

Q1FY13 Result Preview

| | |
|------------------------|------------------------------|
| Date | 5 th October 2012 |
| CMP | ₹582.25 |
| Target Price | N.A. |
| 52 week High / Low | 597.00/374.00 |
| Equity | ₹137.74cr |
| Face Value | ₹2.00 |
| Mkt. Capitalization | ₹23742.00cr |
| Avg. Daily Vol. (12 M) | 827000 |
| BSE – SENSEX | 18930.79 |
| NSE – NIFTY | 5743.65 |
| NSE Code | HCLTECH |
| Bloomberg Code | HCIT IN |
| BSE Code | 532281 |

Shareholding Pattern @ 31-06-12

| | |
|----------------------|--------|
| Promoters | 62.24% |
| DI/MFs | 9.51% |
| Foreign Institutions | 19.97% |
| Public & Others | 8.28% |

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HCL Technologies Ltd.

How The Quarter Looks Like?

Decision Delay Expected To Push Revenue Growth Down

HCL Technologies' topline in Q1FY13 is expected to register 3.43% sequential growth to reach \$1117mn. Software services segment is expected to grow by 2.74% sequentially and Infrastructure services segment is expected to register sequential growth of 5.50% mainly backed by ramp up of past won deals. We believe, BPO segment would also register 2.85% growth sequentially as the complete benefit of post restructuring would be coming in this quarter.

Some Pressure on Margin Expected

The company is expected to face some pressure on margins due to increased onsite hiring and wage hike. We believe, operating margin for Q1FY13 would remain at 17.84% against 19.40% in the previous quarter. But, this would be much higher than the company's expected EBIT margin target of 14% thanks to INR depreciation against USD. Going forward, with appreciation of INR, EBIT margin is expected remain under pressure.

Strong Order Book Would Help To Grow Faster

HCL Has \$2.5bn of order-book position and ramp up of those earlier won deals would help the company to register better performance as compared to the other big peers. The company also has \$1bn of deal wins in the BFSI sector and they are not experiencing much pressure of IMS spending by the global banks. Although, there are some pressure on the IT spending by the banks in USA, but, HCL has only 25% exposure to US banking space and hence not experiencing much of pressure.

Aggressive Client Focused Strategies Yielded Results

HCL announced very strong deal wins during the quarter mainly in total IT outsourcing and BPO space. The company's immense focus on the combined Application and Infrastructure deals yielded results. During forth quarter, HCL won IMS contract from Norway-based Statoil and combined IT outsourcing contract from US insurance group GAIG. Some of the other important deals are; five-year IT infrastructure outsourcing deal worth \$300 million with Finland based UPM, and multi-year outsourcing contract with UBS.

Result Expectation

| | Q1FY13E | Q4FY12A | QoQ | Q1FY12A | YoY |
|------------------|----------|---------|--------|---------|--------|
| Revenue (\$ MN) | 1,116.59 | 1079.60 | 3.43% | 1002.20 | 11.41% |
| Revenue (₹. Cr) | 6,163.60 | 5919.10 | 4.13% | 4651.30 | 32.51% |
| EBIT (₹. Cr) | 1,099.81 | 1148.50 | -4.24% | 664.00 | 65.63% |
| -Op. Margin (%) | 17.84% | 19.40% | - | 14.28% | - |
| PAT (₹. Cr) | 817.05 | 854.10 | -4.34% | 496.80 | 64.46% |
| - Net Margin (%) | 13.26% | 14.43% | - | 10.68% | - |
| EPS (₹) | 11.67 | 12.15 | -3.93% | 7.10 | 64.46% |

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