

HCL Technologies

Performance Highlights

(₹ cr)	1QFY12	4QFY11	% chg (qoq)	1QFY11	% chg (yoy)
Net revenue	4,651	4,300	8.2	3,708	25.4
EBITDA	795	794	0.1	603	31.8
EBITDA margin (%)	17.1	18.5	(138)bp	16.3	82bp
PAT	497	511	(2.7)	331	50.2

Source: Company, Angel Research

For 1QFY2012, HCL Technologies (HCL Tech) reported lower-than-expected results. Volume growth during the quarter was modest at 5.1% qoq. The company signed 12 transformational deals during the quarter. Management has indicated that deal bookings will be higher in 4QCY2011 as compared to 9MCY2011, which is indicated by TPI data – according to which ~US\$8bn of restructuring deals are coming for renewals in OND2011. HCL Tech has been a beneficiary of the return in demand for enterprise services, and we expect it to ride on spending on discretionary services. **We maintain our Buy rating on the stock.**

Quarterly highlights: For 1QFY2012, HCL Tech reported revenue of US\$1,002mn, up 4.1% qoq, on the back of 5.1% qoq volume growth (volume growth of 4.0% qoq in core software services and 5.8% qoq in infrastructure services). EBITDA and EBIT margins declined by 138bp and 120bp qoq to 17.1% and 14.3%, respectively, because of 200bp negative impact due to wage hikes given during the quarter – this impact was partially absorbed by qoq depreciating INR against USD. PAT came in at ₹497cr, negatively affected by ₹18cr forex loss.

Outlook and valuation: Management is witnessing a strong demand environment and has signed 12 transformational deals in 1QFY2012 itself on the back of 20 sign-offs in 4QFY2011. We expect HCL Tech to be the outperformer among tier-I IT companies, with USD and INR revenue CAGR of 19.6% and 20.6%, respectively, over FY2011–13E, on the back of its higher-value services portfolio. At the operating front, levers such as 1) managing SG&A, 2) expanding utilization and 3) turnaround in the BPO segment are expected to improve margins. Thus, we expect EBITDA to grow at a 22.5% CAGR over FY2011–13E. PAT, on the other hand, is expected to post a much higher CAGR of 27.7%, with improving profitability, forex gains on hedges and treasury gains. **We maintain our Buy rating on the stock with a target price of ₹545.**

Key financials (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Net sales	10,630	12,564	16,034	20,128	23,323
% chg	39.2	18.2	27.6	25.5	15.9
Net profit	1,277	1,302	1,709	2,458	2,729
% chg	13.6	2.0	31.3	43.8	11.0
EBITDA margin (%)	22.1	20.5	17.1	18.8	17.7
EPS (₹)	18.8	18.9	24.5	35.1	38.9
P/E (x)	21.3	21.2	16.4	11.4	10.3
P/BV (x)	4.8	3.9	3.3	2.7	2.3
RoE (%)	22.5	18.5	20.3	24.2	22.4
RoCE (%)	14.9	15.3	15.4	20.6	20.6
EV/Sales (x)	2.7	2.2	1.7	1.4	1.1
EV/EBITDA (x)	12.3	10.9	10.0	7.2	6.4

Source: Company, Angel Research

BUY

CMP	₹401
Target Price	₹545

Investment Period	12 Months
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Stock Info

Sector	IT
Market Cap (₹ cr)	27,439
Beta	1.1
52 Week High / Low	528/360
Avg. Daily Volume	97,844
Face Value (₹)	2
BSE Sensex	16,748
Nifty	5,038
Reuters Code	HCLT.BO
Bloomberg Code	HCLT@IN

Shareholding Pattern (%)

Promoters	64.4
MF / Banks / Indian Fls	6.1
FII / NRIs / OCBs	21.4
Indian Public / Others	8.2

Abs. (%)	3m	1yr	3yr
Sensex	(9.5)	(17.0)	67.9
HCL Tech	(20.4)	(10.1)	155.8

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Exhibit 1: 1QFY2012 performance (Consolidated, US GAAP)

Y/E June (₹ cr)	1QFY12	4QFY11	% chg (qoq)	1QFY11	% chg (yoy)	FY2011	FY2010	% chg (yoy)
Net revenue	4,651	4,300	8.2	3,708	25.4	16,034	12,564	27.6
Cost of revenue	3,187	2,906	9.7	2,535	25.7	10,914	8,196	33.2
Gross profit	1,464	1,393	5.1	1,173	24.8	5,120	4,369	17.2
SG&A expense	669	599	11.7	570	17.4	2,371	1,796	32.0
EBITDA	795	794	0.1	603	31.8	2,749	2,573	6.8
Dep. and amortisation	131	129	1.6	125	4.7	498	501	(0.7)
EBIT	664	665	(0.2)	478	38.8	2,251	2,072	8.7
Other income	24	7		1		26	(55)	
PBT	688	672	2.3	479	43.6	2,277	2,017	12.9
Income tax	173	170	1.7	82	109.7	485	240	101.9
PAT	515	502	2.5	396	29.9	1,791	1,778	0.7
Forex loss	(18)	8	(315.7)	(66)	(72.7)	(82)	(481)	(83.0)
Adjusted PAT	497	511	(2.7)	331	50.2	1,709	1,302	31.3
EPS	7.1	7.3	(2.7)	4.8	48.7	24.5	18.9	29.5
Gross margin (%)	31.5	32.4	(93)bp	31.6	(16)bp	31.9	34.8	(284)bp
EBITDA margin (%)	17.1	18.5	(138)bp	16.3	82bp	17.1	20.5	(333)bp
EBIT margin (%)	14.3	15.5	(120)bp	12.9	138bp	14.0	16.5	(245)bp
PAT margin (%)	10.6	11.9	(123)bp	8.9	171bp	10.6	10.4	23bp

Source: Company, Angel Research

Exhibit 2: 1QFY2012 – Actual vs. Angel estimates

(₹ cr)	Actual	Estimate	Variation (%)
Net revenue	4,651	4,671	(0.4)
EBITDA margin (%)	17.1	16.5	61bp
PAT	497	495	0.5

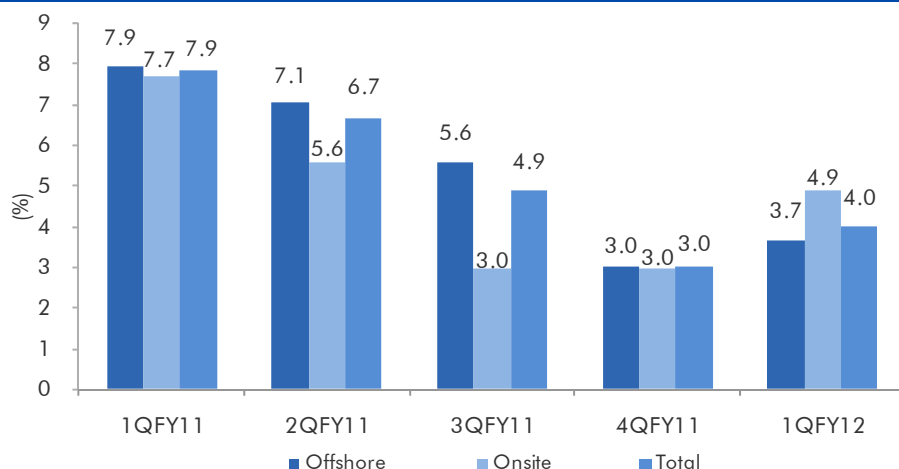
Source: Company, Angel Research

Modest revenue growth

For 1QFY2012, HCL Tech reported revenue of US\$1,002mn, up 4.1% qoq, on the back of 5.1% qoq volume growth. Cross currency movement impacted the USD revenue by 1.0% qoq. Pricing remained flat during the quarter. In constant currency (CC) terms, revenue grew by 5.1% qoq to US\$1,011.8mn. The company crossed the US\$1bn mark for quarterly revenue. Growth again proved to be broad-based, spanning across almost all verticals, geographies and service lines.

HCL Tech's revenue growth was led by modest volume growth of 4.0% in core software services and USD revenue growth of 5.8% qoq in CC terms in infrastructure services. Volume growth of 4.0% qoq in core software services was on account of 3.7% and 4.9% qoq volume growth offshore and onsite, respectively.

Exhibit 3: Volume growth trend (Effort wise)



Source: Company, Angel Research

In INR terms, revenue came in at ₹4,651cr, up 8.2% qoq; higher growth as against USD revenue growth was due to qoq INR depreciation against USD.

Core software continues its growth momentum: During the quarter, core software services posted decent 4.5% qoq revenue growth (USD terms) to US\$709.4mn, led by 4.0% qoq volume growth. This was on the back of USD revenue growth of 8.6% and 7.3% (CC terms) in engineering and R&D services (ERD) (contributed 18.6% to revenue) and custom application services (contributed 32.4% to revenue). Revenue from EAS posted a 0.6% qoq decline in USD revenue (CC terms). In ERD, the company is witnessing traction from areas like auto-infotainment, mobility, sustainability and cloud. Hi-tech and aerospace continue to drive IT spends in the ERD space with energy and utilities showing initial signs of growth.

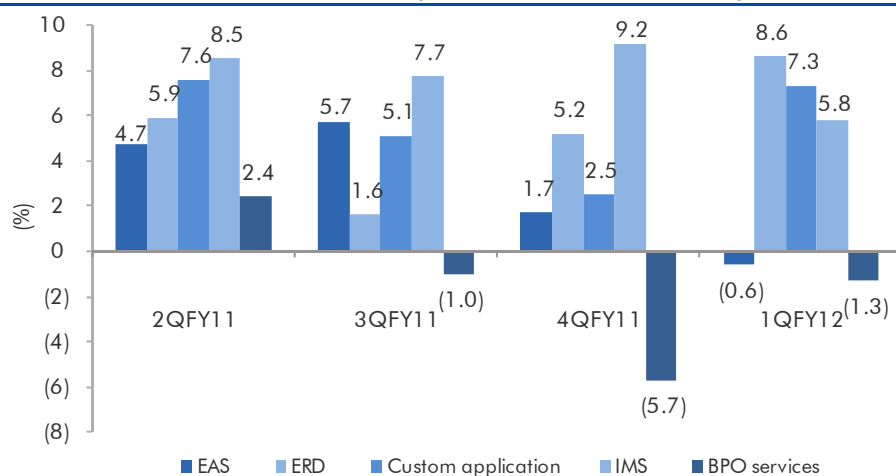
Infrastructure services maintain its growing trajectory, albeit at a slower pace: The infrastructure services segment reported 4.3% qoq growth in revenue (USD terms) to US\$246.3mn on the back of modest 5.8% qoq growth (CC terms) in infrastructure management services (IMS), contributing 24.6% to revenue. Cross-currency movement negatively affected IMS revenue by 1.5%. Currently, the segment is witnessing continued demand traction for technology and operational transformation outsourcing as well as system integration. Continental Europe and emerging markets are focusing on reducing operations cost, which is driving transformational outsourcing.

BPO declines: The BPO segment, which has returned to its growth path in 1HCY2011, again posted a decline in revenue by 2.5% qoq to US\$46.5mn. In CC terms, the segment reported a 1.3% qoq decline in revenue. The demand environment is heating up as clients are looking at globalization of delivery capabilities, which is driving transformation and enterprise-wide cost efficiency. The company is continuously investing in building platforms for non voice-based businesses in this segment. Demand is seen in areas of cloud, mobility, social media and multi-tower end-to-end process data. The company is expected to invest US\$5mn–6mn every quarter in BPO services until CY2011 and BPO is expected to breakeven from CY2012.

Exhibit 4: 1QFY2012 performance (Segment wise)

(US\$ mn)	1QFY12	4QFY11	% chg qoq	1QFY11	% chg yoy
SOFTWARE SERVICES					
Revenue	709	679	4.5	576	23.2
Gross profit	238	235	1.3	199	19.8
Gross margin (%)	33.6	34.7	(106)bp	34.5	(96)bp
EBITDA	128	132	(3.7)	103	23.7
EBITDA margin (%)	18.0	19.5	(153)bp	17.9	6bp
EBIT	109	114	(4.0)	85	28.4
EBIT margin (%)	15.4	16.8	(137)bp	14.8	62bp
INFRASTRUCTURE SERVICES					
Revenue	246	236	4.3	180	36.8
Gross profit	68	68	0.3	47	44.7
Gross margin (%)	27.5	28.6	(109)bp	26.0	149bp
EBITDA	45	46	(4.1)	32	39.1
EBITDA margin (%)	18.1	19.6	(158)bp	17.8	29bp
EBIT	37	39	(4.9)	26	44.5
EBIT margin (%)	15.0	16.5	(145)bp	14.2	80bp
BPO SERVICES					
Revenue	46	48	(2.5)	48.1	(3.4)
Gross profit	10	9	4.3	9	10.3
Gross margin (%)	20.7	19.3	135bp	18.1	256bp
EBITDA	(1)	(1)	(22.2)	(4)	(83.3)
EBITDA margin (%)	(1.5)	(1.9)	38bp	(8.7)	723bp
EBIT	(3)	(4)	(12.8)	(7)	(52.1)
EBIT margin (%)	(7.3)	(8.2)	87bp	(14.8)	745bp

Source: Company, Angel Research

Exhibit 5: Revenue growth trend (Service wise in CC terms)


Source: Company, Angel Research

HCL Tech's anchor industry segments, financial services (contributed 25.1% to revenue) and manufacturing (contributed 29.0% to revenue) continued their growth momentum and reported 2.1% and 8.2% qoq growth (CC terms) in revenue, respectively. In the financial services space, IT-related spend is coming from work related to regulatory compliance, risk prevention and data analytics. Demand in the manufacturing space is coming for business needs related to operational efficiency, cost reduction and product development. Also, in the manufacturing segment, pent-up demand is seen for transformation projects related to digital transformation, mobility and multi-channel commerce in the US and Europe.

The retail and consumer product group (CPG) vertical emerged as the company's primary growth driver, with its revenue growing by 12.0% qoq (CC terms). In addition, the energy, utilities and public sector (EPU) segment and the media, publishing and entertainment (MPE) segment posted revenue growth of 1.6% and 0.4% qoq (CC terms), respectively. However, the telecom vertical again reported a decline in revenue by 2.0% qoq (CC terms), respectively, in 1QFY2012. Management has indicated that the energy and utilities vertical will rebound from the next quarter, but telecom will continue to witness some systemic softness in IT spending.

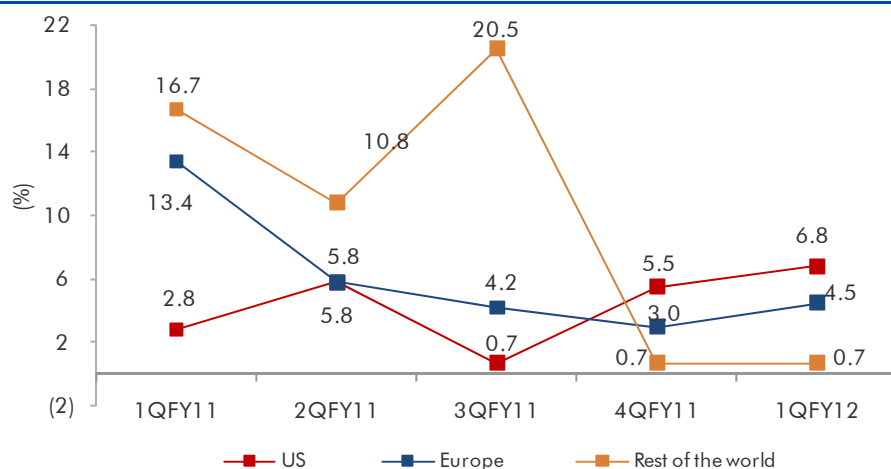
Exhibit 6: Revenue growth trend (Industry wise in CC terms)

Growth by vertical (%)	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Financial services	7.2	3.3	10.5	2.0	2.1
Manufacturing	7.9	6.7	6.1	7.6	8.2
Telecom	7.2	5.0	(0.3)	(8.3)	(2.0)
Retail and CPG	11.2	14.2	(0.4)	(5.2)	12.0
MPE	1.3	6.0	1.7	11.7	0.4
Healthcare	10.5	7.1	0.5	2.9	-
EPU	6.5	12.3	6.3	18.7	1.6
Others	4.5	4.8	1.3	5.5	23.1

Source: Company, Angel Research

During the quarter, HCL Tech reported growth across all geographies. Revenue from North America and Europe grew by 6.8% qoq and 4.5% qoq (CC terms), respectively, while rest of the world posted just 0.7% qoq growth (CC terms).

Exhibit 7: Revenue growth trend (Geography wise in CC terms)



Source: Company, Angel Research

Hiring spree continues

During the quarter, HCL Tech added 9,311 gross employees, of which 6,170 were lateral additions. The company added 3,474 net employees, taking its total employee base to 80,520.

In the core software services segment, 5,343 gross and 3,053 net employees were added during the quarter, taking the segment's total employee base to 53,271. Gross lateral employee addition in this segment stood robust at 2,602, which indicates that the company is witnessing a strong deal pipeline. Attrition rate for the core software services segment declined by 50bp qoq to 15.8% (LTM basis) during the quarter.

The infrastructure services segment, which has been growing at a scorching pace since the last few quarters, reported net addition of 783 employees in 1QFY2012, taking the segment's total employee base to 17,050. Gross addition in the segment stood at 1,584 employees, of which 1,184 were laterals. Attrition rate for this segment declined by 60bp qoq to 16.4% (LTM basis).

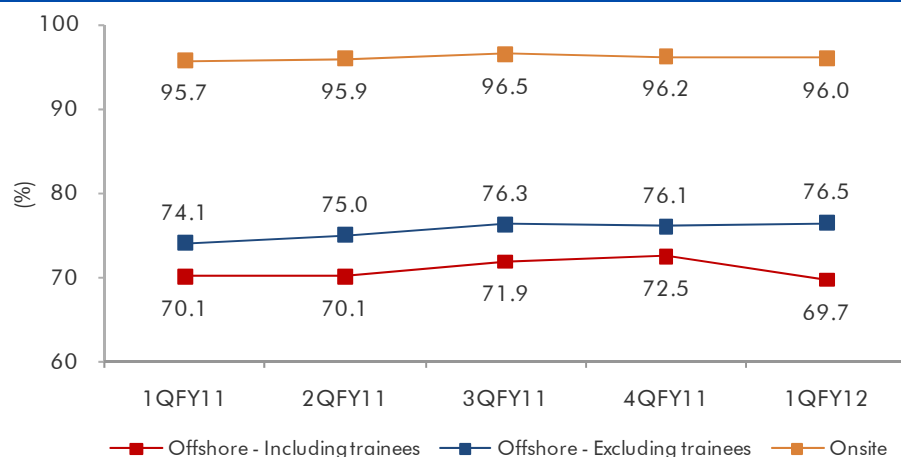
The BPO segment again witnessed employee rationalization in 1QFY2012, reporting a reduction of 362 net employees, taking the segment's total employee base to 10,199. However, the company added 2,384 gross employees (all laterals) in the BPO segment during the quarter. The quarterly offshore attrition rate for this segment declined by 70bp qoq to 8.5% during the quarter.

Exhibit 8: Hiring trend (Net addition, Service wise)

	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Net additions					
Software services	4,347	1,475	867	2,416	3,053
Infrastructure services	980	784	750	1,533	783
BPO	334	(210)	(464)	(323)	(362)
Total employees					
Software services	45,460	46,935	47,802	50,218	53,271
Infrastructure services	13,200	13,984	14,734	16,267	17,050
BPO	11,558	11,348	10,884	10,561	10,199

Source: Company, Angel Research

Utilization level, offshore-excluding trainees, improved by 40bp qoq to 76.5% in 1QFY2012. Utilization level, offshore-including trainees and onsite, declined by 280bp and 20bp qoq to 69.7% and 96.0%, respectively. Management indicated that, going ahead, utilization level (including trainees) will inch up as trainees hired couple of quarters back will start turning billable, which can be an important lever to improve margins.

Exhibit 9: Utilization trend (%)


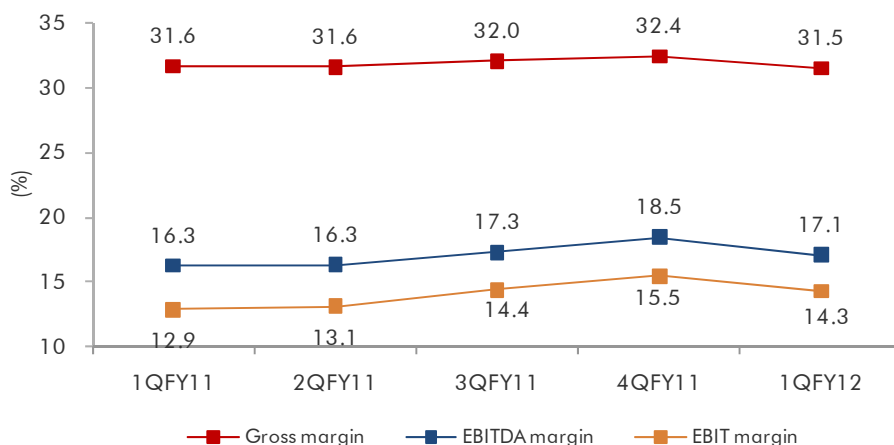
Source: Company, Angel Research

EBIT margin declines

During 1QFY2012, HCL Tech's EBITDA and EBIT margins declined by 138bp and 120bp qoq to 17.1% and 14.3%, respectively, because of wage hikes given from July 1, 2011, as well as a decline in utilization level (offshore – including trainees).

EBIT margin movement was because of the following factors: 1) 200bp negative impact due to wage hikes given, 2) 45bp negative impact due to the decline in revenue, 3) 102bp positive impact on account of INR depreciation against USD, 4) 53bp negative impact because of higher SG&A investments and 5) 84bp positive impact derived from higher operational efficiencies.

Exhibit 10: Margin profile

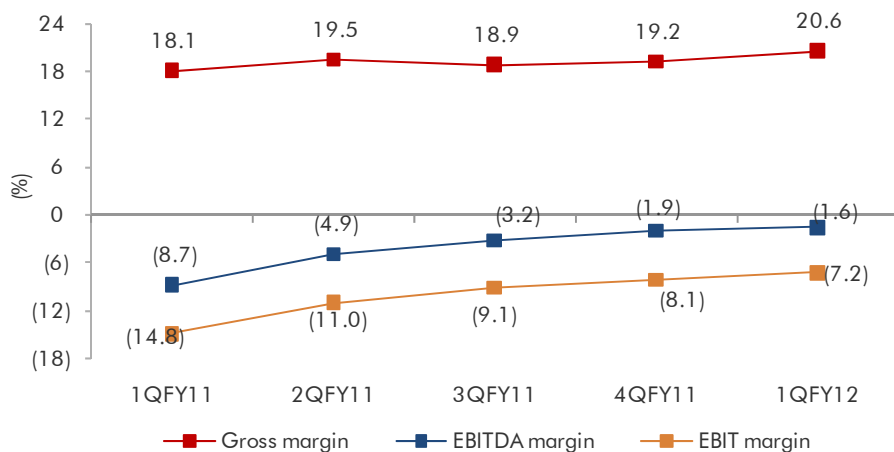


Source: Company, Angel Research

Going ahead, in 2QFY2012, the company expects margins to improve. For FY2012, the company expects its EBIT margin to remain flat yoy at 14.0%.

Segment wise, EBIT margin for core software services and infrastructure services decreased by 137bp and 145bp qoq to 15.4% and 15.0%, respectively, in 1QFY2012. The BPO segment again managed to pull up its gross margin by 135bp qoq to 20.6%. Also, at the EBITDA and EBIT level, the segment trimmed down its losses with margins improving by 38bp and 87bp qoq, respectively. The BPO segment is expected to breakeven in 1QCY2012.

Exhibit 11: BPO segment – Margin trend



Source: Company, Angel Research

Client pyramid strengthens

During the quarter, HCL Tech enhanced its client pyramid with the addition of 66 new clients. One client was added each in the US\$40mn-50mn and US\$20mn-30mn revenue brackets. Also, the company added four clients in the US\$10mn-20mn revenue bracket and three clients in the US\$5mn-10mn revenue bracket. Active client base of the company increased to 480 from 467 in 4QFY2011. The company's top clients also registered decent growth, with revenue from the top 5, top 10 and top 20 clients growing by 5.1%, 3.6% and 2.4% qoq (LTM basis), respectively.

The company won 12 transformational deals during the quarter. These deals span across all services lines and verticals.

Exhibit 12: Client pyramid

Particulars	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Active client relationship	426	434	453	467	480
New client relationship	48	46	58	70	66
US\$1mn-5mn	180	199	205	206	214
US\$5mn-10mn	48	46	49	53	56
US\$10mn-20mn	38	39	39	38	42
US\$20mn-30mn	12	12	12	13	14
US\$30mn-40mn	7	7	9	12	12
US\$40mn-50mn	1	2	2	1	2
US\$50mn-100mn	5	6	7	8	8
US\$100mn plus	1	1	1	1	1

Source: Company, Angel Research

Outlook and valuation

HCL Tech has recorded a 5.7% CQGR in revenue over the past four quarters. This is primarily on the back of discretionary services such as ERD and custom applications coming back strongly for the company, recording a CQGR of 5.6% and 6.6% over JAS2010-11, respectively. In addition, the company's anchor service line, infrastructure services maintained its growth momentum at an 8.23% CQGR over JAS2010-11. Verticals such as financial services, manufacturing and EPU have proved to be the growth drivers for the company. Also, geography wise, continental Europe has proved to be a strong spender vis-à-vis its peers because of a strong footprint gained in this geography post the acquisition of Axon.

Management is witnessing a strong demand environment and has signed 12 transformational deals in 1QFY2012 itself on the back of 20 sign-offs in 4QFY2011. Management indicated that the deals are out of vendor-churn exercises rather than any incremental spending. However, we believe, in such a competitive scenario where all companies are eyeing the existing pool of deals, an aggressive company like HCL Tech with end-to-end IT capabilities and a strong client mining ability will emerge as a front runner. We expect HCL Tech to be the outperformer among tier-I IT companies, with USD and INR revenue CAGR of 19.6% and 20.6%, respectively, over FY2011-13E, on the back of its higher-value services portfolio, which is set to address the current demand landscape. At the operating front, levers such as 1) managing SG&A, 2) expanding utilization levels

and 3) turnaround in the BPO segment on account of strong growth are expected to improve the company's margins. Thus, we expect EBITDA to grow at a 22.5% CAGR over FY2011–13E. PAT, on the other hand, is expected to post a much higher CAGR of 27.7%, with improving profitability, forex gains on hedges and treasury gains.

At the CMP of ₹401, the stock is trading at dearth cheap valuations of 10.3x FY2013E EPS of ₹38.9. **We value the company at 14x FY2013E EPS of ₹38.9 and give it a target price of ₹545. We maintain our Buy rating on the stock.**

Exhibit 13: Key assumptions

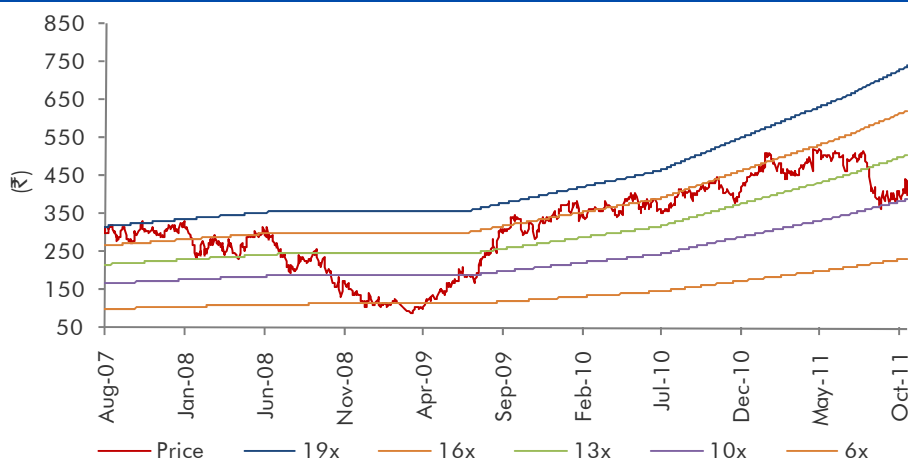
	FY2012E	FY2013E
Revenue growth (USD)	21.2	18.0
USD-INR rate (realized)	46.9	46.0
Revenue growth (INR)	25.5	15.9
EBITDA margin (%)	18.8	17.7
EBIT margin (%)	15.9	14.9
Tax rate (%)	25.0	24.0
EPS growth (%)	43.2	11.0

Source: Company, Angel Research

Exhibit 14: Change in estimates

Parameter (₹ cr)	FY2012E			FY2013E		
	Earlier estimates	Revised estimates	Variation (%)	Earlier estimates	Revised estimates	Variation (%)
Net revenue	19,716	20,128	2.1	23,129	23,323	0.8
EBITDA	3,388	3,774	11.4	3,988	4,124	3.4
Other income	61	61	1.3	63	82	29.3
PBT	2,895	3,271	13.0	3,417	3,566	4.4
Tax	724	819	13.1	786	856	8.9
PAT	2,196	2,458	11.9	2,652	2,729	2.9

Source: Company, Angel Research

Exhibit 15: One-year forward PE (x) chart


Source: Company, Angel Research

Exhibit 16: Recommendation summary

Company	Reco	CMP (₹)	Tgt Price (₹)	Upside (%)	Target P/E (x)	FY2013 EBITDA (%)	FY2013E P/E (x)	FY2011-13E EPS CAGR (%)	FY2013E RoCE (%)	FY2013E RoE (%)
HCL Tech	Buy	401	545	35.9	14.0	17.7	10.3	26.1	20.6	22.4
Hexaware	Neutral	86	-	-	11.0	15.3	10.9	66.0	16.2	18.0
Infosys	Neutral	2,703	-	-	18.0	30.6	17.1	14.8	24.0	22.5
Infotech Enterprises	Neutral	117	-	-	8.0	15.1	7.7	9.5	13.9	12.5
KPIT Cummins	Reduce	163	154	(5.6)	10.0	15.3	10.6	16.5	18.7	16.4
Mahindra Satyam	Accumulate	71	79	11.2	11.0	14.6	9.9	30.4	10.8	13.5
MindTree	Buy	396	462	16.5	10.0	14.4	8.7	35.6	18.6	16.5
Mphasis	Buy	321	382	19.2	11.5	15.5	8.1	0.4	13.4	14.5
NIIT ^	Buy	48	57	18.5	8.2	13.8	7.0	11.2	12.4	16.6
Persistent	Neutral	318	-	-	9.0	20.0	8.7	2.5	15.8	14.8
TCS	Buy	1,034	1,220	18.0	20.0	28.7	16.9	17.0	29.8	30.9
Tech Mahindra	Buy	571	734	28.5	9.0	16.3	7.0	28.5	13.6	20.2
Wipro	Accumulate	346	374	8.0	15.3	18.3	14.2	6.1	12.9	18.7

Source: Company, Angel Research; Note: ^ Valued on SOTP basis

Profit and loss statement (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Net sales	10,630	12,564	16,034	19,641	23,308
Cost of revenues	6,625	8,196	10,914	13,579	16,383
Gross profit	4,005	4,369	5,120	6,063	6,926
<i>% of net sales</i>	37.7	34.8	31.9	30.9	29.7
SG&A expenses	1,661	1,796	2,371	2,689	2,746
<i>% of net sales</i>	15.6	14.3	14.8	13.7	11.8
EBITDA	2,345	2,573	2,749	3,374	4,180
<i>% of net sales</i>	22.1	20.5	17.1	17.2	17.9
Dep. and amortization	449	501	498	580	667
<i>% of net sales</i>	4.2	4.0	3.1	3.0	2.9
EBIT	1,895	2,072	2,251	2,794	3,513
<i>% of net sales</i>	17.8	16.5	14.0	14.2	15.1
Other income, net	164	(55)	26	90	225
Profit before tax	2,058	2,017	2,277	2,885	3,738
Provision for tax	254	240	485	721	860
<i>% of PBT</i>	12.4	11.9	21.3	25.0	23.0
PAT	1,803	1,777	1,791	2,164	2,878
Share from equity invst.	3	1	-	-	-
Forex loss	(530)	(476)	(82)	12	13
Adj. net profit	1,277	1,302	1,710	2,175	2,892
EPS (₹)	18.8	18.9	24.5	31.0	41.3

Balance sheet (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Cash and cash equivalent	420	469	520	502	569
Account receivables, net	2,708	2,514	2,591	2,978	3,450
Unbilled receivables	-	536	816	937	1,086
Deposit with banks	1,456	1,091	1,079	1,041	1,180
Deposit (one year with HDFC Ltd)	-	100	-	-	-
Investment securities, available for sale	23	782	643	620	703
Other current assets	1,070	885	1,255	1,343	1,556
Total current assets	5,678	6,376	6,902	7,421	8,544
Property and equipment, net	1,586	1,849	2,217	2,743	2,931
Intangible assets, net	4,533	4,312	4,188	4,132	4,075
Deposits with HDFC Ltd.	-	-	50	48	55
Fixed deposits with banks	-	-	110	106	120
Investment securities HTM	20	50	95	92	104
Investment in equity investee	17	21	23	23	23
Other assets	861	964	1,039	1,011	1,099
Total assets	12,694	13,571	14,624	15,576	16,951
Current liabilities	3,268	3,133	3,376	3,093	3,109
Borrowings	2,977	2,663	2,124	1,733	1,124
Other liabilities	763	739	689	588	560
Total liabilities	7,008	6,535	6,189	5,414	4,793
Minority interest	-	-	-	-	-
Total stockholder equity	5,686	7,037	8,435	10,163	12,158
Total liabilities and stock holder equity	12,694	13,571	14,624	15,576	16,951

Cash flow statement (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Pre tax profit from operations	1,810	1,900	2,094	3,055	3,374
Depreciation	449	501	498	564	639
Expenses (deferred)/written off	(530)	(476)	(82)	6	19
Pre tax cash from operations	1,730	1,925	2,510	3,625	4,032
Other income/prior period ad	248	117	182	217	192
Net cash from operations	1,977	2,042	2,693	3,841	4,224
Tax	(254)	(240)	(485)	(819)	(856)
Cash profits	1,723	1,802	2,207	3,023	3,368
(Inc)/dec in current assets	(1,429)	(156)	(727)	(597)	(835)
Inc/(dec) in current liabilities	1,497	(135)	243	(283)	16
Net trade working capital	68	(290)	(484)	(880)	(819)
Cash flow from oper. actv.	1,791	1,512	1,723	2,143	2,549
(Inc)/dec in fixed assets	(609)	(652)	(797)	(1,035)	(770)
(Inc)/dec in intangibles	(3,669)	109	56	0	0
(Inc)/dec in investments	491	(528)	45	69	(254)
(Inc)/dec in minority interest	(6)	-	-	-	-
Inc/(dec) in non-current liab.	168	(25)	(50)	(101)	(28)
(Inc)/dec in non-current assets	(355)	(103)	(75)	28	(88)
Cash flow from invest. actv.	(3,980)	(1,199)	(821)	(1,039)	(1,140)
Inc/(dec) in debt	2,950	(314)	(539)	(391)	(609)
Inc/(dec) in equity/premium	(145)	778	394	0	(0)
ESOP charges	(43)	(88)	(90)	(74)	(77)
Dividends	(617)	(640)	(615)	(656)	(656)
Cash flow from financing actv.	2,144	(264)	(851)	(1,121)	(1,342)
Cash generated/(utilised)	(45)	48	51	(18)	67
Cash at start of the year	465	420	469	520	502
Cash at end of the year	420	469	520	502	568

Key ratios

Y/E June	FY2009	FY2010	FY2011	FY2012E	FY2013E
Valuation ratio (x)					
P/E (on FDEPS)	21.3	21.2	16.4	11.4	10.3
P/CEPS	15.7	15.3	12.6	9.2	8.3
P/BVPS	4.8	3.9	3.3	2.7	2.3
Dividend yield (%)	2.0	2.0	2.0	2.0	2.2
EV/Sales	2.7	2.2	1.7	1.4	1.1
EV/EBITDA	12.3	10.9	10.0	7.2	6.4
EV/Total assets	2.3	2.1	1.9	1.7	1.6
Per share data (₹)					
EPS (Fully diluted)	18.8	18.9	24.5	35.1	38.9
Cash EPS	25.5	26.2	31.8	43.5	48.5
Dividend	8.0	8.0	8.0	8.0	9.0
Book value	84	102	121	146	175
Dupont analysis					
Tax retention ratio (PAT/PBT)	0.9	0.9	0.8	0.7	0.8
Cost of debt (PBT/EBIT)	1.1	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Sales)	0.2	0.2	0.1	0.2	0.1
Asset turnover ratio (Sales/Assets)	0.8	0.9	1.1	1.3	1.4
Leverage ratio (Assets/Equity)	2.2	1.9	1.7	1.5	1.4
Operating ROE	31.7	25.2	21.2	24.1	22.3
Return ratios (%)					
RoCE (pre-tax)	14.9	15.3	15.4	20.6	20.6
Angel RoIC	17.6	18.7	18.6	24.4	24.5
RoE	22.5	18.5	20.3	24.2	22.4
Turnover ratios (x)					
Asset turnover (fixed assets)	2.2	1.8	2.2	2.6	2.9
Receivables days	79	76	59	54	54

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Disclosure of Interest Statement	HCL Tech
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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