HCL Technologies

Performance Highlights

(₹ cr) – Consl.	1QFY13	4QFY12	% chg (qoq)	1QFY12	% chg (yoy)
Net revenue	6,091	5,919	2.9	4,651	31.0
EBITDA	1,351	1,301	3.8	795	69.9
EBITDA margin (%)	*22.2*	*22.0*	*20bp*	*17.1*	*509bp*
PAT	885	854	3.6	497	78.0

Source: Company, Angel Research

For 1QFY2013, HCL Technologies (HCL Tech) reported yet another strong set of results. Volume growth was robust at 4.5% qoq. HCL Tech, with end-to-end IT capabilities and a strong client mining ability, is clearly emerging as a front-runner and outperforming many of its peer companies. **We maintain our Accumulate rating on the stock.**

Quarterly highlights: For 1QFY2013, HCL Tech reported revenue of US$1,114mn, up 3.2% qoq, on the back of a 2.5% qoq volume growth in its core software services business and a whopping 10.3% qoq USD revenue growth in constant currency (CC) terms in its infrastructure services business. The EBITDA and EBIT margins remained almost flat qoq despite of having a negative wage hike impact, aided by operational efficiencies and improvement in utilization level.

Outlook and valuation: The company is witnessing a healthy demand environment and has signed 12 multi-year, multi-million deals during 1QFY2013. The management sounded confident of sustaining revenue growth within the top-tier league along with maintaining operating margins (excluding currency) through operational levers such as utilization and higher off-shoring of revenues. The company has been focusing a lot of effort in the US and Europe geographies to chase the rebid opportunity with its recent win ratios of ~50%, driving confidence on sustaining revenue growth momentum ahead. We expect HCL Tech to be the outperformer among tier-I IT companies, with USD and INR revenue CAGR of 12.4% and 12.8%, respectively, over FY2012–14E, on the back of its higher-value services portfolio, which is set to address the current demand landscape. We expect EBITDA and PAT to post a 9.6% and 10.5% CAGR respectively over FY2012-14E. At the current market price of ₹580, the stock is trading at 11.9x FY2014E EPS of ₹48.6. We value the company at 13.5x FY2014E EPS and give it a target price of ₹648. **We maintain our Accumulate rating on the stock.**

Key financials (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Net sales	12,564	16,034	21,031	24,214	26,772
% chg	*18.2*	*27.6*	*31.2*	*15.1*	*10.6*
Net profit	1,310	1,710	2,526	3,098	3,382
% chg	*2.6*	*30.5*	*47.8*	*22.6*	*9.2*
EBITDA margin (%)	20.5	17.1	19.1	19.5	18.1
EPS (₹)	19.0	24.5	36.0	44.0	48.0
P/E (x)	30.5	23.7	16.1	13.2	12.1
P/BV (x)	5.7	4.8	3.8	3.1	2.6
RoE (%)	18.6	20.3	23.5	24.0	22.0
RoCE (%)	15.3	15.4	18.3	22.1	20.1
EV/Sales (x)	3.2	2.5	1.9	1.6	1.4
EV/EBITDA (x)	15.7	14.5	9.8	8.1	7.7

Source: Company, Angel Research

ACCUMULATE

CMP	₹580
Target Price	₹648
Investment Period	12 Months

Stock Info	
Sector	IT
Market Cap (₹ cr)	39,693
Net debt (₹ cr)	(1,114)
Beta	0.7
52 Week High / Low	606/374
Avg. Daily Volume	125,246
Face Value (₹)	2
BSE Sensex	18,611
Nifty	5,660
Reuters Code	HCLT.BO
Bloomberg Code	HCLT@IN

Shareholding Pattern (%)	
Promoters	62.2
MF / Banks / Indian FIs	9.3
FII / NRIs / OCBs	20.3
Indian Public / Others	8.2

Abs. (%)	3m	1yr	3yr
Sensex	8.8	9.3	7.4
HCL Tech	20.9	32.2	92.3

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Exhibit 1: 1QFY2013 performance (Consolidated, US GAAP)

Y/E June (₹ cr)	1QFY13	4QFY12	% chg (qoq)	1QFY12	% chg (yoy)	FY2012	FY2011	% chg (yoy)
Net revenue	**6,091**	**5,919**	**2.9**	**4,651**	**31.0**	**21,031**	**16,034**	**31.2**
Cost of revenue	3,946	3,837	2.8	3,187	23.8	14,056	10,914	28.8
Gross profit	2,145	2,082	3.0	1,464	46.5	6,975	5,120	36.2
SG&A expense	794	781	1.7	669	18.7	2,950	2,371	24.4
EBITDA	**1,351**	**1,301**	**3.8**	**795**	**69.9**	**4,025**	**2,749**	**46.4**
Dep. and amortization	169	152	10.8	131	29.0	564	498	13.3
EBIT	1,182	1,149	2.9	664	78.0	3,461	2,251	53.8
Other income	36	15		24		71	26	
PBT	1,218	1,164	4.6	688	77.0	3,532	2,277	55.1
Income tax	272	253	7.6	173	57.3	818	485	68.5
PAT	946	911	3.8	515	83.7	2,714	1,791	51.5
Forex loss	(61)	(58)	5.7	(18)	240.2	(188)	(82)	129.3
Adjusted PAT	**885**	**854**	**3.6**	**497**	**78.0**	**2,526**	**1,710**	**47.8**
EPS	12.6	12.2	3.5	7.1	76.9	36.0	24.5	47.1
Gross margin (%)	35.2	35.2	4bp	31.5	374bp	33.2	31.9	123bp
EBITDA margin (%)	22.2	22.0	20bp	17.1	509bp	19.1	17.1	200bp
EBIT margin (%)	19.4	19.4	-bp	14.3	513bp	16.5	14.0	242bp
PAT margin (%)	14.4	14.4	6bp	10.6	381bp	12.0	10.6	133bp

Source: Company, Angel Research

Exhibit 2: 1QFY2013 – Actual vs. Angel estimates

(₹ cr)	Actual	Estimate	Variation (%)
Net revenue	6,091	6,153	(1.0)
EBITDA margin (%)	22.2	20.6	154bp
PAT	885	786	12.6

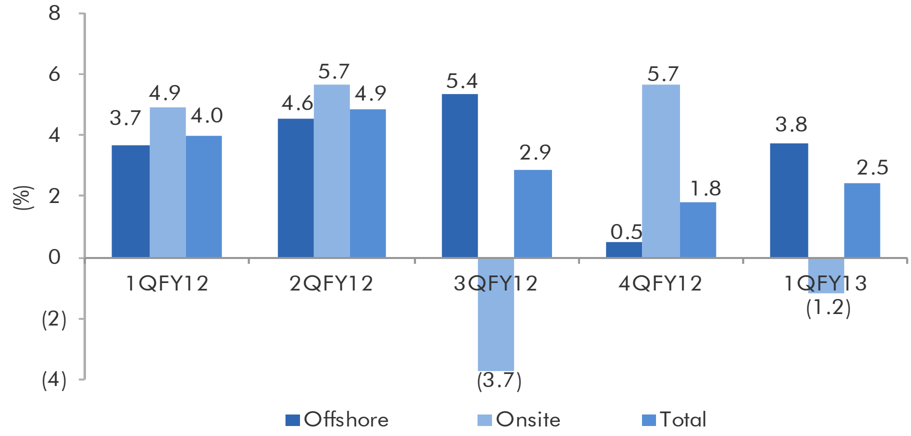
Source: Company, Angel Research

Strong performance

For 1QFY2013, HCL Tech reported revenue of US$1,114mn, up 3.2% qoq, on the back of a 2.5% qoq volume growth in its core software services business and a whopping 10.3% qoq USD revenue growth in constant currency (CC) terms in its infrastructure services business. Overall, the volume growth of the company was healthy at 4.5% qoq. Cross-currency movement aided the company's USD revenue by 0.3% qoq. In CC terms, the revenue grew by 2.9% qoq to US$1,111mn.

The volume growth of 2.5% qoq in core software services was on account of a 3.8% qoq off-shore volume growth while onsite volume declined 1.2% qoq. HCL Tech signed 12 multi-year, multi-million dollar deals during the quarter. In INR terms, revenue came in at ₹6,091cr, up 2.9% qoq.

Exhibit 3: Volume growth trend (Effort wise)



Source: Company, Angel Research

Core software services posted tepid growth: During the quarter, core software services (contributed 69% to revenue) posted merely 0.5% qoq revenue growth (USD terms) to US$768mn, led by 2.5% qoq volume growth. In CC terms, the revenue growth in core software services came in at just 0.2% qoq. This was due to a decline and challenges seen in discretionary spending which majorly impacted the enterprise application services business (EAS; contributed 19.9% to revenue), the revenues of which declined by 2.0% qoq in CC terms. Revenues from EAS declined because of reduction in smaller discretionary projects and stricter capex controls with some clients, resulting in delayed ramp up of some projects than was expected. The revenue from custom application services (contributed 31.0% to revenue) and engineering and R&D services (ERD; contributed 18.1% to revenue) grew by 1.6% and 0.3% qoq (CC terms), respectively. Projects related to global consolidation and deployment remain the company's focus for core ERP implementation work.

Infrastructure services emerges as the primary growth driver: The infrastructure management services (IMS) segment (contributed 26.6% to revenue) reported a whopping 10.4% qoq increase in its revenue (USD terms) to US$296mn. In CC terms, the revenue of IMS grew by 10.3% qoq. The management indicated that IMS is doing well globally. Currently, the segment is witnessing continued demand traction from the re-bid market with more than 80% of the new deals coming from Fortune 500/G2000 companies. The company expects to see strong demand from manufacturing; hi-tech and the healthcare market in the US; banking, financial services and insurance (BFSI); and from the healthcare market in Europe. The management indicated that changing customer business models is leading to large multi-year transformational deals coming in.

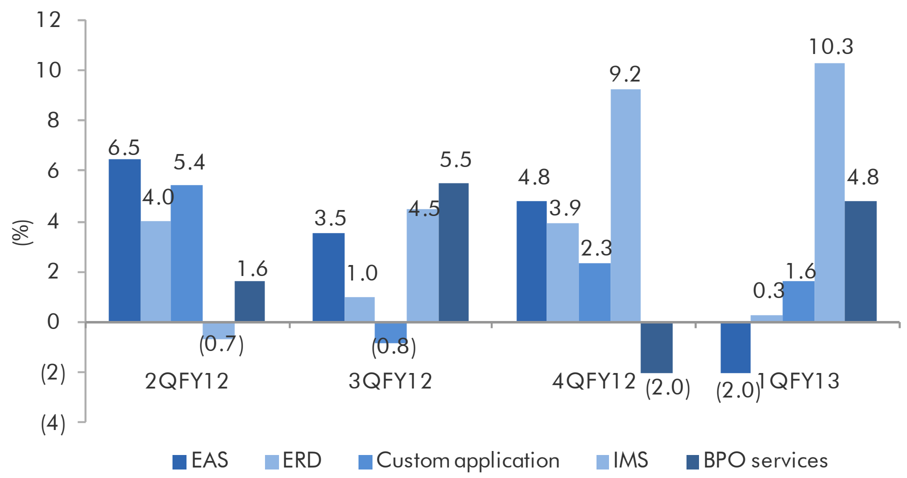
BPO services posts modest revenue growth: The business process outsourcing (BPO) segment posted a 5.2% qoq increase in its revenue to US$50mn. In CC terms, the segment reported a 4.8% qoq growth in its revenue. Since 3QFY2012, the BPO business has entered the EBITDA and EBIT positive zone. The demand 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. Currently the company derives ~65% of its revenues from non-voice based services as compared to 40% two years ago. Demand is seen in areas of cloud, mobility, social media and multi-tower end-to-end process data.

Exhibit 4: 1QFY2013 performance (Segment wise)

(US$ mn)	1QFY13	4QFY12	% chg qoq	1QFY12	% chg yoy
SOFTWARE SERVICES					
Revenue	768	764	0.5	709	8.2
Gross profit	287	283	1.1	238	20.3
Gross margin (%)	37.3	37.1	23bp	33.6	373bp
EBITDA	180	178	1.3	128	41.3
EBITDA margin (%)	**23.5**	**23.3**	**19bp**	**18.0**	**549bp**
EBIT	162	161	0.7	109	48.1
EBIT margin (%)	21.1	21.0	5bp	15.4	568bp
INFRASTRUCTURE SERVICES					
Revenue	296	268	10.4	246	20.1
Gross profit	91	82	10.2	68	34.0
Gross margin (%)	30.7	30.7	(5)bp	27.5	318bp
EBITDA	62	56	10.5	45	39.8
EBITDA margin (%)	**21.0**	**21.0**	**2bp**	**18.1**	**296bp**
EBIT	53	48	10.6	37	43.2
EBIT margin (%)	17.9	17.9	4bp	15.0	290bp
BPO SERVICES					
Revenue	50	48	5.3	47	7.7
Gross profit	15	14	4.9	10	55.2
Gross margin (%)	29.7	29.8	(9)bp	20.6	910bp
EBITDA	5	3		(1)	
EBITDA margin (%)	**9.2**	**6.7**	**246bp**	**(1.5)**	**1069bp**
EBIT	1	1		(3)	
EBIT margin (%)	2.2	1.9	30bp	(7.3)	951bp

Source: Company, Angel Research

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



Source: Company, Angel Research

Industry segment wise, financial services (contributed 24.1% to revenue) continued its growth momentum and reported a 3.6% qoq growth in CC terms. In the financial services space, IT-related spending is coming from work related to regulatory compliance, efficiency gains, cost optimization and vendor churning. Negligible growth was seen in CC terms from HCL Tech's anchor industry segment, manufacturing (contributed 27.6% to revenue), due to decline in revenues from discretionary kind of services especially in the EAS area. The demand in the manufacturing space is coming for business needs related to operational efficiency, cost reduction and product development. The healthcare; retail and consumer packaged goods (CPG); and media, publishing and entertainment (MPE) segments emerged as the company's primary growth drivers, with revenues growing by 14.6%, 10.2% and 7.3% qoq (CC terms), respectively. The revenue growth in energy and public utilities (EPU) and the telecom industry segments remained sluggish. The management indicated that this trend might continue in the near term.

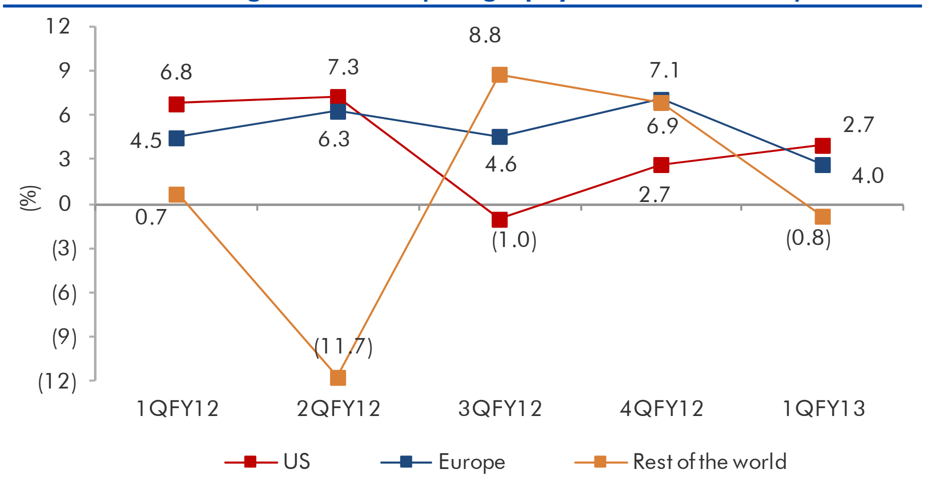
Exhibit 6: Revenue growth trend (Industry wise in CC terms)

Growth by vertical (%)	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13
Financial services	2.1	6.1	(4.1)	5.2	3.6
Manufacturing	8.2	4.6	0.6	1.6	-
Telecom	(2.0)	(3.1)	10.0	(2.8)	(3.2)
Retail and CPG	12.0	7.8	(0.3)	4.2	10.2
MPE	0.4	(2.2)	6.5	4.4	7.3
Healthcare	-	16.9	8.1	22.9	14.6
EPU	1.6	(15.8)	7.6	13.1	(1.7)

Source: Company, Angel Research

During the quarter, HCL Tech reported growth in developed geographies with revenues from the US and Europe growing by 2.7% and 4.0% qoq (CC terms), respectively. The revenue from rest of the world (RoW) declined by 0.8% qoq. The management indicated that since the past 5-6 quarters, the sales force of the company has increasingly been focused towards the US and Europe geographies.

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



Source: Company, Angel Research

Hiring and utilization

During the quarter, HCL Tech added 6,372 gross employees, out of which 5,465 were lateral additions. The company witnessed a net addition of 1,016 employees, taking its total employee base to 85,335.

In the core software services segment, 4,479 gross and 846 net employees were added during the quarter, taking the segment's total employee base to 55,266. The gross lateral employee addition in this segment stood decent at 1,578. The attrition rate for the core software services segment declined by 30bp qoq to 13.4% (last twelve month [LTM] basis) during the quarter.

The infrastructure services segment reported a net addition of 1,452 employees in 1QFY2013, taking the segment's total employee base to 20,335. The gross addition in the segment stood at 2,085 employees, of which 1,994 were laterals, indicating that the company is witnessing a robust deal pipeline. The attrition rate for this segment also declined by 70bp qoq to 14.3% (LTM basis).

The BPO segment, which has been witnessing employee rationalization since the past couple of quarters, added 70 net employees, taking the segment's total employee base to 9,714. The company added 1,893 gross employees (all laterals) in the BPO segment during the quarter. The quarterly offshore attrition rate for this segment declined by 30bp qoq to 7.6% during the quarter.

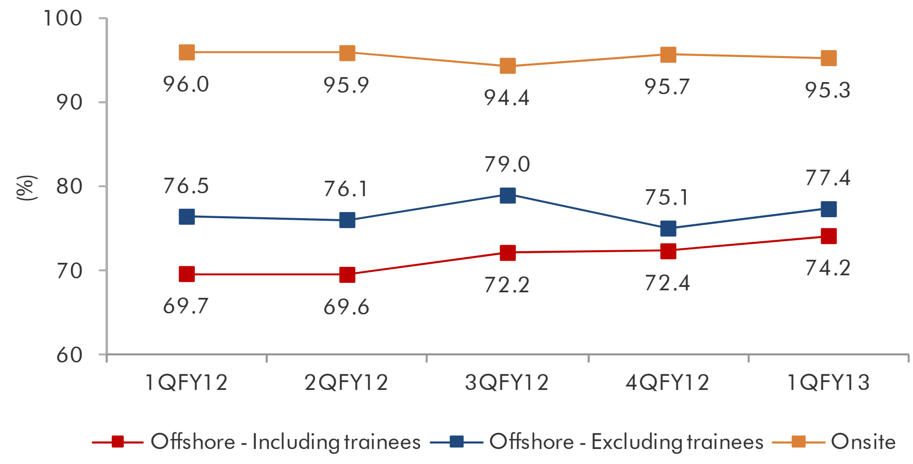
Exhibit 8: Hiring trend (Net addition, Service wise)

	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13
Net additions					
Software services	3,053	1,353	79	744	(181)
Infrastructure services	783	381	340	1,457	1,127
BPO	(362)	822	(1,031)	(346)	70
Total employees					
Software services	53,271	54,624	54,703	57,592	55,266
Infrastructure services	17,050	17,431	17,771	19,228	20,355
BPO	10,199	11,021	9,990	9,644	9,714

Source: Company, Angel Research

The utilization level offshore, including as well as excluding trainees, improved by 180bp and 230bp qoq to 74.2% and 77.4%, respectively. Onsite utilization declined slightly by 40bp qoq to 95.3%.

Exhibit 9: Utilization trend (%)

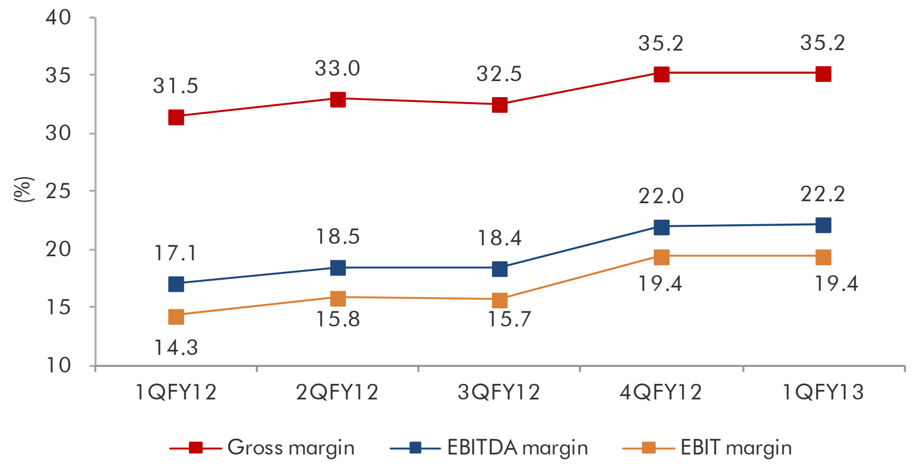


Source: Company, Angel Research

Operating margin stable despite wage hike impact

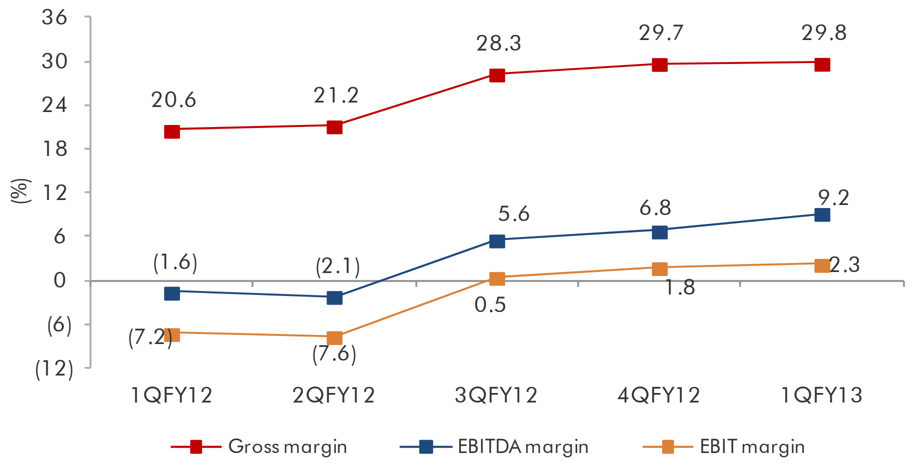
During 1QFY2013, HCL Tech's EBITDA margin and EBIT margin remained almost stable at 22.2% and 19.4%, despite having 80bp qoq wage hike impact which was a positive surprise. The negative impact of wage hike was absorbed by 18bp qoq gain from G&A leverage and 72bp qoq gain from operating efficiency and improvement in utilization.

Exhibit 10: Margin profile



Source: Company, Angel Research

Exhibit 11: BPO segment – Margin trend



Source: Company, Angel Research

Client pyramid strengthens

During the quarter, HCL Tech enhanced its client pyramid with an addition of 38 new clients. Four clients were added in the US$30mn-40mn revenue bracket and seven in the US$5mn-10mn revenue bracket. The active client base of the company remained stable at 536. The company's top clients registered lower than company's average growth, with revenue from the top 5, top 10 and top 20 clients growing by 1.0%, 1.6% and 0.8% qoq (LTM basis, CC terms), respectively.

Exhibit 12: Client pyramid

Particulars	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13
Active client relationship	480	516	516	536	536
New client relationship	66	57	52	50	38
US$1mn–5mn	214	218	234	233	228
US$5mn–10mn	56	60	60	68	75
US$10mn–20mn	42	42	48	51	49
US$20mn–30mn	14	19	19	20	20
US$30mn–40mn	12	11	11	11	15
US$40mn–50mn	2	3	4	4	4
US$50mn–100mn	8	6	6	5	5
US$100mn plus	1	3	4	5	5

Source: Company, Angel Research

Outlook and valuation

HCL Tech has recorded a ~3.2% CQGR in its revenue over the past six quarters. This is primarily on the back of services such as EAS and infrastructure services maintaining their growth momentum and growing at par or higher than the company's average growth rate. Verticals such as manufacturing, financial services and retail have proved to be the company's growth drivers. 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.

The company is witnessing a healthy demand environment and has signed 12 multi-year, multi-million deals during 1QFY2013. The management maintained its stance 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. The management sounded confident of sustaining revenue growth within the top-tier league along with maintaining operating margins (excluding currency) through operational levers such as utilization, higher off-shoring of revenues and growth leverage. The company has been focusing a lot of effort in the US and Europe geographies to chase the rebid opportunity with its recent win ratios of ~50%, driving confidence on sustaining revenue growth momentum ahead. We expect HCL Tech to be the outperformer among tier-I IT companies, with USD and INR revenue CAGR of 12.4% and 12.8%, respectively, over FY2012–14E, on the back of its higher-value services portfolio, which is set to address the current demand landscape.

On the operating front, the company considerably expanded its EBITDA margin to 22.0% in 4QFY2012 and maintained it stable in 1QFY2013 despite giving wage hikes. HCL Tech divided wage hikes between two quarters; so the next quarter will see an impact on the operating margins due to wage hikes. The management indicated that the company remains focused on improving the operating margins of the company along with volume growth. We expect EBITDA and PAT to post a 9.6% and 10.5% CAGR over FY2012-14E.

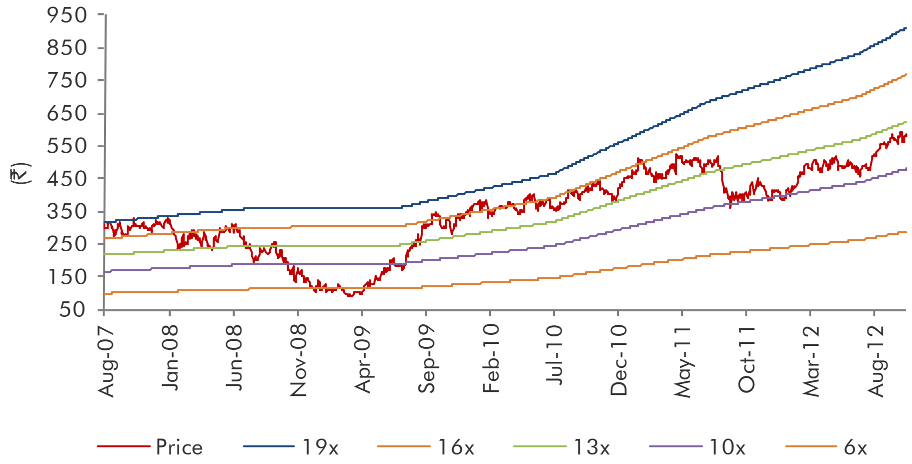
At the current market price of ₹580, the stock is trading at 11.9x FY2014E EPS of ₹48.6. **We value the company at 13.5x FY2014E EPS and give it a target price of ₹648. We maintain our Accumulate rating on the stock.**

Exhibit 13: Key assumptions

	FY2013	FY2014
Revenue growth (USD)	11.3	13.6
USD-INR rate (realized)	52.4	51.0
Revenue growth (INR)	15.1	10.6
EBITDA margin (%)	19.5	18.1
EBIT margin (%)	16.8	15.5
Tax rate (%)	23.5	25.0
EPS growth (%)	22.1	9.2

Source: Company, Angel Research

Exhibit 14: One-year forward PE (x) chart



Source: Company, Angel Research

Exhibit 15: Recommendation summary

Company	Reco	CMP (₹)	Tgt Price (₹)	*Upside (%)*	FY2014E EBITDA (%)	FY2014E P/E (x)	FY2012-14E EPS CAGR (%)	FY2014E EV/Sales (x)	FY2014E RoE (%)
HCL Tech	Accumulate	580	648	*11.7*	18.1	12.1	10.1	1.4	22.0
Hexaware	Buy	111	140	*25.7*	21.4	9.1	10.9	1.2	23.9
Infosys	Accumulate	2,368	2,573	*8.7*	30.4	13.8	5.6	2.6	23.1
Infotech Enterprises	Neutral	195	-	-	17.5	9.9	10.8	0.6	13.8
KPIT Cummins	Buy	118	142	*20.3*	16.4	9.1	17.3	0.8	20.0
Mahindra Satyam	Neutral	110	-	-	18.4	11.0	(0.6)	1.1	22.2
MindTree	Buy	648	747	*15.2*	17.7	8.7	11.6	0.8	19.7
Mphasis	Neutral	404	-	-	16.9	10.8	(0.5)	0.9	12.6
NIIT^	Neutral	34	-	-	11.0	5.4	(1.5)	0.3	14.3
Persistent	Neutral	432	-	-	24.3	9.8	7.7	1.0	15.5
TCS	Accumulate	1,281	1,405	*9.7*	29.1	17.3	10.8	3.5	28.6
Tech Mahindra	Accumulate	950	1046	*10.1*	17.1	9.5	4.2	1.7	20.5
Wipro	Buy	353	421	*19.1*	19.3	12.6	7.3	1.4	17.9

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

Company Background

HCL Tech is India's fifth largest IT services companies, with over 85,000 employees catering to more than 500 clients. The company's service offerings include enterprise application services (EAS), custom applications, engineering and research and development (ERD) and infrastructure management services (IMS). In December 2008, HCL Tech acquired UK-based SAP consulting company, Axon, which now contributes ~10% to its consolidated revenue.

Profit and loss statement (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Net sales	12,564	16,034	21,031	24,214	26,772
Cost of revenues	8,196	10,914	14,056	16,312	18,654
Gross profit	4,369	5,120	6,975	7,902	8,118
% of net sales	*34.8*	*31.9*	*33.2*	*32.6*	*30.3*
SG&A expenses	1,796	2,371	2,950	3,186	3,285
% of net sales	*14.3*	*14.8*	*14.0*	*13.2*	*12.3*
EBITDA	2,573	2,749	4,025	4,715	4,833
% of net sales	*20.5*	*17.1*	*19.1*	*19.5*	*18.1*
Dep. and amortization	*501*	*498*	*564*	*650*	*690*
% of net sales	*4.0*	*3.1*	*2.7*	*2.7*	*2.6*
EBIT	2,072	2,251	3,461	4,066	4,143
% of net sales	*16.5*	*14.0*	*16.5*	*16.8*	*15.5*
Other income, net	(55)	26	71	57	46
Profit before tax	2,017	2,277	3,532	4,123	4,188
Provision for tax	240	485	818	969	1,047
% of PBT	*11.9*	*21.3*	*23.2*	*23.5*	*25.0*
PAT	1,777	1,791	2,714	3,154	3,141
Share from equity invst.	1	-	-	-	-
Forex loss	(476)	(82)	(188)	(56)	240
Adj. net profit	1,277	1,310	2,526	3,098	3,382
EPS (₹)	18.8	19.0	36.0	44.0	48.0

Balance sheet (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Cash and cash equivalent	469	520	667	664	877
Account receivables, net	2,514	2,591	3,836	3,715	4,108
Unbilled receivables	536	816	1,508	1,327	1,467
Deposit with banks	1,091	1,079	1,282	1,378	1,821
Deposit (one year with HDFC ltd)	100	-	50	50	50
Investment securities, available for sale	782	643	546	821	1,085
Other current assets	885	1,255	1,521	1,453	1,740
Total current assets	**6,376**	**6,902**	**9,410**	**9,408**	**11,147**
Property and equipment, net	1,849	2,217	2,478	2,648	2,785
Intangible assets, net	4,312	4,188	4,940	4,940	4,940
Deposits with HDFC Ltd.	-	50	50	64	84
Fixed deposits with banks	-	110	110	141	186
Investment securities HTM	50	95	95	121	160
Investment in equity investee	21	23	40	28	79
Other assets	964	1,039	1,805	1,085	1,261
Total assets	**13,571**	**14,624**	**18,928**	**18,436**	**20,643**
Current liabilities	3,133	3,376	4,939	3,412	3,466
Borrowings	2,663	2,124	1,922	1,251	918
Other liabilities	739	689	1,335	853	867
Total liabilities	**6,535**	**6,189**	**8,196**	**5,516**	**5,251**
Minority interest	-	-	-	-	-
Total stockholder equity	7,037	8,435	10,731	12,920	15,392
Total liabilities and stock holder equity	**13,571**	**14,624**	**18,928**	**18,436**	**20,643**

Cash flow statement (Consolidated, US GAAP)

Y/E June (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Pre tax profit from operations	1,908	2,094	3,299	3,943	4,048
Depreciation	501	498	564	650	690
Expenses (deferred)/written off	(476)	(82)	(188)	(56)	240
Pre tax cash from operations	1,934	2,510	3,675	4,536	4,979
Other income/prior period ad	117	183	233	180	141
Net cash from operations	2,051	2,693	3,908	4,716	5,119
Tax	(240)	(485)	(818)	(969)	(1,047)
Cash profits	**1,810**	**2,207**	**3,090**	**3,747**	**4,072**
(Inc)/dec in current assets	(156)	(727)	(2,204)	371	(820)
Inc/(dec) in current liabilities	(135)	243	1,563	(1,527)	54
Net trade working capital	(290)	(484)	(641)	(1,157)	(766)
Cash flow from oper. actv.	**1,520**	**1,724**	**2,449**	**2,591**	**3,306**
(Inc)/dec in fixed assets	(652)	(797)	(778)	(770)	(770)
(Inc)/dec in intangibles	109	56	(799)	(51)	(57)
(Inc)/dec in investments	(528)	45	(173)	(431)	(861)
(Inc)/dec in minority interest	-	-	-	-	-
Inc/(dec) in non-current liab.	(25)	(50)	646	(482)	14
(Inc)/dec in non-current assets	(103)	(75)	(766)	720	(176)
Cash flow from invest. actv.	**(1,199)**	**(821)**	**(1,871)**	**(1,013)**	**(1,851)**
Inc/(dec) in debt	(314)	(539)	(202)	(671)	(333)
Inc/(dec) in equity/premium	770	394	497	-	-
ESOP charges	(88)	(90)	(71)	(86)	(86)
Dividends	(640)	(615)	(655)	(824)	(824)
Cash flow from financing actv.	**(272)**	**(851)**	**(431)**	**(1,581)**	**(1,242)**
Cash generated/(utilized)	**48**	**51**	**147**	**(3)**	**213**
Cash at start of the year	420	469	520	667	664
Cash at end of the year	469	520	667	664	877

Key ratios

Y/E June	FY2010	FY2011	FY2012	FY2013E	FY2014E
Valuation ratio (x)					
P/E (on FDEPS)	30.5	23.7	16.1	13.2	12.1
P/CEPS	22.1	18.3	13.1	10.8	9.9
P/BVPS	5.7	4.8	3.8	3.1	2.6
Dividend yield (%)	1.4	1.4	1.4	1.6	1.7
EV/Sales	3.2	2.5	1.9	1.6	1.4
EV/EBITDA	15.7	14.5	9.8	8.1	7.7
EV/Total assets	3.0	2.7	2.1	2.1	1.8
Per share data (₹)					
EPS (Fully diluted)	19.0	24.5	36.0	44.0	48.0
Cash EPS	26.3	31.8	44.5	53.9	58.6
Dividend	8.0	8.0	8.0	9.0	10.0
Book value	102.2	121.4	154.4	185.9	221.5
Dupont analysis					
Tax retention ratio (PAT/PBT)	0.9	0.8	0.8	0.8	0.8
Cost of debt (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Sales)	0.2	0.1	0.2	0.2	0.2
Asset turnover ratio (Sales/Assets)	0.9	1.1	1.1	1.3	1.3
Leverage ratio (Assets/Equity)	1.9	1.7	1.8	1.4	1.3
Operating ROE	25.4	21.2	25.3	24.4	20.4
Return ratios (%)					
RoCE (pre-tax)	15.3	15.4	18.3	22.1	20.1
Angel RoIC	18.8	18.6	21.5	26.8	25.3
RoE	18.6	20.3	23.5	24.0	22.0
Turnover ratios (x)					
Asset turnover (fixed assets)	1.8	2.2	2.5	2.7	3.0
Receivables days	76	58	56	56	56

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DISCLAIMER

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%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	