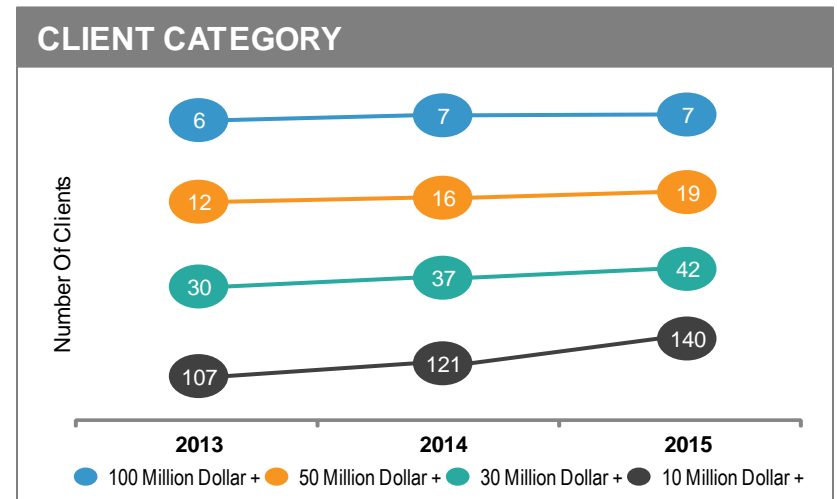# HCL TECHNOLOGIES

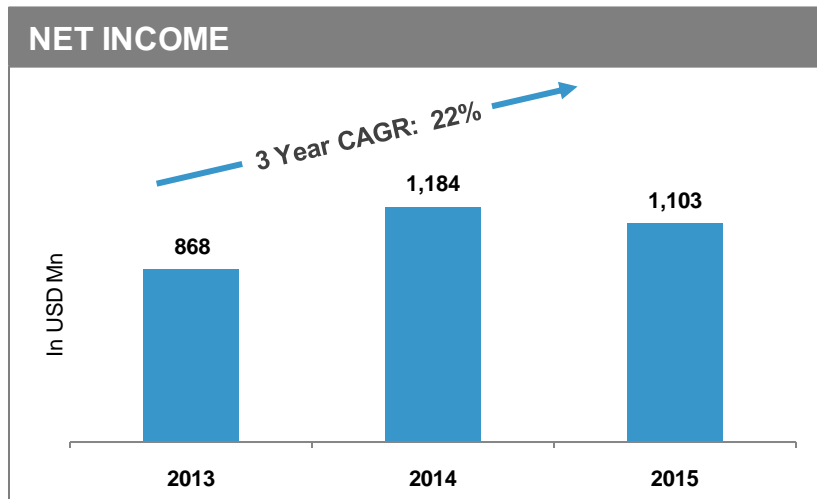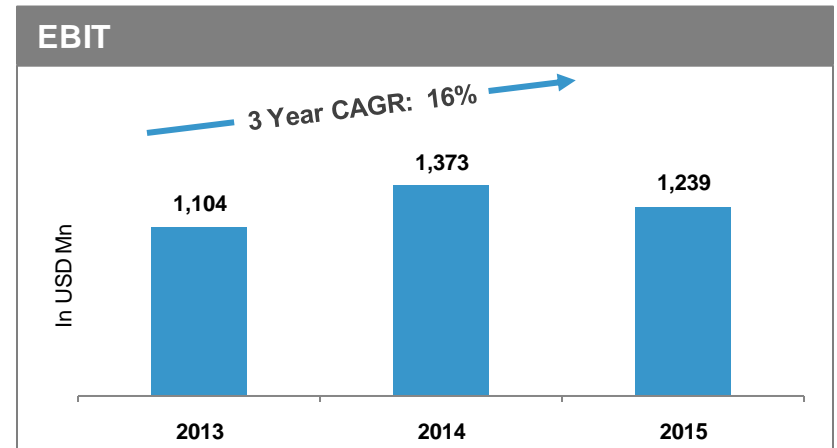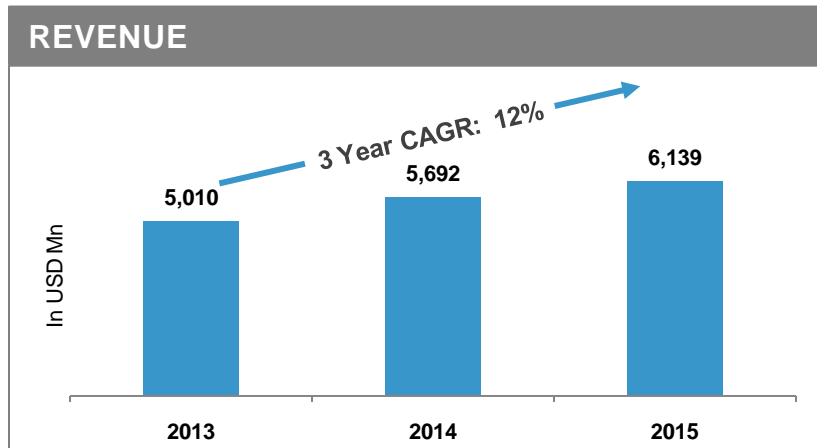**EARNINGS PRESENTATION | SECOND QUARTER FY'16**

Performance Snapshot

ANANT GUPTA

HCL

PERFORMANCE TRENDS
(CALENDAR YEAR BASIS)

REVENUE

3 Year CAGR: 12%

In USD Mn

2013	2014	2015
5,010	5,692	6,139

EBIT

3 Year CAGR: 16%

In USD Mn

2013	2014	2015
1,104	1,373	1,239

NET INCOME

3 Year CAGR: 22%

In USD Mn

2013	2014	2015
868	1,184	1,103

CLIENT CATEGORY

Number Of Clients

	2013	2014	2015
100 Million Dollar +	6	7	7
50 Million Dollar +	12	16	19
30 Million Dollar +	30	37	42
10 Million Dollar +	107	121	140

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CONSISTENT AND BROAD BASED GROWTH
REVENUE GROWTH (IN CONSTANT CURRENCY)

GROWTH ENGINES	
Broad based Growth	
Geo Drivers	Europe, Americas
Growth Services	Engineering and R&D Services, Infrastructure Services
Growth Verticals	Life Sciences & Healthcare, Telecom and MP&E, Public Services, Retail & CPG

Growth in US$	31-Dec-15	
	QoQ	CY (YoY)
Revenues	**2.1%**	**13.5%**
Americas	5.5%	13.8%
Europe	-2.4%	15.1%
ROW	-3.4%	7.9%
Application Services	2.0%	6.4%
Infrastructure Services	3.4%	16.4%
Business Services	8.0%	23.9%
Engineering and R&D Services	-1.5%	23.0%
Financial Services	1.9%	10.1%
Manufacturing	-1.3%	12.3%
Life Sciences & Healthcare	0.3%	27.7%
Public Services	8.4%	17.8%
Retail & CPG	10.3%	12.6%
Telecommunications, Media, Publishing & Entertainment	3.4%	23.6%

Note: Public Services include Oil & Gas, Energy & Utilities, Travel - Transport - Logistics and Government.

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STATE OF THE MARKET

Gartner: IT Services Market to Grow 3.8% in 2016 in Constant Currency

IT Services Growth Rates (CY Basis)	2015	2016	2017
Constant Currency	3.6%	3.8%	4.0%
Reported USD	-4.5%	3.1%	4.1%

Source: Gartner Report "Forecast: IT Services, Worldwide, 2013-2019, 4Q15 Update " authored by Kathryn Hale, Allie Young, Lai-ling Lam, Jacqueline Heng, Cathy Tornbohm, Fred Ng

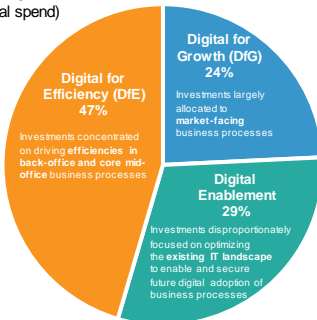**USD Appreciation Impacts Reported Currency Growth**

Key Industry Predictions for 2016 and Beyond

1. By 2017, 40% of services managed by IT will be business services oriented to augmented experience and smart products.

2. By 2018, six billion connected things will be requesting support.

3. By 2020, autonomous software agents outside of human control will participate in five percent of all economic transactions.

4. By 2020 almost 50% of IT budgets will be tied into DX (Digital Transformation) initiatives

Source: Gartner; Forbes (IDC Predictions)

Digitalization: Impacts Spending Across Front, Middle and Back–Office

Digital technology adoption trends –
Average digital spend
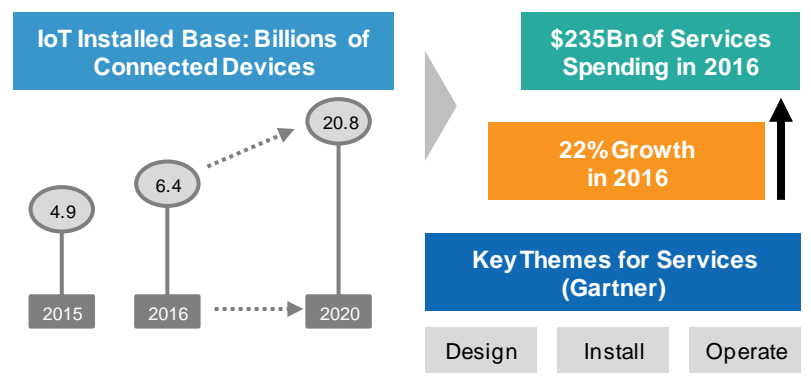(% of total digital spend)

Digital for Efficiency (DfE) 47%
Investments concentrated on driving efficiencies in back-office and core mid-office business processes

Digital for Growth (DfG) 24%
Investments largely allocated to market-facing business processes

Digital Enablement 29%
Investments disproportionately focused on optimizing the existing IT landscape to enable and secure future digital adoption of business processes

North America Digital Spending Trends (Everest)

- Back Office: 47% for Efficiency

- Middle Office: 29% for Digital Enablement
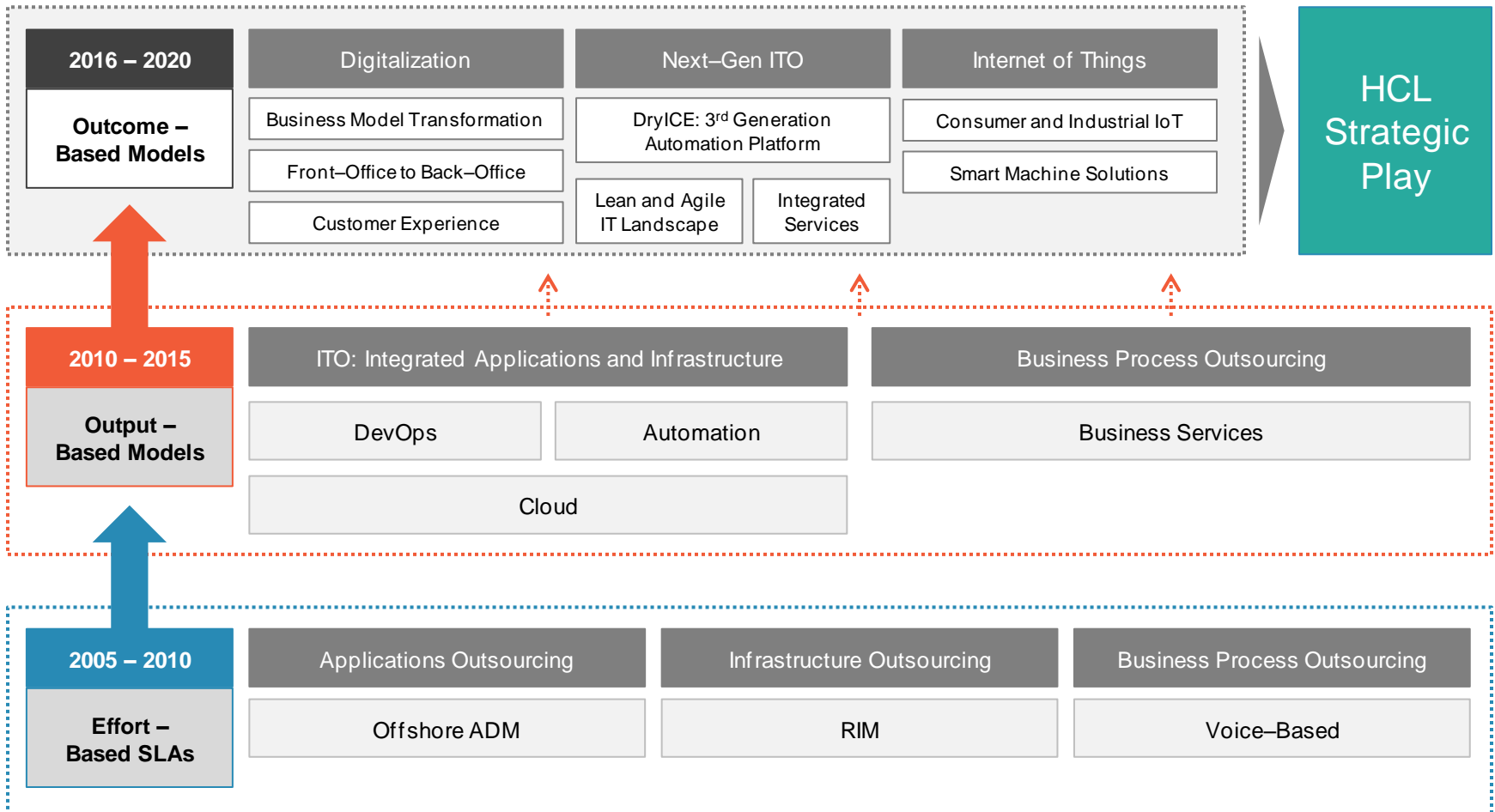
- Front Office: 24% for Growth

Source: Everest

IoT: 6.4Bn Connected Devices in 2016 Leading to $235Bn Services Spending

IoT Installed Base: Billions of Connected Devices

2015	2016	2020
4.9	6.4	20.8

$235Bn of Services Spending in 2016

22% Growth in 2016

Key Themes for Services (Gartner)

Design	Install	Operate

Source: HCL Analysis/Gartner

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HCL – BUSINESS AND IT SERVICES STRATEGIC PLAY

2016 – 2020	Digitalization		Next–Gen ITO		Internet of Things	
Outcome – Based Models	Business Model Transformation		DryICE: 3rd Generation Automation Platform		Consumer and Industrial IoT	
	Front–Office to Back–Office				Smart Machine Solutions	
	Customer Experience		Lean and Agile IT Landscape	Integrated Services		

HCL Strategic Play

2010 – 2015	ITO: Integrated Applications and Infrastructure		Business Process Outsourcing
Output – Based Models	DevOps	Automation	Business Services
	Cloud		

2005 – 2010	Applications Outsourcing	Infrastructure Outsourcing	Business Process Outsourcing
Effort – Based SLAs	Offshore ADM	RIM	Voice–Based

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Performance Snapshot

RAHUL SINGH

Financial Services

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PERFORMANCE SNAPSHOT
FINANCIAL SERVICES – HIGHLIGHTS

Quarterly Performance Highlights

Revenue Growth	31-Dec-15		
(Constant Currency)	QoQ	YoY	CY YoY
Financial Services	1.9%	8.3%	10.1%

Quarterly Performance Drivers

- Adoption of Digital and FinTech innovations, key themes driving New investments from FSIs
- Continued Focus on vendor consolidation addressed by offering de-risked transitions and compelling commercials
- Investments in near–shore delivery centers, co-innovation labs
- Redefining Next–gen services propositions to enhance value:
  - Efficiency–based alternate propositions – ALT ASM offering ALT AD offering, EOF, Legacy Modernization
  - Next–Gen ITO: Integrated Service Capabilities

Disruptions for Business

- Emergence of FinTech companies with disruptive models such as T2C – driving the need to collaborate and engage with them
- Increasing speed of adoption of digitalization for banking and insurance companies
- On the IT operations side, key disruptions are automation, artificial intelligence, cloud.
- Flexibility in delivery with Agile/Distributed/Scalable solutions
- Changing outsourcing preferences (Gen 3 vs Gen 2 and Gen 1)

HCL Differentiators

- Building Co-innovation Ecosystem; collaborations and partnerships
- Innovation – Digital, unified experience labs
  - Adopting Beyond Digital Frameworks: United Experience Labs, Managed Experience, Xperience Platform, Service Xchange
- Efficiency based next-gen services propositions – ALT ASM offering, ALT AD offering, EoF, DryICE
- Transformational focus – modern applications, legacy modernization, VSI and IoT
- Outcome–linked flexible engagement constructs - Customized engagement models
- HCL's RBTC Philosophy

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Performance Snapshot

C VIJAY KUMAR

Infrastructure Services

HCL

PERFORMANCE SNAPSHOT
INFRASTRUCTURE SERVICES – HIGHLIGHTS

Quarterly Performance Highlights

Revenue Growth	31-Dec-15		
(Constant Currency)	QoQ	YoY	CY YoY
Infrastructure Services	3.4%	13.4%	16.4%

Won several engagements last quarter including large deals with end to end Infrastructure Transformation & Management:

- F500 US based manufacturer & marketer of personal care products.
- F500 US based leading medical technology company.
- Expansion in a South African integrated oil and chemical company.

Quarterly Performance Drivers

- Gained momentum in NORAM through transformation driven total outsourcing engagements.

- Growth in Gen 2.0 outsourcing deals with matured value propositions in this segment.

- Well positioned in Nordics market and is a partner of choice for increasing number of customers.

Disruptions for Business

- Digital spending continues to increase with more and more clients looking for digital transformation partner and walking the path of digital transformation.

- Hybrid Cloud Adoption continues to accelerate globally, with clients expecting more agility and Flexibity across services.

HCL Differentiators

- DryICE framework emerging as key differentiator on Cognitive and Robotics Process Automation for 21st Century Enterprises.

- Software Defined Infrastructure solution center launched to enable Next Gen Infrastructure solutions and technologies.

- Continued Focus on Partnerships / 360 Degree relationships for joint market penetration and increased business.

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Financial Analysis

ANIL CHANANA

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PROFIT & LOSS STATEMENT (USD)

Q2, FY'16

- Revenue at **US$ 1,566 Mn; up 1.4% QoQ** in reported currency
- Constant currency revenue growth at **2.1% QoQ** and **13.5%** on **CY YoY**
- EBIT at $ 314 Mn, up by 5.0% QoQ
- Annualized GAAP EPS (Diluted) – **INR 54**

Income Statement (US GAAP – US$ Mn)	31-Dec-14	30-Sep-15	31-Dec-15	Growth YoY	Growth QoQ
Revenue	1,491	1,545	1,566	5.1%	1.4%
Gross Profits	551	513	541		
SG & A	179	193	204		
EBITDA	372	320	337		
Depreciation & Amortization	17	21	23		
EBIT	355	299	314	-11.5%	5.0%
Forex & Other Income (Net)	34	37	54		
Earnings before Tax (EBT)	389	336	368		
Tax	82	72	77		
Net Income	308	264	291	-5.4%	10.3%
EPS (Diluted) – Annualized – In INR	54	49	54		

Margins	31-Dec-14	30-Sep-15	31-Dec-15
Gross Margin	37.0%	33.2%	34.6%
EBITDA Margin	25.0%	20.7%	21.5%
EBIT Margin	23.8%	19.4%	20.0%
Net Margin	20.6%	17.1%	18.6%

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HEDGE DETAILS

(US$ Mn)	30-Sep-15	31-Dec-15
Total Hedges	**1,268**	**1,127**
Balance Sheet Hedges	**296**	**240**
Cash Flow Hedges	**972**	**887**
Less than or equal to 1 Year	818	730
More than 1 Year	154	157
Rate (USD/INR)		
Booked Rate (Forward)	66.57	66.97
Less than 1 Year	65.73	66.24
More than 1 Year	68.30	68.97
MTM Rate applied	68.71	69.05
Mix – Instrument wise		
Forwards	529	449
Options	739	678
Mix – Currency wise (Cash Flow Hedges only)		
USD / INR	819	722
GBP / INR	60	71
Euro / INR	75	72
AUD/ INR	7	10
CHF/ INR	6	7
SEK/ INR	5	5

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FOREX GAIN/ LOSS & OCI

FX Gain/ Loss for the Quarter	
in US$ Mn	31-Dec-15
Cash flow hedge loss (A)	(1.1)
Net gain on Foreign currency exposure (B)	2.8
TOTAL (A) + (B)	1.7

OCI Position as of Dec'15	
in US$ Mn	31-Dec-15
OCI (Upto 12 months)	(2.0)
OCI (Greater than 12 months)	(3.7)
TOTAL (before Tax benefit)	(5.7)

Fx Gain/ Loss –Mar '16 quarter estimate	
in US$ Mn	Estimated for Q.E Mar'16 *
Revenue Hedges covers for next quarter	224
Booked Rate Forward (USD)Covers	65.59
Spot Rate at the end of the quarter	66.15
* Estimated Forex impact for Q.E Mar'16 @ Dec15 closing rate	0.3

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TAX PROVISION

EFFECTIVE TAX RATE ESTIMATED FOR FY'16 IS 21%-22% AND FY'17 IS 22%-23%

Particulars (US$ Mn)	FY '15	6 Months Ended Dec '15
Total Tax Expense	306	149
Earnings before Tax	1,470	704
Effective Tax Rate	**20.8%**	**21.2%**

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