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Stock Rating
Overweight

Industry View
In-Line

HCL Technologies

Strong Mar-10 Quarter, Modest Valuation; OW

What's Changed	
Price Target	**Rs380.00 to Rs425.00**

What were the key surprises? We believe HCLT's stock price rose 8% post results on: **1)** a 9% QoQ volume growth in Mar-10 quarter (15% QoQ in infrastructure business and 4.2% QoQ in software services); **2)** strong employee additions (gross 7,000) over the last two years; **3)** limited margin impact of -40bp QoQ on EBIT due to currency appreciation and BPO losses; and **4)** lower FX losses (-50% QoQ) and lower amortization (-55% QoQ),which led to surprise net profit of Rs3.2bn (+17% QoQ, +60% YoY).

What we did not like: Infrastructure gross margin declined 150bp QoQ, and BPO turned to losses. BPO is likely to drag revenue and profit in F2011. Some 3-5% of total revenues are pass-through revenues reflected in the infrastructure business in any quarter, making it difficult to assess like-to-like segment revenue growth.

HCLT is likely to increase revenue and profit by 18% and 43% YoY, respectively, in F20011. This is the highest EPS growth in our coverage universe and is driven largely by industry revenue growth, stable margins, and lower FX losses/amortization charges.

Valuation support: HCLT is currently trading at a ~30% discount to Infosys. HCLT's average P/E discount to Infosys has been 18% over the last two years and 25% over the last three to five years. We believe modest valuations and 29% EPS CAGR (F2010-12e) in an appreciating rupee environment are likely to be favorable for HCLT's stock performance.

Key Ratios and Statistics

Reuters: HCLT.BO Bloomberg: HCLT IN
India Software

Price target	Rs425.00
Upside to price target (%)	14
Shr price, close (Apr 21, 2010)	Rs374.10
52-Week Range	Rs388.00-118.25
Sh out, dil, curr (mn)	675
Mkt cap, curr (mn)	Rs252,350
EV, curr (mn)	Rs263,142
Avg daily trading value (mn)	Rs61

Fiscal Year ending	06/09	06/10e	06/11e	06/12e
ModelWare EPS (Rs)	17.90	18.11	25.79	29.89
Prior ModelWare EPS (Rs)	-	17.91	24.48	28.42
Consensus EPS (Rs)§	18.68	18.12	24.46	28.32
Revenue, net (Rs mn)	106,300	123,134	144,882	172,848
ModelWare net inc (Rs mn)	12,077	12,534	17,959	20,928
P/E	10.4	20.7	14.5	12.5
P/BV	2.2	3.8	3.2	2.8
RNOA (%)	54.6	23.7	25.5	28.1
ROE (%)	23.1	22.0	26.2	25.6
EV/EBITDA	6.0	10.3	8.9	7.4
Div yld (%)	3.8	1.1	1.9	2.9
FCF yld ratio (%)	(25.8)	1.4	4.3	2.7
Leverage (EOP) (%)	19.0	4.5	(9.6)	(12.8)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by FactSet Estimates.
e = Morgan Stanley Research estimates

Financial Summary HCL Technologies Ltd

Consolidated Profit & Loss Statement (Rs m)

Year To Jun30	FY08	FY09	FY10E	FY11E	FY12E
Revenues	**76,394**	**106,300**	**123,134**	**144,882**	**172,848**
Y/Y Growth (%)	*26.6*	*39.1*	*15.8*	*17.7*	*19.3*
Direct Costs	(46,877)	(65,483)	(80,032)	(97,368)	(117,156)
Gross Profits	**28,763**	**40,113**	**42,182**	**46,616**	**54,834**
Margin (%)	*37.7*	*37.7*	*34.3*	*32.2*	*31.7*
SG&A	(12,578)	(17,362)	(17,397)	(19,000)	(22,347)
EBITDA	**16,185**	**22,751**	**24,786**	**27,616**	**32,487**
Margin (%)	*21.2*	*21.4*	*20.1*	*19.1*	*18.8*
Depreciation	(3,033)	(4,493)	(4,967)	(4,486)	(4,763)
EBIT	**13,152**	**18,258**	**19,818**	**23,130**	**27,724**
Margin (%)	*17.2*	*17.2*	*16.1*	*16.0*	*16.0*
Interest Expense	-	(813)	(1,664)	(846)	(670)
Non-op income	1,698	(2,851)	(2,698)	454	855
Profit Before tax	**14,850**	**14,593**	**15,456**	**22,738**	**27,910**
Prov for taxes	(1,271)	(2,543)	(2,939)	(4,775)	(6,977)
Effective Tax Rate (%)	*8.6*	*17.4*	*19.0*	*21.0*	*25.0*
Net Profit	**13,560**	**12,077**	**12,534**	**17,959**	**20,928**
Y/Y Growth (%)	*24.8*	*-10.9*	*3.8*	*43.3*	*16.5*
FD EPS	**19.9**	**17.9**	**18.2**	**25.8**	**29.9**

Consolidated Balance Sheet (Rs m)

Year To Jun30	FY08	FY09	FY10E	FY11E	FY12E
Cash and Cash Eq	24,619	18,995	16,106	17,422	21,085
Accounts Receivables	18,940	27,083	29,912	36,338	43,747
DSOs	90	93	89	87	87
Other Current Assets	8,713	10,699	8,571	17,955	21,622
Total Current Assets	52,272	56,777	54,589	71,715	86,455
PPE	13,317	15,862	17,746	18,946	20,946
Intangible Assets	9,585	45,325	42,394	42,394	42,394
Inv in venture funds	101	169	171	186	201
Other Assets	5,063	8,806	9,839	12,483	16,059
Total Assets	**80,338**	**126,939**	**124,738**	**145,724**	**166,055**
Total Current Liabilities	22,145	32,675	30,053	44,033	49,278
Debt	0	29,771	19,160	9,580	8,906
Other Liabilities	5,959	7,634	6,912	10,260	12,571
Total Liabilities	28,104	70,080	56,124	63,873	70,756
Minority Interest	57	16	(1)	19	39
Share Capital	1,331	1,340	1,352	1,360	1,368
Reserves & Surplus	50,846	55,503	67,263	80,472	93,893
Total Liab & Equity	**80,338**	**126,939**	**124,738**	**145,724**	**166,055**

Consolidated Cash Flow Statement (Rs m)

Year To Jun30	FY08	FY09	FY10E	FY11E	FY12E
EBITDA	16,182	22,751	24,786	27,616	32,487
Working Capital	4,173	(1,667)	(5,078)	(1,126)	(7,096)
Interest Expense	0	(813)	(1,664)	(846)	(670)
Interest Income	1,697	2,444	1,247	873	914
Tax Paid	(1,272)	(2,543)	(2,939)	(4,775)	(6,977)
Operating Cash Flow	**20,780**	**20,171**	**16,351**	**21,742**	**18,657**
Capex and Acqn	(7,379)	(42,778)	(3,920)	(5,686)	(6,763)
Free Cash Flow	**13,401**	**(22,607)**	**12,431**	**16,056**	**11,895**
Investments	(5)	(68)	(2)	(15)	(15)
Share issue	27	9	12	8	8
Debt issue	0	29,771	(10,611)	(9,580)	(674)
Dividend	(5,981)	(4,680)	(2,694)	(4,750)	(7,508)
Others	(5,674)	(8,049)	(2,025)	(403)	(43)
Chg in Cash	1,768	(5,624)	(2,889)	1,316	3,663
Op Cash	22,851	24,619	18,995	16,106	17,422
Cl Cash	**24,619**	**18,995**	**16,106**	**17,422**	**21,085**

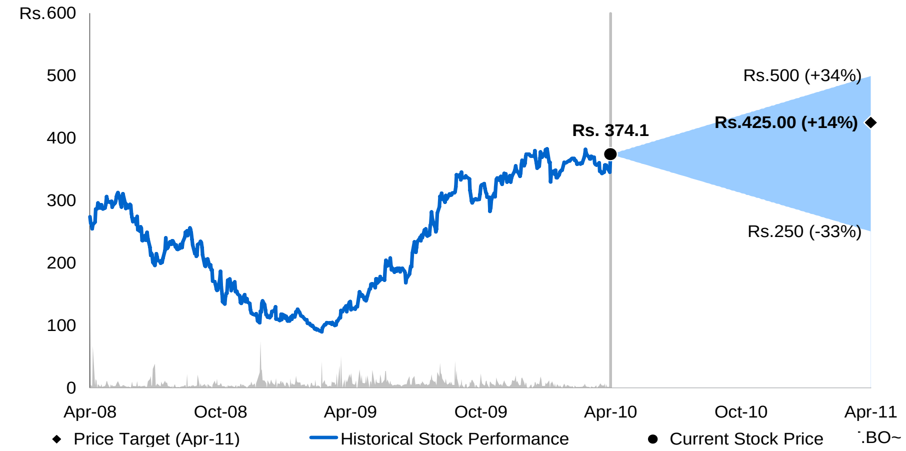
Key Metrics and Ratios

Key Ratios & Assumptions	FY08	FY09	FY10E	FY11E	FY12E
PE	18.8	20.9	20.6	14.5	12.5
ROAE (%)	26.5	22.2	20.0	23.9	23.6
Volume (change YoY)	29.4	12.4	9.5	20.5	15.0
Price Realization (YoY)	5.0	3.5	8.3	0.2	1.9
Average Fx rate (Rs/US$)	40.7	48.6	46.0	44.5	44.6
Emp cost (as of revenue)	61.4	61.6	65.0	67.2	67.8

Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates.

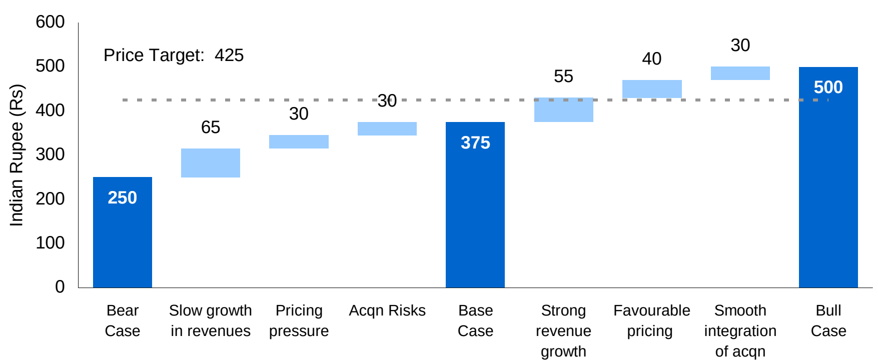
Risk-Reward Snapshot: HCL Technologies (HCLT.BO, Rs374, OW, PT Rs425)

Risk-Reward View: Well-positioned to Play the Recovery



Price Target Rs425		Probability-weighted average of bull, base, bear cases.
Bull Case Rs500	Implies 18x Bull Case FY11e EPS	**Inorganic initiatives help growth:** A faster-than-expected economic recovery and Axon integration could benefit revenue and earnings growth. Expect ~24% and 25% YoY revenue growth, respectively, in F2010 and F20/11, with ~40bp margin improvement and lower FX losses leading to better-than-expected earnings. [Probability = 0.45]
Base Case Rs375	15x Base Case FY11e EPS	**HCLT continues current trend of revenues:** We expect HCLT to maintain the trend of incremental revenue over the coming quarters and grow US$ revenue by 21% in F2011 and 19% F2012. Stable margins and lower FX losses should help earnings grow by 43% in F2011. Long-term revenue and EBIT CAGR of 15% and 13%, respectively, over F2010-19e. [Probability. = 0.50]
Bear Case Rs250	Implies 12x Bear Case FY11e EPS	**Slow growth continues**: Slow revenue growth and stable margins QOQ over next quarter to lead to revenue growth of ~15% YoY and flattish EPS in F2010e. For F2011, assume revenue growth of ~5% and margin decline of ~50bp YoY. [Probability = 0.05]

Bear to Bull: Stable Revenues and Lower FX Loss Should Help Earnings



Source: Morgan Stanley Research, FactSet

Investment Thesis

- We expect HCL Tech to maintain its current trend of incremental revenue and grow USD revenues by 21% in F2011.
- Fading forex losses, lower interest expense, and lower amortization charges should help earnings growth for HCLT in F2011. We expect revenue and earnings CAGR of 19% and 29%, respectively, over F2010-12.
- HCLT has a strong track record of paying dividends and could resume paying higher dividends in F2011.

Key Value Drivers

- HCL Tech is focused on increasing non-linearity in its IT business: Strong revenue growth in Asia/Pacific, Australia, and New Zealand.
- US accounts for 59% of revenue, with 27% of revenue from Europe.
- Despite pricing pressure offshore vendors have displayed ability to manage margins by lowering costs.

Potential Catalysts

- HCL Tech has an active inorganic strategy, and acquisitions helped revenues in F2009.
- Risks to Axon revenue have turned out to be lower than expected.
- The stock could narrow its discount to larger vendors as the environment improves.

Key Downside Risks

- Sharp rupee depreciation could increase losses on forward covers.
- Double dip and a material worsening of the macro environment.
- Worse-than-expected margins in the software business; large deals.
- Risks from acquisitions.

Investment Case

Summary & Conclusions

We maintain our Overweight rating on HCLT with a revised price target of Rs425 (previously Rs380). The stock currently trades at ~21x June 2010e EPS and ~15x June 2011e EPS, and we expect revenue and earnings CAGR of 19% and 29%, respectively, for HCLT over F2010-12. On an LTM (last 12-months) basis, HCLT has cut its dividend twice. However, the company has a strong record of paying dividends and could resume paying higher dividends in F2011. Overall, HCLT continues to have one of the highest earnings CAGRs in our coverage universe over F2010-12e.

Financials: After a strong Mar-10 quarter, we expect HCLT to close F2010 with revenue growth of 22% YoY. We now assume HCLT to grow USD revenue by 21% and 19% in F2011 and F2012, respectively. We believe that despite 18% rupee revenue growth and stable margins, F2011 earnings will grow 43% driven by lower FX losses. We raise our earnings estimates by ~5% for F2011-12 to factor in higher revenue growth, stable margins, and lower FX losses.

Price Target: We rate HCLT Overweight with a price target of Rs425. We attach a 50% probability to our base case and a 45% probability to our bull-case scenario. (Price target of Rs425 = 0.45*500+ 0.5*375 +0.05*250). Our base-case price target of Rs375 implies a multiple of ~15x F2011e EPS. We have raised the probability we apply to our bull-case scenario due to the surprise 9% volume growth, which we believe has increased the probability of HCLT outperforming our base-case forecast for F2011. HCLT's EPS growth is likely to be amongst the highest EPS growth in our coverage universe.

Base Case: Our new base-case value for the stock is Rs375 (previously Rs350). HCLT reported a strong revenue performance and stable margins despite rupee appreciation against USD, Euro, and GBP during the quarter. We now expect HCLT to grow revenues in F2011 by ~21% YoY and assume stable margins. Management indicated FX losses in F2011 would be reduced further to ~US$18mn against US$23mn earlier. Lower forex losses in the coming quarters could lead to better YoY earnings comparisons despite modest 17% EBIT growth in F2011, on our estimates. We have revised our earnings estimates for F2011-12 by ~5% in rupee terms. We assume HCL Tech grows its revenue and earnings by 16% and 4%, respectively, in F2010 in our base-case scenario. For F2011, we assume rupee revenue growth of ~18%, stable EBIT margins (-10bp YOY) and net income growth of ~43%. DCF assumptions for our base-case price forecasts revenue and EBIT CAGRs of 15% and 13%, respectively, over F2010-19, with margins declining to ~14.5% by F2019.

Bull Case: Our bull-case value for the stock is Rs500 (previously Rs450). We now assume HCL continues to benefit from strong volume growth in the IT services business and grows revenue by ~24% with 16.1% EBIT margins in F2010. Our F2011 estimates for our bull-case scenario are 25% USD revenue growth and ~40bp YoY margin improvement. Our DCF assumptions imply revenue and EBIT CAGRs of 18% and 17%, respectively, over F2010-19, with margins declining to ~15.5% by F2019. Our bull case value of Rs500 implies ~18x our F2011e bull-case EPS.

Bear Case: Our bear-case value for the stock remains Rs250. A stable revenue performance over the past three quarters indicates to us that revenue concerns for HCLT are behind us. In our bear case, we assume that HCLT continues to grow revenue, albeit at a slower pace. We assume slow revenue growth over the quarter and stable margins QoQ for HCLT. For FY2011, we assume slow revenue growth of ~5% and further margin decline of ~50bp. Over the longer term, we forecast revenue and EBIT CAGRs of 10% and 6%, respectively, for F2010-19. Our bear-case valuation of Rs250 implies a multiple of ~12x our bear-case F2011e EPS.

An analysis of the stock's historical trading patterns over the past three years shows that HCLT has traded in a range of 5x to 22x its one-year forward P/E. Our price target implies 15x F2011e EPS, which is within the historical range. In terms of EV/EBITDA, HCL has traded at 4-17x one-year forward EBITDA over the past three years and currently trades at an EV/EBITDA multiple of ~8x, which also is within the historical range. **Key downside risks:** Factors that may prevent HCLT from achieving our price target are: 1) sharp rupee depreciation; 2) worse-than-expected margins in the software business; 3) risks from acquisitions; and 4) macro economic risks due to uncertainty.

Exhibit 1
HCLT: Earnings Revision of ~5% for F2011-12e

	FY10E	FY11E	FY12E
Old Average Fx rate (Rs/US$)	46.6	45.5	45.5
New Average Fx rate (Rs/US$)	46.0	44.5	44.6
% change	*-1.3*	*-2.1*	*-1.9*
Old Revenues	122,941	137,646	154,825
New Revenues	123,134	144,882	172,848
% change	*0.2*	*5.3*	*11.6*
Old FD EPS (Rs)	18.0	24.5	28.4
New FD EPS (Rs)	18.2	25.8	29.9
% change	*1.1*	*5.4*	*5.1*

e = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

Mar-10 results beat expectations: HCL Tech reported revenue of US$685mn (+5% QoQ, +21% YoY), ahead of our expectations. EBIT margins (including RSU expenses) of 15.4% (-38bp QoQ, -37bp YoY) were helped by lower amortization expenses (-54% QoQ), benefiting margins by 70bp QoQ. Strong net income of Rs3.2bn (+17% QoQ, +60% YoY) was helped by lower-than-expected FX losses (-50% QoQ).

Revenue growth and margin performance better than larger peers: In constant currency terms, IT Services (92% of total revenue) revenue growth of 8.2% QoQ was ahead of that of its larger peers like Infosys' (+6.1% QoQ). The current trend of incremental revenues would imply USD revenue growth of ~20% YoY in F2011.

HCLT's core software revenue grew 4% QoQ, in line with that of its larger peers after lagging for two quarters. Loss in BPO segment dragged margins by 90bp QoQ. HCLT improved margins in its IT services business (Software+ Infrastructure) by~40bp, which compares favorably with its larger peers.

Summary of Segment Performance

Core Software (70% of revenue and 84% of EBIT): Core software reported strong volume growth of 7% QoQ. Revenue grew 4% QoQ in reported terms. EBITDA margin declined -60bp QoQ due to rupee appreciation and mix change. At the EBIT level, the company reported an improvement in margin to 19.4% (+38bp QoQ) driven by lower amortization expense, which contributed 70bp to margins.

Infrastructure Services (22% of revenues and 20% of EBIT): HCL reported a strong revenue growth of 15% QoQ and EBIT margin improvement of 80bp QoQ. **Gross margin for the segment has been declining for the last four quarters**. Management indicated that 3-5% of overall company revenues (15-20% of Infra revenues) are related to sales to third parties.

Overall, IT Services (Core Software + Infrastructure: 92% of revenues and 104% of EBIT) EBITDA margin declined -90bp QoQ. However, EBIT margin improved 40bp QoQ due to lower amortization expenses.

BPO (8% of revenue and losses of 4% of EBIT): HCLT reported BPO revenue of US$52mn (-10% QoQ) and a loss at the EBIT level of US$5mn. Management expects BPO revenue to decline further toUS$45mn (-13.5%) and incur an EBITDA loss of US$2-3mn per quarter over the next one to two quarters. It expects BPO to turn EBITDA neutral to positive by F2011.

Key results positives:

1) Strong revenue growth of 5% QoQ was in line with Infosys' (+5% QoQ) and ahead of TCS' (+3% QoQ).

2) Headcount addition continues to improve for HCLT; net additions of 2,441 during Mar-10 were the highest in 10 quarters.

3) Strong growth in engineering and R&D services (19% of revenue) of 11% QoQ after six muted quarters.

4) Manufacturing revenue (27% of revenue) grew 10% QoQ, in line with Infosys' and ahead of TCS'.

Key results negatives:

1) BFSI (26% of revenue) revenue growth of 2.7% QoQ remained below Infosys' for the second consecutive quarter.

2) BPO segment (8% of revenues) reported a loss at the EBIT level, dragging down overall margins.

3) Europe revenues (27% of total) declined 5% QoQ due to cross-currency fluctuations after three quarters of strong growth. On a constant-currency basis, European revenue grew 1.4% QoQ.

Conference Call Takeaways:

1) Broad-based growth in manufacturing: Management indicated that growth in the manufacturing vertical was broad based in terms of services and geographies, and it expects the trend to continue

2) Enterprise Application Services (EAS) grew 2.5% QoQ on a constant-currency basis: Management believes that growth in EAS was driven by the release of budgets and M&A activity. HCLT saw an increase in overall demand for consulting related to integration and cost-reduction projects. Management indicated that it is seeing good traction in life sciences and consumer services verticals.

3) Trends in Europe revenue (27% of revenues): Deal flows in Europe are less compared to US and management believes that a trend-like improvement is at least two quarters away.

4) Non-linear revenues: HCLT derives ~12% of revenues from non-linear services compared with 8-9% for Infosys.

5) Amortization expense: The company expects an amortization expense run rate of US$4mn over the coming quarters with US$16mn in F2011 (-37% YoY). At 20% YoY, USD revenue growth, lower amortization expenses would provide a margin cushion of ~50bp YoY in F2011, according to management.

6) Yield on cash: The yield on cash during the Mar-10 quarter fell to 6% compared with 7% during the Dec-09 quarter

7) Outlook for FX loss: Management now expects an OCI FX loss of US$12.5mn in the Jun-10 quarter and another US$17.6mn in F2011e (-80% YoY) at rupee rate of Rs45.28/US$.

8) Hedge Position: HCLT has total hedges of US$468mn with cash flow hedges of US$374mn and mark-to-market hedges of US$94mn. Management indicated that hedges taken at old rates three years ago are spread over the next two quarters.

9) Tax rates: Management expects tax rates of 18% in F2011, 26% in F2012, and 24% from F2013 onward. Management expects a tax write-back of US$6.6mn related to SEZ provisions in the coming quarters.

10) Receivable days, including unbilled receivables, increased to 84 days from 82 days in Dec-09 quarter. However, excluding unbilled receivables, DSO remained flat QoQ at 64.

Other Highlights

1) Cash and cash equivalents stood at US$517mn (including investments) and long-term debt at US$621mn at March 31, 2010. Long-term debt includes rupee-based non-convertible debentures of US$223mn and USD loans of US$200mn.

2) Operating cash flow for the quarter was US$62m (-59% QoQ, -15% YoY). For F9M10, HCLT generated operating cash flow of US$250mn (+46% YoY) and free cash flow of US$154mn (+116% YoY) at 8% of revenues.

3) Dividend yield for F2011 could increase to ~2%: Operating cash flow generation over the last nine months has improved, in our view increasing the chances that management will raise the quarterly dividend to Rs1.5-2 per share in the coming quarters. We believe HCLT would need to generate operating cash flow of US$300-350mn in F2011 to raise its interim dividend per share to Rs1.5-2. Interim dividends of Rs2 per share would imply a dividend yield of 2%, up from 1% currently.

Exhibit 2

HCLT Would Need to Generate ~US$350mn in Operating Cash Flow to Resume Higher Dividend of Rs2per Quarter

	Mar-10
Diluted Shares (a)	691.3
Dividend @ Rs2/quarter for FY11e (Rs m) (b) = (a)*Rs8	5,530
Average rupee rate (Rs/US$) (c)	45.0
Dividend Payment (US$m) (1) =(b)/(c)	**123**
Total Loans outstanding (US$m) (d)	621
Less: 5 year Non convertible debentures (e)	223
Balance Loans (f) = (d)-(e)	398
Repayment per year (assuming 5 year period) (2) =(f)/5	**80**
Capex in Mar-10 quarter US$m (g)	35
Annualized Mar-10 capex for FY11e (3) =(g)*4	**140**
Required Operating Cash Flow US$m (1) + (2) + (3)	**342**

e = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

Exhibit 3

HCLT: March 2010 Income Statement (US$ m)

Year To Jun (US$m)	Mar-09	Dec-09	Mar-10	%qoq	%yoy	Comments
Revenues	**564**	**652**	**685**	**5.1%**	**21.4%**	**Constant currency growth of +6.9% qoq**
Direct Costs	(355)	(419)	(454)	8.3%	27.8%	
RSU Cost	(4)	(5)	(5)	1.9%	51.4%	
Gross Profits	**206**	**227**	**226**	**-0.6%**	**9.8%**	
Gross margin (%)	*36.4%*	*34.9%*	*33.0%*	*-191 bps*	*-348 bps*	*Declined qoq for the third consecutive quarter*
SG&A	(89)	(95)	(96)	0.7%	8.0%	
% of Revenues	*15.7%*	*14.6%*	*14.0%*	*-61 bps*	*-174 bps*	
EBITDA	**117**	**132**	**130**	**-1.6%**	**11.2%**	
EBITDA margin (%)	*20.7%*	*20.3%*	*19.0%*	*-130 bps*	*-174 bps*	*Lower amortization as intangibles(US$17m) related to client contracts have been fully charged in C2009*
Depreciation & Amortization	(28)	(29)	(25)	-16.1%	-12.2%	Lower dep and amortzn expense helped margins by 90bp qoq
EBIT	**89**	**103**	**106**	**2.5%**	**18.5%**	
EBIT margin (%)	*15.8%*	*15.8%*	*15.4%*	*-39 bps*	*-37 bps*	*Lowest EBIT margins in last 25 quarters*
Non-operating income	(40)	(30)	(17)	-42.8%	-57.6%	
Forex Gain / (Loss)	*(40)*	*(27)*	*(14)*	*-48.1%*	*-64.8%*	*Lower than expected Fx loss due to MTM gains on hedges pertaining to the quarter*
Other income	*(1)*	*(3)*	*(3)*	*NM*	*NM*	
Profit Before tax	**49**	**73**	**88**	**21.1%**	**81.5%**	
Provision for income taxes	(10)	(15)	(17)	17.1%	78.1%	Expect a tax write-back of US$6.6m related to SEZ provisions
Effective Tax rate	*19.7%*	*20.0%*	*19.3%*	*-66 bps*	*-37 bps*	*Management expects FY11e tax rates at 18% and FY12 at 26%*
EAT	39	58	71	22.1%	82.4%	
Minority Interest	0.3	0.3	0.0	NM	NM	
Net Profit	**39**	**59**	**71**	**21.5%**	**81.0%**	

Source: Company data, Morgan Stanley Research; NM = Not meaningful

Exhibit 4

HCLT: Infrastructure Helped Revenue Growth; BPO Segment Dragged Margin Performance (US$ m, %)

Yr to Jun (Rs mn)	Mar-09	Dec-09	Mar-10	QoQ	YoY	Comments
Software Services						
Revenues	423	462	481	4.2%	13.9%	
Gross Margin (%)	*37.8%*	*38.5%*	*37.3%*	*-119 bps*	*-45 bps*	
EBIT	73	88	93	6.3%	28.2%	
EBIT Margin (%)	*17.2%*	*19.0%*	*19.4%*	*38 bps*	*216 bps*	*Lower depreciation and amortization expense (-26% qoq) helped margins*
Infrastructure Services						
Revenues	85	132	152	15.0%	77.8%	
Gross Margin (%)	*34.4%*	*29.2%*	*27.7%*	*-151 bps*	*-669 bps*	*Gross margins have been declining for last 4 quarters ;*
EBIT	14	19	23	21.5%	65.0%	*Gross margins: Fx -100bps and Mix change -60bps*
EBIT Margin (%)	*16.0%*	*14.1%*	*14.9%*	*80 bps*	*-115 bps*	
IT Services (Software+Infra)						**Constant currency revenue growth of +8.2% qoq**
Revenues	508	594	633	6.6%	24.6%	Volume +9.2%, Fx -1.6%, Mix change -2.7%
Gross Margin (%)	*37.2%*	*36.4%*	*35.0%*	*-143 bps*	*-218 bps*	
EBIT	87	106	116	8.9%	34.0%	EBITDA margins declined -63bps qoq led by Fx (-93bps) and efficiency (+30bos)
EBIT Margin (%)	*17.0%*	*17.9%*	*18.3%*	*39 bps*	*128 bps*	*Fx -102bp, Efficiency +72bp and Lower amortization +69bp qoq*
BPO						
Revenues	56	58	52	-9.7%	-7.8%	Expect revenues to bottom out at US$45m over next 1-2 quarters
Gross Margin (%)	*35.8%*	*27.8%*	*18.3%*	*-951 bps*	*-1755 bps*	
EBIT	6	2	(5)	NM	NM	Loss in BPO segment dragged overall margins by ~90bps qoq
EBIT Margin (%)	*10.5%*	*2.6%*	*-9.6%*	*NM*	*NM*	

Source: Company data, Morgan Stanley Research

Exhibit 5

HCLT: Mar10 Income Statement (Rs m)

Year To Jun (Rs m)	Mar-09	Dec-09	Mar-10	%qoq	%yoy
Revenues	**28,615**	**30,325**	**30,757**	**1.4%**	**7.5%**
Direct Costs	(18,009)	(19,507)	(20,380)	4.5%	13.2%
RSU Cost	(175)	(242)	(239)	-1.2%	36.6%
Gross Profits	**10,431**	**10,576**	**10,138**	**-4.1%**	**-2.8%**
Gross margin (%)	*36.5%*	*34.9%*	*33.0%*	*-191 bps*	*-349 bps*
SG&A	(4,503)	(4,432)	(4,304)	-2.9%	-4.4%
EBITDA	**5,928**	**6,144**	**5,834**	**-5.0%**	**-1.6%**
EBITDA margin (%)	*20.7%*	*20.3%*	*19.0%*	*-129 bps*	*-175 bps*
Dep & Amort	(1,417)	(1,361)	(1,099)	-19.3%	-22.4%
EBIT	**4,511**	**4,783**	**4,735**	**-1.0%**	**5.0%**
EBIT margin (%)	*15.8%*	*15.8%*	*15.4%*	*-38 bps*	*-37 bps*
Non-operating income	(2,040)	(1,390)	(767)	-44.8%	-62.4%
Forex Gain / (Loss)	*(1,255)*	*(1,257)*	*(626)*	*-50.2%*	*-50.1%*
Other income	*(24)*	*(133)*	*(141)*	*NM*	*NM*
Profit Before tax	**2,471**	**3,393**	**3,968**	**16.9%**	**60.6%**
PBT margin (%)	*8.6%*	*11.2%*	*12.9%*	*171 bps*	*427 bps*
Income taxes	(485)	(679)	(769)	13.3%	58.6%
Effective Tax rate	*19.6%*	*20.0%*	*19.4%*	*-63 bps*	*-25 bps*
Equity Affiliates/Min Int	17	12	1	-91.7%	-94.1%
NET PROFIT	**2,003**	**2,726**	**3,200**	**17.4%**	**59.8%**
Net margin (%)	7.0%	9.0%	10.4%	141 bps	340 bps
EPS (Basic) Rs	**3.0**	**4.1**	**4.7**	**17.0%**	**58.5%**
EPS (Diluted) Rs	**3.0**	**4.0**	**4.6**	**17.1%**	**54.8%**

Source: Company data, Morgan Stanley Research

Exhibit 6

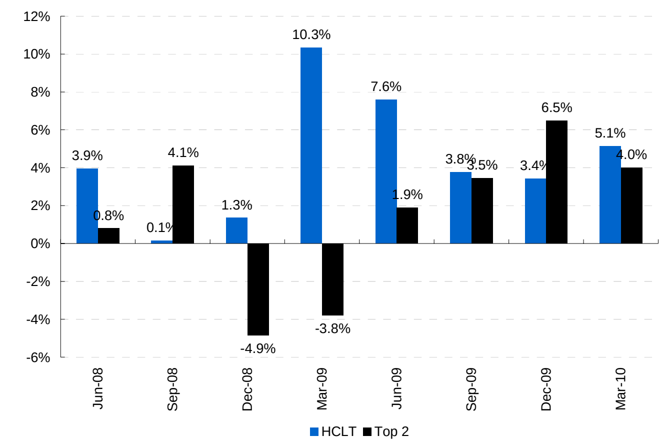
HCLT: Segmental Performance Summary (Rs m, %)

Yr to Jun (Rs mn)	Mar-09	Dec-09	Mar-10	QoQ	YoY
Software Services					
Revenues	21,430	21,500	21,608	0.5%	0.8%
Gross Margin (%)	*37.8%*	*38.5%*	*37.3%*	*-117 bps*	*-45 bps*
EBIT	3,690	4,084	4,186	2.5%	13.4%
EBIT Margin (%)	*17.2%*	*19.0%*	*19.4%*	*38 bps*	*215 bps*
BPO					
Revenues	2,857	2,682	2,333	-13.0%	-18.3%
Gross Margin (%)	*35.8%*	*27.8%*	*18.2%*	*-956 bps*	*-1755 bps*
EBIT	299	73	(226)	NM	NM
EBIT Margin (%)	*10.5%*	*2.7%*	*-9.7%*	*NM*	*NM*
Infrastructure Services					
Revenues	4,328	6,143	6,816	11.0%	57.5%
Gross Margin (%)	*34.5%*	*29.3%*	*27.7%*	*-154 bps*	*-674 bps*
EBIT	697	868	1,013	16.7%	45.3%
EBIT Margin (%)	*16.1%*	*14.1%*	*14.9%*	*73 bps*	*-124 bps*

Source: Company data, Morgan Stanley Research

Exhibit 7

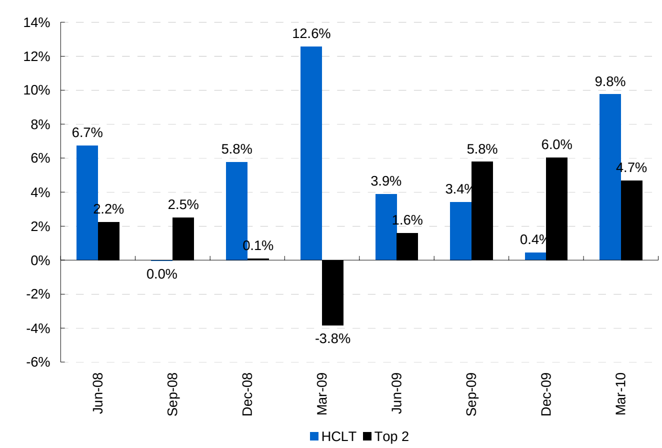
Revenue Growth Comparison with Top 2 (% QoQ)



Source: Company data, Morgan Stanley Research; HCLT Mar09 revenue includes acquisition

Exhibit 8

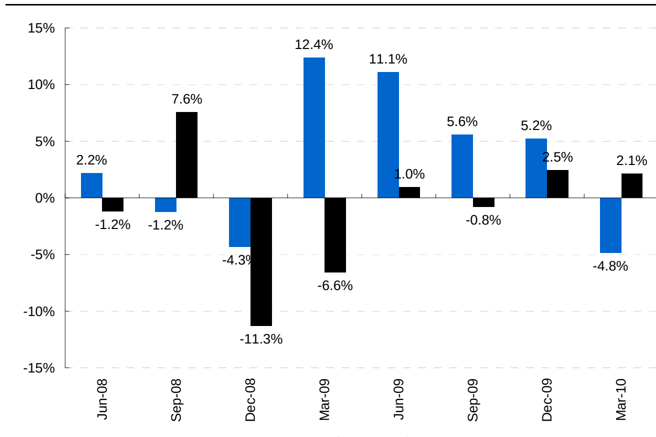
HCLT's US Revenues Grew Ahead of Top 2 (% QoQ)



Source: Company data, Morgan Stanley Research; HCLT Mar09 revenue includes acquisition

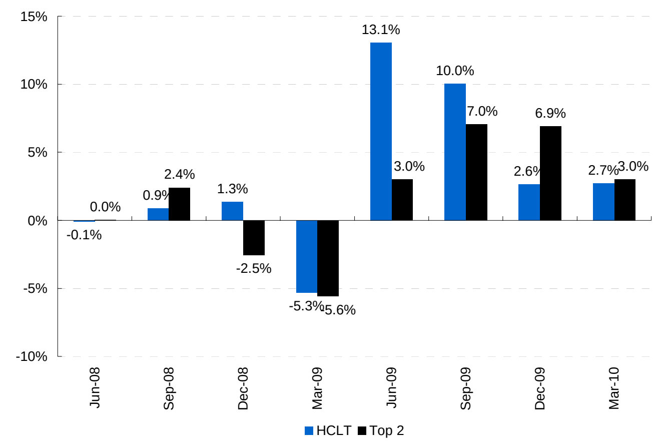
Exhibit 9

Europe Revenues Lagged Its Peers (% QoQ)



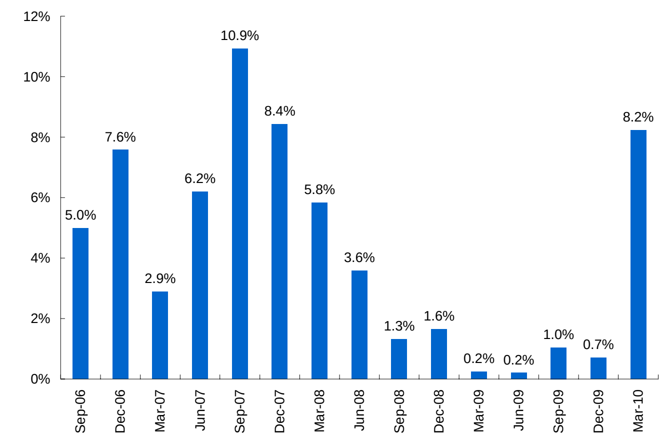
Source: Company data, Morgan Stanley Research; HCLT Mar09 revenue includes acquisition

Exhibit 10
BFSI Revenue Growth Lagged Peers (% QoQ)



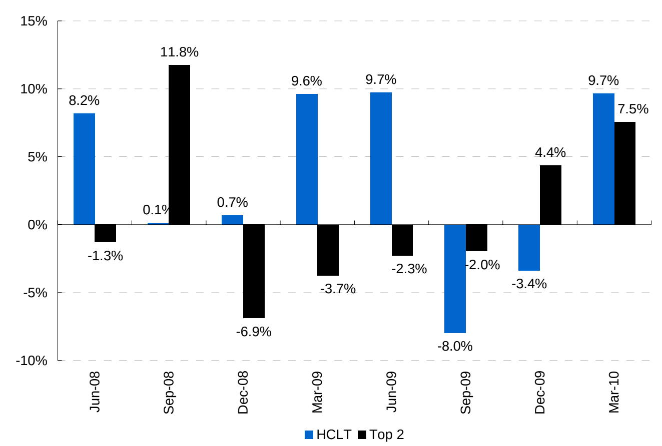
Source: Company data, Morgan Stanley Research; HCLT Mar09 revenue includes acquisition

Exhibit 13
Trends in Offshore Billed Man-months (% QoQ)



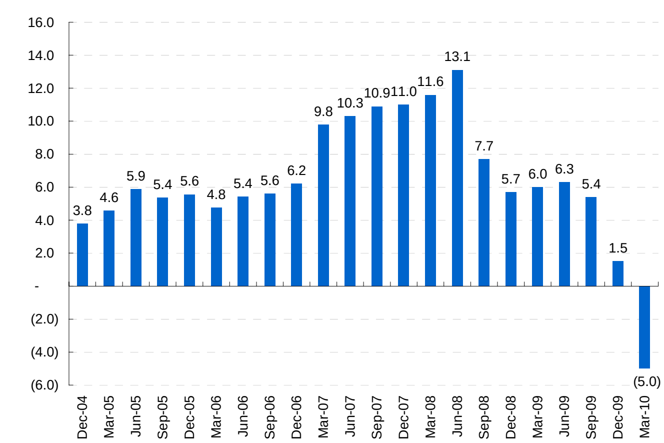
Source: Company data, Morgan Stanley Research

Exhibit 11
Manufacturing Revenue Up Ahead of Peers (% QoQ)



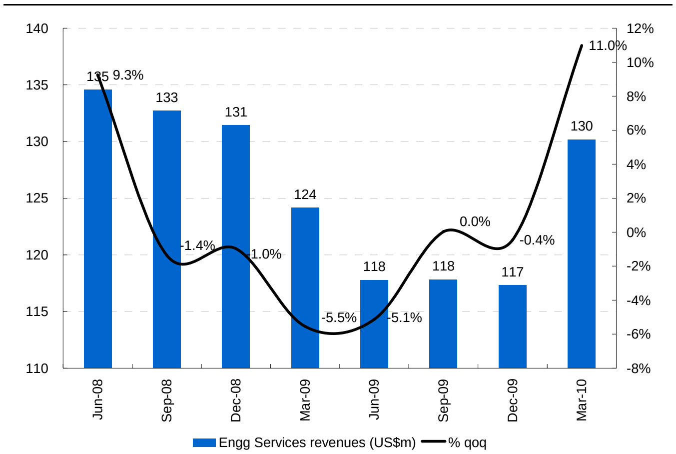
Source: Company data, Morgan Stanley Research; HCLT Mar09 revenue includes acquisition

Exhibit 14
BPO EBIT Loss, Dragging Margins (US$ m)



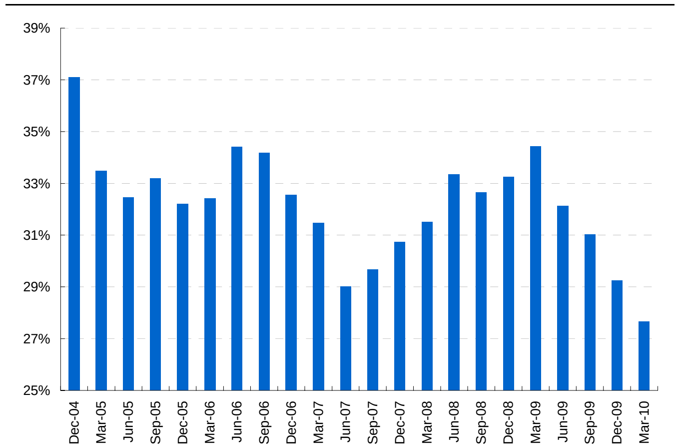
Source: Company data, Morgan Stanley Research

Exhibit 12
Eng Services Revenues Rebounded (US$ m, % QoQ)



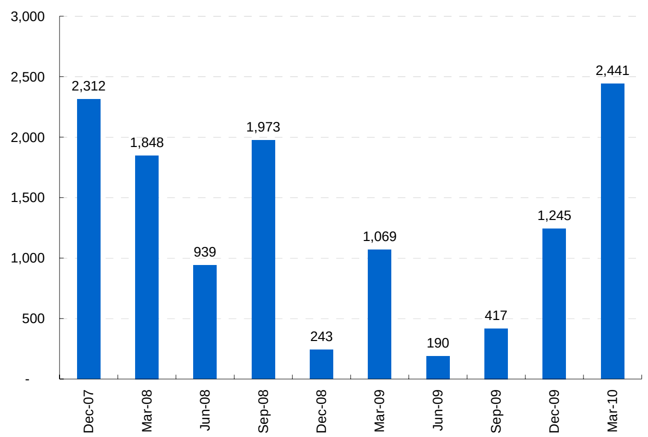
Source: Company data, Morgan Stanley Research

Exhibit 15
Infrastructure Gross Margin at Lowest Level (%)



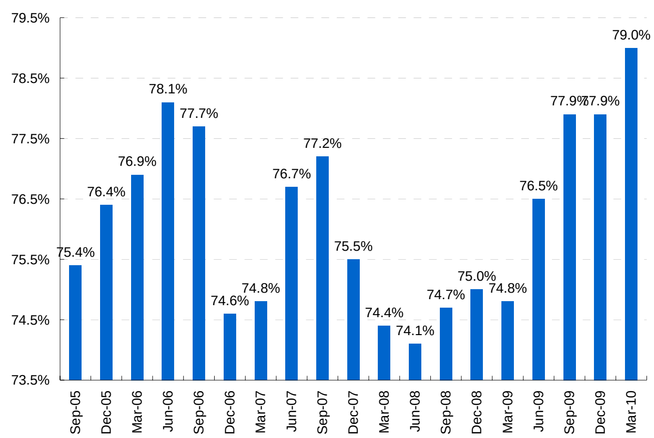
Source: Company data, Morgan Stanley Research

Exhibit 16
Strongest Headcount Growth in Last 10 quarters



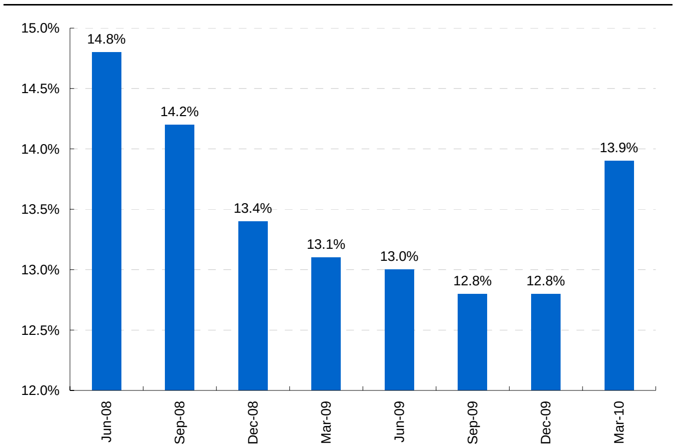
Source: Company data, Morgan Stanley Research

Exhibit 17
HCLT Reported Highest-ever Utilization Rates (%)



Source: Company data, Morgan Stanley Research; Offshore Utilization rates excl trainees

Exhibit 18
Attrition Rates Increased for HCLT (%)



Source: Company data, Morgan Stanley Research; Attrition rates for Software +Infra

Exhibit 19
Amortization Schedule for Intangibles (US$ m)

Amortization Expense	US$m
FY10e	25.3
FY11e	16.0
FY12e	13.0
FY13e	12.0
FY14e	11.0
Thereafter	44.0

e = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research; Total Outstanding US$100m

Exhibit 20
FX losses in F2011 Could Be Lower by 80% YoY

Fx losses	US$m
OCI losses as on 31st Mar-10	**36.4**
9mFY10	72.3
Jun-10	18.8
FY10e	**91.1**
Sep-10	12.5
Dec-10	3.6
Mar-11	1.5
FY11e	**17.6**
% yoy	*-81*

Source: Company data, Morgan Stanley Research; Total OCI losses as on 31st March 2010 is US$36.4m at rupee rate of Rs45.28/US$ e = Morgan Stanley Research estimates

Exhibit 21
HCLT Has Net Debt of US$105m as of Mar10 (US$m)

	US$m
Cash and Cash equivalents	
Cash and cash equivalent	74.2
Fixed deposit with banks	188.8
Deposits with corporates	22.3
Investments	231.5
Total	**516.8**
Loans	
Dollar loan	300.0
Rupee denominated Redeemable secured NCDs	222.8
Working capital loans in Foreign currency	79.0
Other working capital loans	19.5
Total	**621.3**
Net Cash/(debt)	**(104.5)**

Source: Company data, Morgan Stanley Research; NCD represent Non Convertible Debentures

Exhibit 22

HCL Technologies: Quarterly Metrics for March 2010

Year Ending 30 June	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Comments
GEOGRAPHY (%)									
America	57.4	57.3	59.8	61.0	58.9	58.7	57.0	59.5	US grew +9.8% qoq, ahead of Infosys and TCS
Europe	29.1	28.7	27.1	27.6	28.5	29.0	29.5	26.7	Europe -5%qoq after 3 strong quarters
Asia Pacific	13.5	13.9	13.1	11.4	12.6	12.3	13.5	13.8	
TECHNOLOGY (%)									
Industry Solutions	36.2	35.8	32.9	28.4	29.7	30.7	30.5	29.9	Muted growth of +3% qoq but ahead of TCS and Infosys
Engineering & R/D Services	26.7	26.3	25.7	22.0	19.4	18.7	18.0	19.0	Eng services grew +11% qoq after 5 quarters of decline
Infrastructure Services	15.1	15.7	16.5	15.0	17.6	19.4	20.3	22.2	Infra and Eng services -key revenue drivers in Mar10
Enterprise Application Services	10.8	10.9	12.5	24.5	23.6	21.9	22.4	21.4	
BPO	11.2	11.3	12.4	10.0	9.7	9.3	8.8	7.6	
INDUSTRY (%)									
BFSI	27.3	27.5	27.5	23.6	24.8	26.3	26.1	25.5	
Manufacturing	30.7	30.7	30.5	30.3	30.9	27.4	25.6	26.7	Manufacturing grew +10% qoq in line with Infosys
Telecom	16.0	16.5	15.7	12.1	12.5	13.0	12.5	11.6	Continues to remain weak; Declined -2.4% qoq
Retail	8.8	8.2	7.7	6.7	6.6	7.0	8.0	7.5	
Media, Publishing & Ent	5.6	5.6	5.5	5.0	5.6	6.8	7.2	7.9	Grew ahead of company avg for last 4 quarters
Life Sciences	5.7	5.9	5.8	6.3	6.4	6.4	7.2	7.5	
CLIENT CONCENTRATION (%)									
Top 5 clients	26.7	26.1	25.3	22.7	20.6	19.0	18.0	17.8	
Top 10 clients	37.3	36.6	35.1	31.9	28.9	27.2	26.2	25.8	
Top 20 clients	49.6	48.8	47.9	43.6	40.2	38.1	36.9	36.6	
Total Clients	279	295	315	353	367	373	399	404	
Repeat Business (%)	94.0	92.9	90.9	90.0	88.4	93.7	94.4	93.4	
$1 Million Customers	201	205	218	256	253	264	281	281	
$5 Million Customers	66	68	68	81	85	94	104	106	
STAFF									
Total Staff	50,741	52,714	52,957	54,026	54,216	54,443	55,688	58,129	
Software Professionals	45,024	46,363	46,514	47,662	47,965	48,181	49,292	51,682	
Attrition Rates (IT Svcs + InfraSvcs) (%)	14.8	14.2	13.4	13.1	13.0	12.8	12.8	13.9	
Net Addition	939	1,973	243	1,069	190	227	1,245	2,441	Strongest net addition in last 10 quarters
Revenue Mix - IT Services (%)									
Offshore	50.2	52.0	53.5	41.1	41.2	41.5	40.9	41.3	
Onsite	49.8	48.0	46.5	58.9	58.8	58.5	59.1	58.7	
Nature of Contract (%)									
Time and Material	65.0	64.0	63.8	62.4	61.5	60.0	60.4	59.5	
Fixed Price	35.0	36.0	36.2	37.6	38.5	40.0	39.6	40.5	
Effort - Man Month - Core Software									
Billed - Offshore	48,957	49,603	50,419	50,539	50,640	51,167	51,530	55,769	
Billed - Onsite	16,608	16,644	16,565	20,049	20,022	19,950	20,504	21,447	
Non-Billable	17,705	17,427	17,286	18,401	16,179	15,128	15,278	15,805	
Trainee	135	213	426	75	276	1,590	1,365	2,560	
Utilization (%)									
Offshore	73.9	74.4	74.5	74.1	76.2	76.0	76.4	76.2	
Offshore - Excluding Trainee	74.1	74.7	75.0	74.8	76.5	77.9	77.9	79.0	Highest ever utilization rates
Onsite	96.8	96.5	97.4	96.4	97.0	97.2	96.7	95.6	

Source: Company data, Morgan Stanley Research; Mar09 metrics post Axon integration

Exhibit 23

HCL Tech: Base case DCF Model (Rs m, %)

Year	0	1	2	3	4	5	6	7	8	9
Yr to Jun 30	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Revenues (Rs m)	**123,134**	**144,882**	**172,848**	**205,689**	**242,713**	**283,974**	**329,410**	**378,821**	**428,068**	**475,155**
% yoy	*15.8*	*17.7*	*19.3*	*19.0*	*18.0*	*17.0*	*16.0*	*15.0*	*13.0*	*11.0*
EBIT	**19,818**	**23,130**	**27,724**	**32,580**	**37,959**	**43,845**	**50,201**	**56,973**	**63,524**	**69,324**
EBIT margin (%)	*16.1*	*16.0*	*16.0*	*15.8*	*15.6*	*15.4*	*15.2*	*15.0*	*14.8*	*14.6*
Effective Tax Rate (%)	*19.0*	*21.0*	*25.0*	*24.8*	*24.6*	*24.4*	*25.0*	*24.8*	*24.6*	*24.4*
Tax-adjusted EBIT	**16,049**	**18,273**	**20,793**	**24,500**	**28,621**	**33,147**	**37,651**	**42,844**	**47,897**	**52,409**
Depreciation & Amortization	4,967	4,486	4,763	5,668	6,445	7,541	8,747	9,680	10,511	11,192
% of revenue	*4.0*	*3.1*	*2.8*	*2.8*	*2.7*	*2.7*	*2.7*	*2.6*	*2.5*	*2.4*
NOPLAT	**21,017**	**22,759**	**25,556**	**30,168**	**35,066**	**40,687**	**46,398**	**52,524**	**58,408**	**63,600**
Change in working capital	(5,078)	(1,126)	(7,096)	(7,806)	(8,587)	(9,445)	(10,390)	(11,429)	(12,572)	(13,829)
Capex	(3,920)	(5,686)	(6,763)	(7,636)	(8,525)	(9,407)	(10,253)	(11,033)	(11,611)	(11,843)
Unlevered Free cash flow	**12,018**	**15,947**	**11,697**	**14,726**	**17,955**	**21,835**	**25,755**	**30,063**	**34,225**	**37,929**

Source: Company data, Morgan Stanley Research

Exhibit 24

Base case DCF Value per Share (Rs)

No of Equity Shares (million)	692
Net (Debt)/Cash (Rs m)	(3,054)
Equity Value (Rs m)	229,616
Value of 100% equity stake (Rs m)	229,616
DCF Value Per Share (Rs)	332
DCF Value Per Share one year forward (Rs)	**375**

Source: Company data, Morgan Stanley Research

Exhibit 25

HCL Tech: DCF Assumptions

Cost of equity (%)	
India risk free rate () (1)	6.0
risk premium ()	8.0
Market return (2) ()	14.0
Beta (3)	0.95
Cost of equity () {1+3*(2-1)}	13.6
Terminal growth rate ()	4.0

Source: Company data, Morgan Stanley Research

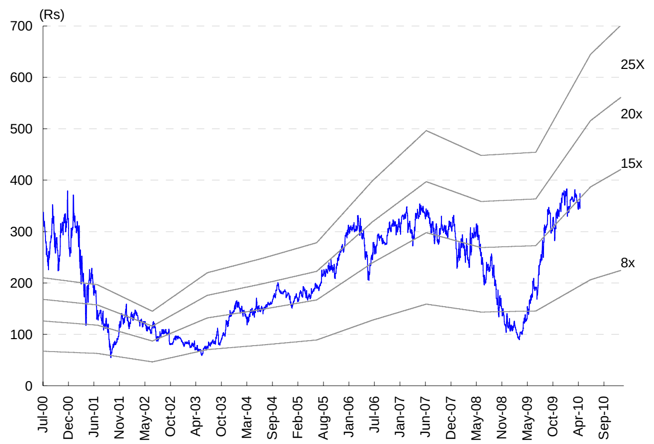
Company Description

HCL Technologies is one of the largest Indian IT service companies. It offers an entire gamut of IT services, including technology development, software product engineering, networking, and application development. The company has a well-diversified client and geographic base.

India Software

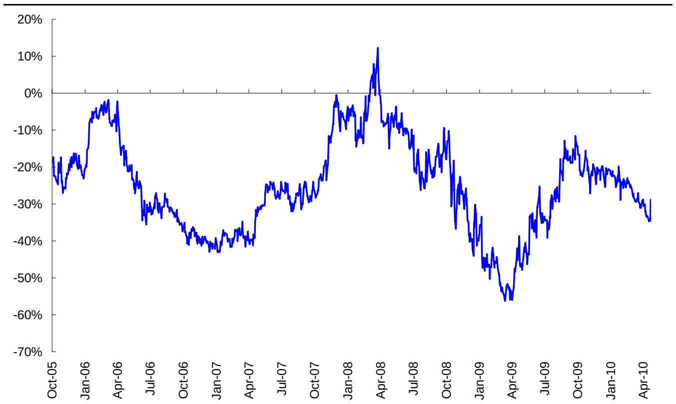
Industry View: In-Line

Exhibit 26
HCL Tech: P/E Band Chart



Source: Bloomberg, Company data, Morgan Stanley Research

Exhibit 27
HCLT: P/E Discount to INFOSYS



Source: Bloomberg, Company data, Morgan Stanley Research

Exhibit 28
HCLT: Absolute Price Performance

Comp Peers/Index	1d	1w	1m	3m	6m	1yr	Ytd
HCL TECH	**8.3**	**4.8**	**1.3**	**-2.3**	**14.3**	**199.0**	**0.7**
INFOSYS	-0.5	-2.5	-1.6	5.3	22.6	96.4	4.3
TCS	-0.6	-4.4	-5.1	3.6	25.4	189.2	4.6
WIPRO	1.3	-2.0	-3.2	0.7	22.2	150.8	3.7
SATYAM	0.6	-2.6	-3.9	-13.3	-17.1	98.4	-5.2
I-FLEX	0.2	-1.5	-3.9	-2.3	6.1	157.3	-4.6
MPHASIS	0.7	-0.3	-1.8	-5.7	0.6	195.4	-9.9
POLARIS	3.8	5.1	8.0	6.8	10.9	198.5	0.9
PATNI	0.1	-0.1	6.8	15.3	26.5	269.6	15.9
MINDTREE	1.2	9.2	14.2	1.6	15.7	165.1	-6.3
HEXAWARE	3.9	6.6	6.3	-18.5	-9.8	138.7	-18.3
TECH MAHINDRA	1.0	-1.9	-9.0	-27.0	-11.6	171.0	-16.3
E-CLERX	7.1	8.8	2.1	15.9	41.7	207.2	30.7
EDUCOMP	-0.5	-6.1	-6.6	-1.8	-20.7	46.5	-1.4
HCL INFO	3.5	1.5	3.7	-13.4	-25.2	44.9	-13.9
INFOEDGE	2.2	2.6	8.3	11.7	36.7	82.0	7.3
KPIT CUMMINS	-0.5	-4.7	0.0	-2.2	36.7	209.9	-6.0
MASTEK	1.7	-8.8	-9.4	-21.3	2.8	103.4	-28.1
NIIT LTD	-1.8	-4.4	11.5	-3.3	-6.6	160.3	-3.2
NUCLEUS SOFT	2.1	6.9	15.6	18.1	44.4	160.7	3.1
SASKEN	1.4	-0.2	-0.6	-3.1	16.8	139.3	-4.4
SUBEX	0.7	-4.6	4.3	-14.7	-27.2	121.9	-30.8
TANLA	-0.2	0.3	1.9	-19.1	-32.0	-9.8	-23.5
BSE SENSEX	0.1	-2.0	-0.6	2.5	2.7	60.3	0.0
MSCI INDIA IT IND	-1.3	-2.5	-2.6	2.1	20.8	115.2	4.0
NASDAQ COMP	0.0	-0.2	5.3	10.3	16.2	52.0	10.1

Source: Bloomberg, Morgan Stanley Research; Prices as of 25th Jan 2010 for India listed stocks and 21st April 2010 for NASDAQ Comp. Past performance is no guarantee of future results. Results shown do not include transaction costs.

Exhibit 29

Software Valuations: P/E and P/S Ratio

Company	Ticker	Curr	Price (Local)	M Cap ($mil)	EPS (Respective Currency)			P/E (x)			EPS Growth (%)			EPS CAGR	P/S(x)
					FY10e	FY11e	FY12e	FY10e	FY11e	FY12e	FY10e	FY11e	FY12e	10-12	FY11e
US Listed															
Accenture*	ACN	USD	44	33,195	2.6	3.0	3.3	16.7	14.8	13.3	11.1	12.8	11.1	12.0%	1.5
Amdocs*	DOX	USD	31	6,366	2.2	2.4	2.7	13.9	13.0	11.4	4.8	7.5	13.3	10.4%	2.1
Cognizant Solutions*	CTSH	USD	52	15,688	1.8	2.1	2.3	29.4	25.3	22.9	23.6	16.3	10.6	13.4%	3.9
Computer Sciences *	CSC	USD	55	8,452	5.0	5.2	5.6	11.0	10.6	9.8	NM	4.1	7.3	5.7%	0.5
Infosys - ADR*	INFY	USD	61	35,256	2.3	2.7	3.1	26.7	23.0	19.7	7.0	16.1	16.6	16.3%	5.8
Patni - ADR*	PTI	USD	25	1,648	1.7	1.8	1.8	15.1	14.3	13.8	30.7	5.4	3.7	4.5%	2.2
Wipro - ADR*	WIT	USD	24	34,503	0.7	0.8	0.9	35.1	30.3	27.0	30.1	15.7	12.4	14.0%	4.7
European Listed															
Cap Gemini	CAP	EUR	39	8,008	1.7	1.8	2.7	23.3	21.9	14.6	-42.8	6.0	50.7	26.4%	0.7
Logica PLC	LOG	GBp	145	3,586	10.6	11.9	13.8	13.7	12.2	10.5	10.1	12.9	15.7	14.3%	0.6
TietoEnator	TIE1V	EUR	17	1,630	0.9	1.1	1.2	18.1	15.2	14.3	19.4	0.0	11.8	12.7%	0.7
India Listed															
HCL Tech	HCLT	INR	374	5,680	18.2	25.8	29.9	20.6	14.5	12.5	1.5	41.9	15.9	28.2%	1.8
Hexaware	HEXW	INR	77	250	9.0	8.7	10.9	8.5	8.9	7.1	119.7	-3.8	25.3	9.8%	1.1
Infosys - Local	INFO	INR	2,716	34,979	108.8	124.1	153.1	25.0	21.9	17.7	4.2	14.1	23.3	18.6%	5.7
MindTree	MTCL	INR	651	580	51.4	53.4	54.2	12.7	12.2	12.0	275.4	3.9	1.3	2.6%	1.7
MphasiS @	MPHL	INR	652	3,067	43.2	50.9	52.8	15.1	12.8	12.3	78.8	17.9	3.8	10.6%	2.7
Patni - Local	PATNI	INR	561	1,629	35.2	38.5	38.5	16.0	14.6	14.6	30.0	9.5	-0.1	4.6%	2.1
TCS	TCS	INR	786	34,523	35.1	40.7	44.8	22.4	19.3	17.5	32.9	15.8	10.2	12.9%	4.4
Tech Mahindra	TECHM	INR	829	2,277	58.3	75.5	92.3	14.2	11.0	9.0	-20.8	29.5	22.3	25.8%	2.1
Wipro - Local	WPRO	INR	705	23,225	31.4	36.6	39.9	22.4	19.3	17.7	18.0	16.4	9.0	12.6%	3.2
BPO															
Genpact	G	USD	17	3,732	0.73	0.89	1.01	23.4	19.2	17.0	NM	22.1	13.0	17.5%	2.9
WNS	WNS	USD	13	563	1.20	1.56	1.67	10.9	8.4	7.8	10.8	30.1	7.0	18.0%	1.3
Convergys*	CVG	USD	13	1,640	1.16	1.10	1.22	11.4	12.1	10.9	-254.7	-5.6	11.3	2.5%	0.7
Teletech*	TTEC	USD	18	1,107	1.22	1.24	1.40	14.8	14.5	12.8	15.1	1.9	12.9	7.3%	1.0
EXL*	EXLS	USD	18	509	0.54	0.61	0.76	32.4	28.7	23.1	0.0	13.0	24.3	18.5%	2.2
ADP*	ADP	USD	45	22,662	2.41	2.54	2.69	18.7	17.7	16.7	NM	5.6	6.0	5.8%	2.5

Prices as of April 21, 2010; Source: Company data, FactSet, Morgan Stanley Research
E = Morgan Stanley Research estimates, except for those marked with an asterisk (*), which are consensus estimates as provided by FactSet
NM = Not Meaningful
@ MphasiS EPS include EDS India from F2007; Mphasis FY10e represents our estimates for the period of Nov08-Oct09
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Industry Coverage:India Software

Company (Ticker)	Rating (as of)	Price* (04/20/2010)
Vipin Khare		
Genpact Limited (G.N)	E (08/26/2008)	US$17.4
HCL Technologies (HCLT.BO)	O (08/26/2009)	Rs374.1
Hexaware Technologies Limited (HEXT.BO)	O (07/30/2009)	Rs77.15
Infosys Technologies (INFY.BO)	E (01/14/2010)	Rs2,716
MindTree Ltd. (MINT.BO)	O (11/16/2009)	Rs651.3
MphasiS Limited (MBFL.BO)	U (08/20/2009)	Rs651.65
Patni Computer Systems (PTNI.BO)	U (11/16/2009)	Rs561.05
Tata Consultancy Services (TCS.BO)	E (07/20/2009)	Rs785.9
Tech Mahindra Limited (TEML.BO)	U (03/11/2009)	Rs829.25
WNS Global Services (WNS.N)	E (03/11/2009)	US$13.21
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