COMPANY PROFILE

HCL Technologies Limited

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COMPANY OVERVIEW

HCL Technologies Limited (HCL,“the company”) is a global IT services provider that offers wide range of software, engineering and IT infrastructure services. Its technology products and services portfolio comprises infrastructure, application, engineering, business process, human resource outsourcing, enterprise function as a service, finance and accounting, and supply chain management services. The company offers services through partnerships with technology vendors, niche solution providers and customers. It caters to financial, public services, healthcare and life sciences, consumer services and manufacturing sectors. HCL has operations across the Americas, Asia-Pacific and Europe. The company has headquarters in Noida, Uttar Pradesh, India.

The company reported revenues of (US Dollars) US$10,174.7 million for the fiscal year ended March 2021 (FY2021), an increase of 2.4% over FY2020. In FY2021, the company’s operating margin was 21.3%, compared to an operating margin of 19.8% in FY2020. In FY2021, the company recorded a net margin of 16.5%, compared to a net margin of 15.6% in FY2020.

KEY FACTS

Head Office	HCL Technologies Limited Technology Hub SEZ, Plot No. 3A, Sector 126 NOIDA NOIDA IND
Phone	91 11 26444812
Fax	91 11 26436336
Web Address	www.hcltech.com
Revenue / turnover (USD Mn)	10,174.7
Financial Year End	March
Employees	168,977
National Stock Exchange of India Ticker	HCLTECH

SWOT ANALYSIS

HCL Technologies Limited (HCL) is an information technology (IT) services provider. Diversified end markets, wide geographic presence and strategic partnerships and alliances are the company's major strengths, whereas decline in the operational performance remains the cause for concern. Global cybersecurity market, increasing adoption of cloud computing services and positive outlook for global IT services market are likely to offer growth opportunities to the company. However, technological changes, competitive environment and anti-outsourcing legislation could affect its business operations.

Strength Strategic partnerships and alliances Diversified end markets Wide geographic presence	**Weakness** Decline in operational performance
Opportunity Increasing adoption of cloud computing services Growth outlook for global cybersecurity market Positive outlook for global IT services market	**Threat** Technological Changes Competitive environment Anti-outsourcing legislation could affect revenue and profitability

Strength

Strategic partnerships and alliances

HCL has strategic partnerships and alliances with global technology vendors, customers, and niche solution providers. The company has alliances with approximately 150 companies in various technology areas including go-to-market alliances, partnerships for specific customer requirements and specialist partnerships for niche technologies. It has strategic partnerships with digital technology providers, including Adobe, Appian, MuleSoft, Pegasystems, Apigee, AWS, Hortonworks and Celonis. The company invested in alliance partner center of excellence (CoEs), which build solution frameworks and accelerators. HCL also invests in joint solutions with partners to create solutions for customers. HCL’s global strategic alliances include Microsoft, Cisco, Dell EMC, SAP, HPE, Oracle, IBM, TIBCO and Infor. The company’s specialist partnerships provide niche offerings to the customers including Texas Instruments, VMWare, JDA, BMC Software and DXC Technology. Strategic alliance and partnerships allows HCL to create and deliver the best suited IT-enabled business solutions for customers.

Diversified end markets

The company provides software, engineering and IT infrastructure services to a wide range of customers in various industries. It serves diversified markets, including aerospace and defense, automotive, capital markets, banking, consumer goods, energy and utilities, chemical and process industries, healthcare, industrial manufacturing, hi-tech, and transport. The company also provides its products and services to insurance, manufacturing industries, life sciences, media and entertainment, oil and gas, retail, telecom, mining and natural resources, travel, and logistics and hospitality sectors. HCL's wide customer base reduces its dependence on any one particular group, which in turn reduces its business risk.

Wide geographic presence

HCL has a diversified geographic presence. The company has an extensive global network of delivery centers to provide seamless service to customers worldwide. It operates through extensive global offshore infrastructure and network of offices in 46 countries. The company has well established presence in India and the Americas. In Europe, the company operates in Belgium, Ireland, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, the UK, Sweden, Switzerland, Bulgaria, Portugal, Romania and Lithuania. In the APAC and MEA region, it has operations in India, Australia, China, Vietnam, Hong Kong, Japan, Indonesia, Malaysia, Philippines, New Zealand, the Middle-East, Singapore, and South Africa. The company also has operations in Canada, Mexico, the US and Latin America regions across the Americas. Diversified geographic reach reduces dependence on any single market for revenue. It offers access to a wider customer base and enables continued inflows resulting in a strong revenue position for the company.

Weakness

Decline in operational performance

HCL exhibited a decline in the operational performance during the review year. In FY2020, the company's operating margin was 19.8% as compared to an operating margin of 20.8% in FY2019. It recorded a net profit margin of 15.6% in FY2020 as compared to a net profit margin of 16.7% in FY2019. Weak operational performance could affect the company's ability to pursue growth and expansion plans.

Opportunity

Increasing adoption of cloud computing services

The worldwide demand for cloud computing services is expected to record strong growth in coming years. Dependence on hard-to-deploy physical servers results in slow response to variable organizational needs, which prods organizations and government agencies worldwide to switch to cloud computing. Cloud computing provides easy and cost effective solutions to organizations, enabling them to meet their data storage requirements. It also offers reliable and easy storage to telecom and related companies for the development of mobile apps. At the same time, it reduces the IT companies' spending on data analytics. According to in-house research report, the global cloud computing industry reported double-digit growth in recent years and the trend is expected to continue through 2022. Cloud computing has been one of the fastest growing technology sectors due to the advantages it offers to all types of businesses. The performance of the industry is forecast to accelerate at an anticipated CAGR of 23.8% during 2017-2022 to reach US$352 billion by the end of 2022. The market is expected to be led by the US and Asia-Pacific. In September 2020, HCL expanded its partnership with Google Cloud to deliver accelerated business intelligence platform. Through this partnership, HCL will bring its Actian portfolio, starting with Actian Avalanche, to Google Cloud, which will provide improved business performance and the ability to mitigate risk, increase business agility, and secure material cost savings.

Growth outlook for global cybersecurity market

Growing vulnerability of IT and communication networks to hacking, increasing threats of terrorist attacks, and the requirement of securing maritime and offshore installations are expected to drive investment in cybersecurity market globally. Increase in use of cloud storage systems is also expected to drive demand for cloud security solutions. According to in-house research, the worldwide cybersecurity market is expected to grow at a CAGR of 3.6% to reach US$17.8 billion by 2028 from US$12.5 billion in 2018. North America is expected to account for 55% of the total market, followed by Asia-Pacific (22%), Europe (11%), the Middle East (8%), and Latin America and Africa (4%). The cybersecurity market comprises four segments: network security, data security, identity and access security, and cloud security. The market is expected to be dominated by the network security segment, which will account for 36% of the market share, followed by the data security (27%), identity and access security segment (21%), and cloud security (16%) during the forecast period. In August 2020, HCL opened its first European cyber security fusion center (CSFC) in Gothenburg, Sweden. This CSFC allows organizations to detect threats faster and resolve incidents efficiently. This new center further strengthens the company's global innovation drive, adding to the cybersecurity capabilities of its existing network of five CSFC's throughout Asia and North America.

Positive outlook for global IT services market

The company stands to benefit from the positive long-term outlook for IT services market. According to in-house research, the global IT services industry is expected to grow at a CAGR of 2.8% to reach US$671 billion by 2021. Infrastructure services could retain a major market share with 40.1%, followed by application services (35.9%), and business process outsourcing services (23.9%) respectively. The US is projected to dominate the market with a share of 34.5% of IT services market, followed by Europe (33.4%), Asia-Pacific (25.9%), Rest of the world (6%), and the Middle East (0.3%) respectively. IT outsourcing and processing, consulting and support, and cloud computing services could remain the major drivers for global IT services market. The major buyers could be businesses and government agencies, whereas hardware devices and software tools providers could remain major suppliers of IT services. In September 2020, HCL acquired DWS Limited, a provider of IT, business and management consulting services. This acquisition would enhance the company's contribution to Digital initiatives in New Zealand and Australia strongly while strengthening its client portfolio across major industries.

Threat

Technological Changes

The company operates in the IT market that is subject to rapid technological changes. Introduction of products using new technologies or the adoption of new industry standards will make existing products or products under development obsolete or unmarketable. In this scenario, to compete effectively, the company has to continuously innovate and introduce new products that gain market acceptance. Unless the company understands the customers' requirements and adapts to emerging technologies in the market and introduces new products and solutions, its business could be affected.

Competitive environment

HCL operates in a highly competitive and rapidly evolving IT services industry. The company competes with established as well as evolving IT companies in the regional and global markets. Some of the major competitors of the company include Cognizant Technology Solutions, Infosys, International Business Machines (IBM), Tata Consultancy Services, Tech Mahindra, and Wipro. Most of these competitors have greater financial capability compared to HCL. The competition in the IT market has further increased in recent times due to consolidation in both Indian and international markets. Intense competition and consolidation may lead to pricing pressures and also threatens to erode the company's market share and profitability in long term.

Anti-outsourcing legislation could affect revenue and profitability

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the US, which is HCL' largest market. For example, measures aimed at limiting or restricting outsourcing by the US companies are periodically considered in the US Congress and in numerous state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs domestically. If enacted, such measures may broaden existing restrictions on outsourcing by federal and state government agencies and on government contracts with firms that outsource services directly or indirectly, or impact private industry with measures that include, but are not limited to, tax disincentives, fees or penalties, intellectual property transfer restrictions, mandatory government audit requirements, and new standards that have the effect of restricting the use of certain business and/or work visas. Existing and future legislative and administrative/regulatory policies restricting the performance of business process services from an offshore location in jurisdictions in Europe, the Asia Pacific or any other region in which the company has clients could also have a material adverse effect on CTS' business, results of operations and financial condition. Thus, the ongoing debate over outsourcing, the introduction and consideration of other restrictive legislation or regulations is possible. If enacted, such measures may broaden existing restrictions on outsourcing by federal and state government agencies and could affect the company's business, results of operations and financial condition. Such restrictions could force IT outsourcing companies such as HCL to change its business model which in turn could affect revenue and profitability.