



IMPROVED BUSINESS

# HCL Tech quarterly profit doubles; sees tough pricing environment

**Focus on winning large orders, cost cutting, better utilization of its workforce in India helped improve revenue**

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BANGALORE

**S**hiv Nadar-promoted HCL Technologies Ltd said on Tuesday that quarterly profit more than doubled as it added customers, cut costs and improved utilization of its workforce in India.

But the firm, India's fourth largest information technology (IT) services firm, also said business uncertainty continued and it expects a recovery in IT spending by customers in the US, the largest technology market, to begin only next year.

HCL's sales in the three months to June, its fourth quarter, rose 34% from the year-ago period to Rs2,908 crore. Net profit increased 134% to Rs330 crore.

India's software exports are expected to grow by 4-7% to \$48-50 billion (Rs2.34-2.44 tril-

lion) in the year to March, its slowest in a decade, as customers in the US and Europe slashed technology budgets in the worst economic crisis since the Great Depression, according to the National Association of Software and Services Companies, or Nasscom, an industry lobby.

In fiscal 2009, the industry grew 16.3% to register exports of \$46.3 billion, down from the 30% growth in the past six years.

HCL said its focus on winning large orders, totalling around \$1.5 billion, from customers such as **Nokia Oyj**, **Sony Corp.** and **Xerox Corp.** helped it improve revenue in a tough business environment. The number of customers increased by 14 to 367 between April and June.

"We saw recession as an opportunity (to bid for large deals)," said Vineet Nayar, chief executive of HCL.

The company saw improved business from customers in media, publishing and entertainment, and more demand in financial services, manufacturing and life sciences, three areas where business had slowed during the downturn.

Recovery in IT spending by customers in the US is expected to begin only next year, the firm said

HCL, the last big IT firm to report quarterly results, joins larger peers such as **Tata Consultancy Services Ltd (TCS)**, **Infosys Technologies Ltd** and **Wipro Ltd** to report better numbers on improved cost management and by adding customers in a downturn.

Infosys reported a 17% increase in profit over a year ago to Rs1,527 crore. TCS' profit jumped 19% to Rs1,534 crore and Wipro posted a 12% rise in profit to Rs1,016 crore.

"HCL's results are above expectations on the revenues and operating margins front. The 3.9% revenue growth in constant currency terms was a

positive surprise," Dipen Shah, IT analyst at **Kotak Securities Ltd**, a Mumbai brokerage, said in a statement.

For the full year ended 30 June, HCL said its profit rose 13.6% to Rs1,278 crore on revenue of Rs10,591 crore, up 40%.

The firm's operating margins stood at 18%, an expansion of 1.6 percentage points, on improved utilization of its workforce and lower sales, general and administration expenses. HCL said it has completed the merger of **Axon Plc.**, a UK-based business software services provider, into the firm as on June.

"HCL Axon is the centrepiece in our enterprise application services (business). We have three or four deals yet to be announced," said Nayar.

He said of its 15,000 new hires in 2008-09, the firm hired 3,500 in the US and Europe, increasing its investment near customers.

While HCL does not forecast revenue for the coming year, it said spending by customers was yet to pick up.

"The environment is very pessimistic. We see signs of recovery next calendar year, not this year," said Nayar.



**Larger picture:** Shiv Nadar, chairman, HCL Technologies. The number of customers at HCL increased by 14 to 367 between April and June.

On Monday, TCS also said it is holding talks with some customers who are increasing business, but does not yet see a critical number of customers doing discretionary spending to announce a recovery.

"Recovery will be led by the US market. The question is how long will it take before the recovery starts," S. Mahalingam, chief financial officer of TCS, told reporters in Banga-

lore during a meeting. HCL Technologies shares rose 5.88%, or Rs17.05, on Tuesday to close at Rs307.00 on the Bombay Stock Exchange, outpacing the benchmark Sensex index, which went up 59.72 points, or 0.38%, to 15,688.47.