services runs 25 delivery centers across India, UK and USA and offers 24x7 multi-channel, multi-lingual support in eight European and eight APAC languages. It also services various operations across Customer Relationship Management, Technical Support Services, Knowledge Process Management, Finance and Accounting Outsourcing (FAO), Human Resources Outsourcing (HRO), and other niche services.

HCL's BPO Business Services leadership credentials are myriad, including running the largest telecom engagement in India; the first Indian BPO to enter the Telecommunications Expense Management (TEM) market; the first Indian company and 3rd in the world to be COPC certified in the specialized area of collections; the first BPO company in the world to be successfully appraised at Maturity Level 5 of People CMM. BPO Business Services is also the first BPO in the world to evolve and adopt 'Integrated Business Management System' a collation of best practices catering to multiple standards such as COPC, ISO 9001, OHSAS 18001 and ISO 14001. HCL's BPO Business Services tops the Black Book of Outsourcing's list of Top Cross Industry BPO Vendors; the organization ranks among the Top 10 ITeS-BPO companies in India (according to NASSCOM & Dataquest); HCL is the largest BPO service provider in Northern Ireland, won the largest engagement in Indian BPO history, and is the largest provider of Telecom BPO services in Asia. HCL pioneered the blended shore operations for Indian BPO service providers. HCL's BPO Business Services division won the CIO 'Ingenious 100' Award 2009 for the second consecutive year (2009) for its IT Service Management Platform which enables a process-driven blend of people and technology resulting in 99.9% of service uptime. The annual award program by IDG India's CIO magazine recognizes organizations that exemplify the highest level of operational and strategic excellence in information technology.

Risks and Concerns

Competition Related Risks

New competitors are emerging from adjacent markets and distant geographies. The Company faces competition not only from the India based IT service providers but increasingly from the multinational IT vendors who are expanding their presence in the country owing to attractiveness of the Offshoring model.

HCL Strategy

HCL's differentiation strategy incorporating its unique business approach has led to its emerging as a "Thought Leader" in the rapidly dynamic IT industry. HCL's differentiation strategy is four fold which includes Employee First initiative, Value centricity and Trust, Transparency and Flexibility.

Employee Related Risks – Managing Talent

Global economy is recovering from the bottoms of one of the deepest recession era which means more and more opportunities are available to the skilled manpower. However, due to cost cutting measures already in places, organizations are finding it difficult to increase the monetary incentives. Due to manpower intensive business model, IT service organizations are heavily impacted by this. In India, there is uptick in attrition in companies operating in IT vertical. Consequently, attrition for HCL has also increased from 13% in June 2009 to 15.7% in June 2010.

HCL Strategy

HCL continues with its "Employees First" initiative which has now entered in its fifth year of successful implementation. The focus on employees as key resources has led to introduction of several employee friendly policies. Success of this program continues to be hailed globally as it won various accolades. HCL has been ranked the No. 1 Employer in India and Best Employer in Asia by Hewitt 2009 Study and was also voted as the Most Innovative Company in the world for its workforce practices and won the Optimas award instituted by Workforce Management in US. In addition, HCL was declared Leaders in the category Human Capital Development and ranked 3rd amongst the 100 best global IT service provider companies that made it to the Global Services 100 list 2009. In Europe, HCL was named as one of Britain's Top Employers 2009 for the third successive year by CRF International, an independent business research organisation.

HCL has been taking adequate steps to improve and augment the supply of experienced manpower. It has partnered with select local engineering colleges/institutes and imparts quality and contemporary technical education.

HCL continues to make investment in Employee Development initiatives through Up-gradation of skills, re-skilling and leadership development. These programs have not only helped in ensuring that there is no skill mismatch and building high motivation levels of employees through skill enhancement.

Technology Risks

HCL operates in an ever evolving and dynamic technology environment and it is of utmost importance that the Company continuously reviews and upgrades its technology, resources and processes lest it faces technology obsolescence.

HCL Strategy

The Company keeps itself abreast and updated on the contemporary developments in technology landscape through participation in key technology forums, in-house training and development initiatives and its intensive focus on core research and development activities. The Company is not dependent on any single technology or platform. HCL has developed competencies in various technologies, platforms and operating environment and offers the wide range of technology options to clients to choose from, for their needs.

Further, HCL has a dedicated Delivery Excellence Group (DEX) which offers consulting to various delivery teams in