

# PARTNER TO THE 21<sup>ST</sup> CENTURY ENTERPRISE



ANNUAL REPORT 2015-16

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**BOARD OF DIRECTORS****MR. SHIV NADAR**

Chairman & Chief Strategy officer

**MS. ROSHNI NADAR MALHOTRA**

Non-Executive Director

**MR. SUDHINDAR KRISHAN KHANNA**

Non-Executive Director

**MR. AMAL GANGULI**

Non-Executive & Independent Director

**MR. KEKI MISTRY**

Non-Executive & Independent Director

**MR. RAMANATHAN SRINIVASAN**

Non-Executive & Independent Director

**MS. ROBIN ABRAMS**

Non-Executive & Independent Director

**MR. SUBRAMANIAN MADHAVAN**

Non-Executive & Independent Director

**DR. SOSALE SHANKARA SASTRY**

Non-Executive & Independent Director

**MR. THOMAS SIEBER**

Non-Executive & Independent Director

**MR. MANISH ANAND**

Company Secretary

**Auditors****M/s. S.R. Batliboi & Co. LLP**

Chartered Accountants

Gurgaon

**Bankers****Citibank N.A.**

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Gurgaon – 122002

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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,' '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 other factors. 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 and Concerns' as well as factors discussed elsewhere in this report. Readers are cautioned 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.

### Annual Report - MD&A

#### Current State of IT Industry

The future of technology is undergoing a significant change driven by movements in demand and supply equations, technology trends, socio-economic and geopolitical factors. While the demand-supply equation is being impacted by trends like vendor consolidation, the business environment is being influenced by the forces of oil price fluctuations and volatility in currency & financial markets. These forces are creating an impact on GNIs and GDPs of nations as well as incomes and finances of businesses. The new technology trends and their potential of directly impacting business are also changing the buyer behavior making it business-centric. In addition to the IT leaders in an organization, the buying decisions are now being strongly influenced by the business leaders, as they realize the direct impact of technologies like digital, analytics and automation on their organizations.

As per NASSCOM, 80% of the incremental expenditures over the next 10 years will be driven by Digital Technologies such as platforms, cloud-based applications, big data analytics, mobile and social media along with services required to integrate these technologies with legacy technologies. In addition, with continuous investments in new technologies, analytics services, engineering, integrated services and automation are emerging as the largest drivers of growth. As per Gartner, the IT industry will grow at an overall rate of 3.1% in 2016.

#### Drivers of Future Growth:

Business-driven technology spending is growing at a faster rate than traditional spending, driving opportunity in new markets of Digitalization, Next Generation IT Outsourcing and IoT:

- Digitalization is emerging and impacting business model transformation as customers look to reinvent themselves. Customers are focusing on investments in front-to-back office transformation, end-to-end software and technology platform implementation for digitalization and digital operations.
- Traditional outsourcing is moving towards next-generation IT outsourcing, where the focus is on integrated services delivery,

automation, artificial intelligence and cloud. The effects of digitization and automation have penetrated all key service areas, converting from effort-based SLAs to outcome-based models, giving rise to multi-modal IT.

- IoT & Engineering platforms are driving market opportunity around business transformation, becoming strategic in nature and entailing end-to-end play.

We are witnessing contours of disruption as the above factors play out. The average lifespan of a company listed in the S&P 500 index has decreased by more than 40 years in the last century. A 61-year tenure for a firm in 1958 had narrowed to 25 years by 1980, and to 18 years now. At the current churn rate, 75% of the S&P 500 companies will be replaced by 2027. On the other side, the number of companies valued at \$1 billion or more in the past decade have increased substantially. At HCL Technologies, the companies which will survive and thrive in this churn are called, 21<sup>st</sup> Century Enterprises. These successful companies will be:

- **Experience-centric:** Strive to offer a unified experience
- **Service-Centric:** Overhaul their operating model to focus on customer satisfaction
- **Agile and Lean:** "Optimize" their operations for fast-paced manoeuvres
- **Ecosystem-driven:** Collaborate to extend the ecosystem beyond the enterprise
- **Outcome-based:** Deliver outcomes which cut across value chains

#### BEYONDigital™ by HCL

A 21<sup>st</sup> Century Enterprise creates user-centric business models for consumers, partners and employees that drive an engaged experience through empathy, simplicity and value. HCL's BEYONDigital service offering helps clients in this journey by transforming business operations into an engaged experience through design and technology intervention. This is enabled through multi-disciplinary agile teams that combine business and design thinking in a "DISCOVER, DESIGN and DO" process that leverages HCL's long history of engineering excellence and globally optimized operations.

BEYONDigital offers a blend of:

- a) Disruptive design thinking manifested through eight global "Xperience Labs"
- b) HCL's strong digital "build" heritage, as the world's largest outsourced engineering services provider
- c) Digital "run" capabilities drawing on HCL's infrastructure services leadership

BEYONDigital designs, builds and runs the 21<sup>st</sup> Century Enterprise by transforming business process experiences, orchestrating platforms, building intuitive smart applications and continuously innovating to deliver a united-experience and business value for enterprises. BEYONDigital is backed by HCL's grass roots innovation

culture of Ideaprenurship™, which ensures continuous innovation to overcome the diminishing half-life of customer delight. BEYONDigital also comes with HCL's promise of taking its Relationships Beyond The Contract™ in order to ensure sustainable advantage in an uncertain environment.

HCL's Digital Transformation Partnership with **Manchester United football club of U.K.** is uniquely positioned to create value for organizations across the world. HCL's approach to the digital transformation journey of Manchester United will be through continuous experimentation and co-innovation. Thus, while this partnership will deliver a world-class mobile app and website featuring Digital Asset Management, a Single Sign-on Experience and an integrated Content Management System for 659 million fans of Manchester United worldwide, the true benefit will be the proof-of-concepts and intellectual property that will be created by the HCL-Manchester United innovation lab, which can be adopted by organizations around the world. The initiative, with its focus on collaboration and co-innovation, is emblematic of the *21<sup>st</sup> Century Enterprise*, in which technology is transforming business into a team sport.

### Recognitions

- HCL has been positioned as a "Leader" in IDC's 2015 MarketScape Vendor Assessment for Worldwide Application Modernization Services for :
  - Digital Transformation
  - Oracle Upgrades
  - SAP Upgrades
- HCL has been positioned as a "Major Player" in IDC's 2015 MarketScape Vendor Assessment for Worldwide Digital Transformation Consulting and Systems Integration Services.

### "IoT WORKS" by HCL

IoT WORKS by HCL, the Internet of Things (IoT) services unit of HCL Technologies, allows organizations to adopt IoT functioning in their business context, creating entirely new services that deliver an enhanced experience and measurable business outcomes. These experiences will have an increasing role in differentiating enterprises and positioning them for the 21<sup>st</sup> century.

IoT WORKS looks beyond smart machines and devices and helps businesses understand how the ecosystem of connected networks can help them generate value for their customers. HCL has developed end-to-end IoT offerings for organizations at different IoT maturity levels. It has three phases - Define, Build and Run - which help customers plan their IoT program, develop their IoT system and manage 100% uptime of their system. Nearly 40 years of complex engineering experience enables HCL to provide customized IoT solutions across all major verticals. HCL believes in delivering IoT solutions that truly work.

Backed by the innovation culture of Ideaprenurship™ along with a commitment of taking its Relationships Beyond the Contract, IoT WORKS offers scalable and agile solutions through co - innovation to 21<sup>st</sup> Century Enterprises.

### Next-Generation Information Technology Outsourcing

Next-Gen ITO, another key HCL service offering, creates unified experiences for partners through services delivery, leveraging cloud, automation and artificial intelligence. The framework eliminates IT

and business waste, reducing cost and driving transformative initiatives across the organization. HCL continues to gain scale through Next-Gen ITO offerings and DryICE, its third generation automation framework, which builds on the mature levels of HCL's mTaaS and myCloud offerings and integrates across service lines - applications services, infrastructure services and business services.

The Next-Gen Target Operating Model offers a significant change in operating design, with integrated agile teams focusing on both IT as well as business KPIs. People-centric delivery takes a back seat as Next-Gen ITO equips clients with cognitive, predictive and self-healing abilities through autonomies and a context-aware operations control room. Service-enabled enterprise and self-funded transformation replaces the traditional input-based commercial model. Additionally, the model integrates a top-down business process view, with the underlying applications and infrastructure service lines managed as one unified service management organization.

With a strong presence in the infrastructure domain and core applications, Next-Gen ITO aims to provide visibility, integration and automation to enable an organization to become a 21<sup>st</sup> Century Enterprise.

### Infrastructure Management Services (IMS)

IMS manages mission-critical IT environments for some of the largest and most forward looking organizations in the world, including more than 20 Fortune 100 companies. With differentiated and well defined value propositions, best-in-class Infrastructure Management services and pioneering Automation solutions, IMS continues to retain its market leadership position in this space. HCL is widely recognized by the analyst community as a leading service provider and innovator in IT Infrastructure Management Services.

HCL recently introduced the Next-Generation ITO framework to enable 21<sup>st</sup> Century Enterprises operate with agility, run lean operations, and focus on customer experience - all critical success factors in today's fast moving markets. With Digitalization and Internet-of-Things driving customer investment and playing critical roles in business success in the 21<sup>st</sup> century - the Next Generation ITO enables "Multi-modal I.T." to support these new initiatives while running lean operations.

Powering the Next Gen ITO framework are 21<sup>st</sup> Century Blueprints for Datacenter & Cloud, Workplace (Services and Networks which apply proven transformation levers across the entire I.T. infrastructure stack to maximize benefits of a secure Enterprise Cloud, create a modernized workplace that transforms employee productivity, enable internet-optimized highly-available networks and power lean and agile operations through DryICE, HCL's Autonomics and Orchestration platform.

Key IT Infrastructure service offerings which enable the Next Generation ITO include:

- **Next-Generation DataCenter and Cloud Services:** Powered by the 21CE Blueprint for Datacenter and Cloud, these services enable transformation and operations of Datacenters for delivery of customer facing and within-company applications and services. The 21CE Blueprint for the DataCenter is focused on "Business Outcomes"; and is cloud and automation centric at the core. HCL supports the entire lifecycle from DC transformation to modern datacenters by enabling Hybrid Cloud and Hyper converged Infrastructure; and running agile and lean DC operations through application of advanced autonomies

and service orchestration. HCL continues to invest in building industry-leading, differentiated tools for optimized cloud enablement, such as ElasticOps for Automated Hybrid Cloud Operations, HCL CART (Cloud Assessment Tool), CCC(Cloud Command Centre - a specialized cloud migration, deployment and operations center), and HCL MyCloud Portal for cloud aggregation and end user enablement and management.

- **Next Generation Workplace Services:** Powered by the 21CE Blueprint for Workplace, these services equip organizations to enable a modern workplace through a whole gamut of End-user Computing services which focus on User Experience, User Empowerment, Secure productive-on-the-go and Lean Operations. With DryICE powered Automation enabling Self-Help and Self-Healing to empower users and MyWorkplace ensuring secure information, application and data access from any device and any location, HCL enables a workplace that is Gen-Y ready. HCL's workplace services include user profiling and enablement, service desk and global field support, remote/branch site optimization, hybrid messaging, social and collaboration services, enterprise mobile enablement, managed print services, virtualization and desktop as a service, client application management services, and operating system (Windows 7/8, iOS, Android) migration.
- **Next Generation Network Services:** Powered by the 21CE Blueprint for Networks, these services enable a secure, agile, automated, efficient and optimized network for organizations. By supporting our customers' transformation to Software Defined Networks (SDN) and Network Function Virtualization (NFV), HCL helps deploy secure, fast and programmable networks which can scale and transform as per changing business needs. These include lifecycle management services that span strategy, transformation and operations, and cover strategy definition, audit services, risk assessment and mitigation planning, policy definition and implementation, unified communication services, software defined networks, and network services brokerage.
- **DryICE Autonomics and Orchestration:** While DryICE is not offered as an individual service; it forms the Automation and Orchestration backbone for most of our 21CE Blueprint powered services. With more than 25 integrated modules featuring latest Autonomics technologies such as Machine Learning, Natural Language Processing, Predictive Analytics and Artificial Intelligence, DryICE enables DataCenters to be agile and efficient, employees and service desk agents to be more productive and tackle higher order tasks and Networks to be self-healing and optimized. With Service Orchestration built in, actions can be triggered across complex processes and ecosystems to ensure that businesses react swiftly to changing conditions.
- **Information Security and GRC Services:** These services include systems security, end point security, application security, data and content security, identity and access management, network security and enterprise security assurance and governance risk/compliance. HCL offers a strategy of holistic security to create a digital fortress for next gen digital enterprises. This strategy covers defense/protection, security intelligence, identity and access, and continuous compliance using HCL's BRICS (Business Risk Intelligence and Compliance Solution) Framework.
- **Enterprise Platform Services:** These services include the modernization of application platform infrastructure across application servers, middleware, and data platforms, by adopting pattern-driven workload engineered systems and creating enterprise-grade PaaS (Platform as a Service) to be delivered across a hybrid cloud which leverages development operations and elastic infrastructure.
- **Business Services Management:** This includes the modernization of the management fabric for next-gen hybrid enterprises, covering unified monitoring, I.T. automation, I.T. operations analytics, and unified reporting. HCL offers its proven frameworks, such as MTaaS™ (Management Tools as a Service), MyCloud, AUTOPS (Automated Operations), and ITOPS (Analytics-based I.T. Operations) delivered as a hybrid SaaS (Software as a Service)-based platform, thus enabling rapid value optimization.
- **Service Integration and Management (SIAM):** This includes the modernized orchestration of multiple service providers, cloud services, and outsourcing services across a common process-driven service integration platform, powered by HCL's GBPS (Gold Blue PrintSolution). The solution enables a customer to have a unified Enterprise Service Integration experience across applications, infrastructure and the cloud. HCL's SIAM model balances the demand and supply of service bandwidth to service consumers. HCL helps customers assess the right SIAM model, design and build the function using HCL's solution accelerators, and implement and integrate the services of multiple service providers.
- **Integrated Operations Services across Enterprise and Digital:** HCL's integrated operations service capability brings web-scale IT architecture into an enterprise. The HCL service offering combines several components including an agile development operations oriented support framework, a highly elastic and self-healing infrastructure, high levels of automation, eSecurity practices and an end-to-end performance management solution. This service offering is designed for the end-to-end IT operations of the digital side of large Global 2000 enterprises.
- **Technology Transformation Services:** These cover the entire range of technology infrastructure offerings. HCL has successfully delivered over 580 complex I.T. infrastructure, architecture and operations transformations, and is increasingly acknowledged and recognized by Fortune 100, Fortune 500 and Global 2000 companies as a credible alternative to top tier global MNCs.

HCL provides infrastructure management services to customers through a robust delivery network of service centers across the globe. HCL's infrastructure operations include standardized management of over 6 million globally distributed I.T. assets and devices and over 20 million helpdesk contacts that support the needs of over 1.7 million business users in over 26 languages.

#### Recognitions:

- HCL has been positioned as a "Leader" in the 2015 Gartner Magic Quadrant\*for Data Center Outsourcing and Infrastructure Utility Services in North America.
- HCL has been positioned as a "Leader" in the 2015 Gartner Magic Quadrant\* for End User Outsourcing Services in North America.

- HCL has been rated as a "Leader" in the 2015 Forrester Wave™ for Global Workplace Services, North American Workplace Services, and EMEA Workplace Services.
- HCL has been selected as the winner of the CA Technologies 2015 Partner of the Year Awards in the category of innovation and sales teaming, for its ability to drive global innovation and sales teaming in both infrastructure management and service management.

### Engineering and R&D Services

HCL's Engineering and R&D Services (ERS) is the largest Indian Engineering Service Provider (ESP) and works with some of the most innovative and successful organizations in the world. With over two decades of experience of operating under complex multi-vendor environments and customer value chains, it is able to seamlessly integrate with customers' existing R&D activities.

HCL offers comprehensive engineering services and solutions in hardware, embedded, digital, mechanical and software product and platform engineering. It works with industry leaders across verticals such as aerospace and defense, automotive, consumer electronics, industrial manufacturing, medical devices, telecom and networking, office automation, semiconductor, server and storage, and software products. It successfully collaborates with other innovation partners, universities, industry bodies, and manufacturing partners.

Over the past decade, HCL's engineering services have helped more than 300 organizations develop and launch market-leading products and services across various market segments, which has delivered more than \$50 billion in revenues for its customers. Today, it works with more than 50 of the top 100 R&D spenders in the globe. Empowered by a deep engineering heritage, out-of-the-box thinking, and a solid foundation of talent, processes, systems, frameworks, and tools, this group is a preferred engineering partner for global companies with its ability to drive significant business impact and value through accelerated product launches, improved engineering efficiencies, and adoption of new and disruptive technologies.

Thought leadership has become one of the key differentiators as the industry moves up the value chain. The company's engineering services offerings are committed to creation of thought leadership in areas such as the Internet of Things, digital platforms, product intelligence, big data analytics, social media, medical devices, gesture technology, and more. HCL encourages bold thinking and disruptive approach that is needed to help customers outperform in a rapidly changing digital economy.

HCL is constantly pushing the boundaries of technology and defining new and differentiated ways of offering industrialized engineering services. One such area is the suite of solutions which packages HCL's best practices, intellectual property and accelerated frameworks into service offerings that solve highly critical business problems for customers.

HCL's solutions cater to engineering needs across a company's product development lifecycle and help customers address the challenges of accelerated product development, improve price-to-benefit ratio, and adapt to new technologies. HCL is heavily investing in developing solutions that can help clients quickly impact the overall product ecosystem.

HCL has continued to showcase its leadership in terms of service capabilities and scale of operations over a wide spectrum of

industries. HCL is recognized as a leader by analyst firms in diverse domains, including automotive, consumer electronics, computer peripherals and storage, independent software vendor (ISV), consumer software, medical devices, semiconductor, cloud computing, enterprise mobility, and aerospace and defense R&D. HCL's investments in Engineering Labs (environmental compliance, certification, and benchmarking) and Centers of Excellence (in niche areas such as industrial design, high performance computing, automation, etc.) have resulted in a complete ecosystem of comprehensive engineering services from concept to go-to-market for customer products and platforms across domains. Platforms need engineering rigor for development and HCL ERS has created a robust digital platform engineering business. ERS has a strong innovation culture, resulting in IP and strategic innovations, while leveraging alliances, start-ups and key academic research for co-creation with customers.

### Recognitions:

- HCL has been ranked as a "Leader" in Global R&D Services by Zinnov in its "Global Service Providers Ratings, 2014".
- HCL Technologies has been positioned in the "Winner's Circle" for its Software Product Engineering services capabilities by HfS in its report "Blueprint Report on ISV Engineering Services".
- HCL has been recognized as an "Outstanding Contributor" to the VLSI/Embedded Design Industry in the Corporate Category, by Mentor Graphics Corporation and Silicon India, at the Leadership Awards 2015. The awards recognize the unparalleled contribution of various companies/individuals in driving the semiconductor industry.
- HCL has been ranked #1 among Indian ESPs and #4 globally in terms of revenues by HfS in its report "HfS Engineering Services Top 20".

### Applications Services

The applications services market today is undergoing a massive transformation with a continual shift from systems of record to systems of innovation. Overall spend on traditional services has become stagnant, while growth is taking place in new technologies like cloud, applications modernization, analytics, Internet of Things and digitalization. HCL's Applications Services provides customers with integrated transformational services for their applications portfolio. These include complex application development and management, systems integration and end-to-end horizontal capabilities in various categories, offering customers transformational value in the new world of enterprise applications.

HCL's engagements are diverse and comprehensive, and provide customers with solutions that meet business challenges across a number of industries. The solutions support the needs of enterprises in an increasingly digital world, from delivering data-driven insights, enabling migration to cloud platforms, to harnessing the power of digitalization to drive business growth.

With HCL, customers get a fresh perspective and distinct end-to-end capabilities. While traditional systems integration services remain critical, with the shifting applications landscape, clients are now seeking partners that can also help them take advantage of emerging technologies and simplify their IT operations, while simultaneously reducing costs and investing in business growth.

HCL has a strong partner network and works with leading technology providers to deliver best-in-class solutions. Each business horizontal

also works with niche partners to develop solutions in specialized technology areas such as business analytics or digital services.

HCL recognizes the importance of investing in and developing strong intellectual property and offerings in new and emerging technology areas. In the Oracle space, HCL is working to further develop a go-to-market cloud strategy, in alignment with Oracle's cloud transformation.

HCL has made a significant investment in its 360-degree relationship with Microsoft with the acquisition of US-based PowerObjects, a leading North American provider of Microsoft Dynamics CRM. The acquisition enables HCL to take advantage of the fast-growing CRM market and supports its shift towards cloud and digital business, while aligning HCL's growth strategy with Microsoft's cloud-first, mobile-first vision. HCL's capability spans the Microsoft stack, with integrated transformational solution offerings for clients building off the Azure and Dynamics AX and CRM platforms.

Across all platforms, HCL offers robust application modernization skills, including portfolio modernization and a cloud migration framework, as well as application support and maintenance, to address the changing services market and the increasing need for automated ASM. In analytics, HCL offers numerous propositions aligned with today's changing market trends, the key ones being comprehensive Big Data Lake framework and Data Quality as a Service proposition which provides customers a 360-degree view of enterprise data quality. HCL has also developed 'IllumInfo' in the E-Services horizontal, a powerful search and analytics tool that uncovers actionable insights from massive digital content sourced from within and outside the organization. These propositions, among many others, form the foundation for HCL's applications services offerings to address client needs in today's rapidly-changing, digitally-focused market.

HCL is well integrated within the partner sales and solutions ecosystem for joint account planning, co-development, and go - to - market efforts. HCL conducts and participates in partner sales meetings, conferences, and partner days on a regular basis, including participation in field sales events.

#### **Recognitions:**

- HCL has been positioned as a "Leader" in the Gartner Magic Quadrant\* for SAP Implementation Services, Worldwide.
- HCL rated as "Leader" in IDC Marketscape: Worldwide Application Modernization Services for SAP Upgrades.
- HCL has been rated as a "Leader" in IDC Marketscape: Worldwide Application Modernization Services for Oracle Upgrades.
- HCL has been rated as "High Performer" at HfS Blueprint: Successfactors Services, 2016.
- HCL has been positioned as a "Leader" in IDC MarketScape for Worldwide Application Modernization Services for Digital Transformation, 2015 Vendor Assessment.
- HCL has been positioned as a "Leader" in IDC MarketScape for Worldwide Microsoft Enterprise Applications Implementation Services, 2015.

#### **Business Services**

HCL's Business Services provides Next Generation Business Process Outsourcing services to more than 100 clients across

industries. BPO services enable clients to improve organizational processes, reduce costs and create economies of scale.

HCL Business Services offers customized service offerings that translate into flexible and cost effective services of the highest quality for customers. These are uniquely positioned to service customer requirements by leveraging quality processes and innovation, talented employees, self-sustaining process framework and domain knowledge. In many large outsourcing deals, BPO is an integral part of the total services outsourced. Integrating BPO services into HCL's portfolio of service offerings has provided a strong competitive advantage over other stand-alone IT services providers.

With state-of-the-art delivery centers across India, USA, Europe, Ireland, UK, Latin America and Philippines, HCL leverages its IGDM (Integrated Global Delivery Model) to provide customers with best-in-class services.

HCL is committed to innovation and the creation of business value by providing domain oriented, transformation led BPO solutions and services to Fortune 500/Global 2000 customers.

Business Services' key strengths are:

- Domain specialization
- Platform Standardization
- Robotics Process Automation
- Innovation and improvement focus
- Business outcome / flexible commercial constructs
- Integrated global delivery model

HCL's BPO services span across banking and capital markets, insurance, life sciences and healthcare, telecom, media, publishing & entertainment, utilities, hi-tech and manufacturing, retail & consumer packaged goods and travel, transportation & logistics.

HCL's solutions across these industries include:

- Front office solutions across customer management services and document management
- Middle office solutions across respective industries
- Back office solutions across FAO, SCM, Procurement
- KPO/Analytics

Building on its Next Generation BPO tenets, HCL has launched EFaaS™ (Enterprise Functions as a Service) - an on-cloud solution for organizations looking to reduce their cost of enterprise functions. By re-engineering business processes, the standardization of application platforms, and creation of shared service centers, HCL's EFaaS™ holistically transforms the clients' enterprise functions while significantly reducing the total cost of operations.

HCL's BPO has been positioned as star performer for various service lines by many leading analyst firms. With extensive global experience and footprint, HCL is one of the leading BPO providers today.

#### **Recognitions:**

- HCL is recognized as Star Performer and Major Contender in Healthcare Payer BPO in Everest Group's report "Healthcare Payer BPO - Service Provider Landscape with PEAK Matrix™ Assessment".
- HCL is recognized as Star Performer and Major Contender in

Banking BPO in Everest Group's report "Banking BPO - Service Provider Landscape with PEAK Matrix™ Assessment 2015".

- HCL is recognized as Star Performer and Major Contender in Capital Markets BPO in Everest Group's report "Capital Markets BPO Service Provider Landscape with PEAK Matrix™ Assessment 2015".
- HCL is recognized as Star Performer and Major Contender in Multi-Process HRO BPO in Everest Group's report "Multi-Process Human Resources Outsourcing (MPHRO) Service Provider Profile Compendium 2015".

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## **HCL Foundation**

HCL Foundation is the corporate social responsibility arm of HCL Technologies, established as a not-for-profit trust. The efforts are targeted towards achieving holistic community development in urban slums, and to build model villages, in partnership with central and state governments, communities, NGOs, knowledge institutions and allied partners. The Foundation implements all community development programs under the umbrella name 'Project Samuday'.

**Enabling the rise of the Fifth Estate:** HCL Grant is created to support the institutionalization of the Fifth Estate (NGOs) through the creation of strong governance frameworks and management capabilities. The Grant envisions to build sustainable communities by supporting NGOs and individuals who are doing path-breaking work towards high impact transformation in India.

**'Power of One'** is the corporate-level structured volunteering and payroll-giving program that enables employees to spend a day, every week or month or year or even one hour every day for community service. HCLites share their dreams for a better society through the 'Power of One Dream', while HCL Foundation and Community Champions enable employees to realize their dreams into implementable projects and activities through humanitarian and developmental programs. 40,000 + HCLites contribute Re 1/day under the program.

## **Risks and Concerns**

### **1. Treasury Related Risks**

#### **Risk**

The global financial position continues to remain volatile with wide currency swings in both directions impacting the IT industry. High volatility is likely to continue in the medium term with added complexity of cross-currency movements.

#### **HCL Strategy**

As a risk containment strategy, HCL has taken hedges to protect its receivables and forecasted revenues against foreign currency fluctuations. This strategy ensures certainty in revenue collection and also safeguards against any unfavourable movement. The treasury department of the Company continues

to track the foreign exchange movements and underlying currency exposures.

Further, there is an increased focus on Europe, Asia Pacific and Rest of the World for generating business which not only insulates from dependency on a single chosen economy but also ensures that the revenue streams are in multiple currencies thereby partially de-risking the currency.

### **2. Employee related Risks**

#### **Risk**

In the IT industry, the ability to execute projects, building and maintaining client partnerships and achieving forecasted operating and financial results are significantly influenced by the organization's ability to hire, train and retain highly skilled IT professionals. The market continues to be highly competitive in attracting and retaining IT professionals compounded by the changing constraints around talent mobility on account of regulatory requirements and evolving value propositions for the nature of talent required across different geographies.

#### **HCL Strategy**

HCL's culture of Ideapreneurship and management model of "Employee First, Customer Second" helps us build relationships beyond the contract with our clients - and our people. We continue to direct investments in enabling technology and career, performance, reward, learning and talent management practices that support retention of the right talent with the right skill, at the right place, right time and right cost by engaging employees to enhance their competency, commitment and contribution.

An enhanced focus on diversity in talent acquisition and fulfillment locally and industrialization of our workforce management practices in the global delivery centers that leads employees to enhance the autonomy, mastery and sense of purpose they demonstrate, mitigates the risks perceived in various geographies.

This strategy needs to be dynamic in nature as the elements that impact it vary, are volatile and can cause challenges in execution.

### **3. Regulatory Compliance Risk**

#### **Risk**

As HCL is operating in a number of countries and is continuously adding new geographies, there is an increased risk of non-compliance with regulatory requirements that are relevant to its business.

#### **HCL Strategy**

HCL has put in place a comprehensive 'global regulatory compliance framework' to track regulatory compliances globally and has defined owners for various compliance related activities relevant to each function within HCL. Detailed checklists are available with respective process owners to ensure compliance, wherever needed. In addition to this, quarterly compliance certificates are presented to the Board of Directors by respective functions responsible for such compliances, which are periodically audited by the internal audit team and by external law firms. The global compliance function helps in creating awareness around the regulatory framework and helps each

team focus on various local compliance - related aspects being faced by business entities in respective countries.

In addition, HCL has established a comprehensive 'Risk & Compliance organization' that provides global analysis, assessment, policy, and governance for risks related to information security, privacy, business continuity, third party engagements and operational activities. HCL's compliance program is not only designed to avoid violation of laws and regulations, but also to protect the Company's reputation, employees, and customers. Program effectiveness is periodically audited by the legal team and also reviewed / audited by internal audit and reported to the audit committee.

#### **4. Technology Related Risks**

##### **Risk**

HCL operates in an ever evolving and dynamic technology environment and therefore, it becomes important for the Company to continuously review and upgrade its technology, resources and processes to mitigate technology obsolescence.

##### **HCL Strategy**

The Company is not dependent on any single technology or platform. HCL has developed competencies in various technologies, platforms and operating environments and offers a wide range of technology options to clients to choose from, for their business needs.

HCL leadership ensures that the delivery teams of various Lines of Business (LoB) sustain industrialization of processes, frameworks, tools and upgrades technical training, in addition to synergising Transformational initiatives across the organization.

- The Delivery / Quality Assurance (QA) teams drive definition and implementation of new practices and frameworks for efficient and effective delivery of products and services. The Delivery Assurance function also ensures that the above are implemented consistently, in addition to reviewing the risks, and suggests appropriate mechanisms to address the same.
- HCL has structured Centers of Excellence (CoE) to conduct research and define methods, processes and tools.
- The Quality team drives continuous process improvements aligning with mature and evolving international process standards and certifications.
- The Tools team identifies appropriate tools, develops new tools and supports the tools deployed and also provides consulting and tools - related training to project teams.
- HCL designated teams, through New Business process, evaluate the technology and other risks related to new opportunities and recommends appropriate mechanisms to mitigate them on a regular basis.
- The Talent Development Group supports the Technical Training team (called TechCEED) which focuses on Competency Enhancement to continually upgrade the technical competency of the delivery teams and manages the Learning Management System.

In addition to the in-house training and development initiatives, the Company keeps itself abreast and updated on the contemporary developments in the technology landscape through participation in key technology forums and conferences.

This construct ensures a consistent and sustained focus on improving quality, productivity and predictability of delivery governed by six principles - standardization, lean process, tools and automation, creating a pool of skilled people, knowledge management and continuous improvement.

#### **5. Competition Related Risks**

##### **Risk**

The focus of traditional IT services is moving towards business solutions and digital-business enablement. As companies recognize the critical role of technology as an enabler of business, the risk of expansion of global in-house IT centers of large enterprises as well as new entrants in the market also increases. Providers with new technologies such as digital, mobility, analytics, automation and cloud-enabled delivery models, as well as business consulting providers, are further adding to the competition. This is making it necessary for IT service providers to continuously innovate and adapt to the changing buying behavior of their customers.

##### **HCL Strategy**

HCL's strategy of focusing on growth, employee - driven innovation, customer satisfaction and unique positioning in the marketplace has further improved its competitive standing. As technology becomes the core of the business, HCL is focusing on specific areas to meet the changing business needs of 21<sup>st</sup> century enterprises.

HCL's BEYONDigital™ designs, builds and operates the 21<sup>st</sup> century enterprises by innovating, transforming business process experiences, orchestrating platforms, building intuitive smart applications and continuously innovating to deliver a united experience & business value for enterprises. IoT WORKS by HCL is the Internet of Things (IoT) Services unit of HCL Technologies. It allows organizations to experience IoT functioning in their business context, creating entirely new services that deliver measurable business outcomes. These experiences will have an increasing role in differentiating enterprises and positioning them for the 21<sup>st</sup> century. HCL's Next-Gen ITO offerings enable enterprises to create a lean and agile landscape by delivering integrated applications and infrastructure services, powered by HCL's strengths in automation, artificial intelligence and cloud services.

Further, an employee-driven innovation culture has enabled HCL to drive customer delight. HCL's unique organizational culture of Ideapreneurship has put employees at the forefront of innovation wherein they ideate and design solutions to solve customers' operational and business challenges.

#### **6. Physical Security**

##### **Risk**

Risk to human life and assets due to high incidence of terror attacks continue to remain a major risk for companies. The impact would be more on service companies due to manpower intensive business model applicable to IT/ ITeS companies and greater time sensitivity of operations. While most countries are