

HCL TECHNOLOGIES LTD.

Corporate Identification Number: L74140DL1991PLC046369

A 10-11, Sector 3, NOIDA 201 301, UP, India.

T: +91 120 4013000 F: +91 120 2526907

Registered Office: 806 Siddharth, 96, Nehru Place, New Delhi-110019, India

www.hcltech.com

www.hcl.com

August 1, 2014

Mr. Girish Joshi: **Bombay Stock Exchange Ltd.**
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400001

Mr. Hari K: **The National Stock Exchange of India Ltd.**
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400051

Sub: Rating upgraded to 'CRISIL AAA/Stable'

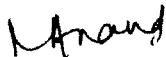
Dear Sir,

This is to inform you that CRISIL has upgraded the credit rating of the Company in respect of the Secured, Non-Convertible Debentures of the Company to CRISIL AAA/Stable (Upgraded from CRISIL AA+/Stable). The letter issued by CRISIL in this regard is enclosed.

This is for your information and records.

Thanking you,

Yours faithfully,
For **HCL Technologies Limited**



Manish Anand
Company Secretary

Encl : as above

HCL

Rating Rationale



July 30, 2014
Mumbai

HCL Technologies Limited

Rating upgraded to 'CRISIL AAA/Stable'

**Non-Convertible Debentures Programme
Aggregating Rs.10 Billion**

**CRISIL AAA/Stable(Upgraded from CRISIL
AA+/Stable)**

CRISIL has upgraded its rating on the non-convertible debentures programme of HCL Technologies Ltd (HCLT) to '**CRISIL AAA/Stable**' from 'CRISIL AA+/Stable'.

The rating upgrade reflects CRISIL's belief that HCLT will sustain the improvement in its business risk profile over the medium term, supported by its increased scale of operations and healthy operating margin. The company's revenue registered a substantial compound annual growth rate (CAGR) of 26 per cent, over the five years ended 2013-14 (refers to financial year, July 1 to June 30). CRISIL believes that HCLT will sustain its steady revenue growth over the medium term, supported by its established market position across business segments (particularly, the infrastructure management services [IMS] segment). Moreover, the company's operating margin ' which improved significantly in 2013-14 and was comparable to that of its relatively large peers ' will remain healthy over the medium term, supported by an optimum contract mix and increasing offshore revenue.

HCLT's revenue doubled to around Rs.330 billion (estimated) in 2013-14, from Rs.158 billion in 2010-11; the increased scale has strengthened HCLT's ability to attract global clients and win large orders. The operating margin improved to 26.3 per cent for the nine months ended March 31, 2014 (22.5 per cent in 2012-13), from 17.9 per cent and 15.8 per cent in 2011-12 and 2010-11, respectively. The improvement was driven by an increase in the proportion of fixed price and managed services contracts (56 per cent of revenue during the nine months ended March 31, 2014, as against 43 per cent in 2010-11); HCLT has improved productivity and prudently managed costs while executing such fixed price and managed services contracts. Besides, the increasing proportion of offshore revenue from large projects in the maturity stage, and the turnaround of business process outsourcing (BPO) operations also supported the improvement in the operating margin. HCLT's operating margin is expected to remain between 20 to 21 per cent over the medium term, despite wage increases and adverse foreign exchange (forex) fluctuations.

The ratings continue to reflect HCLT's strong market position, marked by its presence across diverse verticals and service lines; and a strong financial risk profile, as indicated by its large net worth, robust debt protection metrics, and surplus liquidity. These rating strengths are partially offset by the exposure to intense competition and to volatility in forex rates. Regulatory changes and significant protectionist measures (particularly by the United States), along with any large debt-funded acquisitions will be key rating sensitivity factors over the medium term.

HCLT is the fourth-largest listed Indian information technology (IT) services provider, in terms of revenue. The company has a diverse industry vertical portfolio: the manufacturing segment contributed to around 33 per cent; whereas the banking, financial services, and insurance segment contributed to around 26 per cent of the top line for the nine months ended March 31, 2014. Each of the other verticals, namely, healthcare, retail, telecommunication (telecom), energy, and media, constituted between 3 and 11 per cent of the top line during this period.

HCLT also has a strong financial risk profile, with a large net worth, robust cash accruals, healthy debt protection metrics, and surplus liquidity. The total debt of around Rs.8.9 billion and adjusted net worth of Rs.157 billion, resulted in robust gearing of 0.06 times, as on March 31, 2014. The debt will reduce by Rs.5 billion after the redemption of debentures in September 2014.

For arriving at the adjusted net worth, CRISIL has amortised the goodwill on the acquisition of Axon Group Plc over a 10-year period; the reported net worth was around Rs.183.2 billion as on March 31, 2014. The company also has strong liquidity, with its cash and cash equivalents of around Rs.83.7 billion as on March 31, 2014. CRISIL believes that HCLT will maintain its strong financial risk profile, over the medium term.



July 30, 2014

<http://www.crisil.com>

Outlook: Stable

CRISIL believes that HCLT will sustain its improved business risk profile over the medium term, supported by healthy revenue growth across segments. Moreover, the company's proven project execution skills and optimum contract mix will benefit its operating efficiency. Besides, HCLT's financial risk profile will also remain strong on the back of increasing cash reserves, and robust debt protection metrics. The outlook may be revised to 'Negative' if HCLT's operating profitability declines significantly because of adverse currency movements or cost overruns in execution of fixed price and managed services contracts. The outlook may also be revised to 'Negative', if HCL's financial risk profile weakens, because of a large debt-funded acquisition or capital expenditure (capex) plan.

About the Company

HCLT is one of the leading Indian IT services companies that offer a range of services, including enterprise application services, engineering, research and development, custom applications, remote infrastructure management, and BPO. The company caters to various industry verticals, including financial services, manufacturing, telecom, retail, life sciences, media and entertainment, and energy and utilities.

HCLT reported a net profit of Rs.40.4 billion for 2012-13 (as compared to Rs.24.2 billion for 2011-12) on net revenue of Rs.255.8 billion (Rs.208.3 billion). For the nine months ended March 31, 2014, the company reported a net profit of Rs.45.4 billion on net revenue of Rs.244.9 billion, as against a net profit of Rs.28.3 billion on net revenue of Rs.187.7 billion, for the corresponding period of the previous year.

Media Contacts**Tanuja Abhinandan**

Communications and Brand
Management
CRISIL Limited
Phone: +91 22 3342 1818
Email: tanuja.abhinandan@crisil.com

Jyoti Parmar

Communications and Brand
Management
CRISIL Limited
Phone: +91 22 3342 1835
E-mail: jyoti.parmar@crisil.com

Analytical Contacts**Sudip Sural**

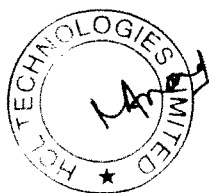
Senior Director - CRISIL Ratings
Phone: +91 124 672 2000
Email: sudip.sural@crisil.com

Sridhar C

Director - CRISIL Ratings
Phone: +91 22 3342 3546
Email: chandrasekhar.sridhar@crisil.com

Customer Service Helpdesk

Timings: 10.00 am TO 7.00 pm
Toll free Number: 1800 267 1301
Email: CRISILratingdesk@crisil.com



Note:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its rationales for consideration or otherwise through any media including websites, portals etc.

Crisil complexity levels are assigned to various types of financial instruments. The crisil complexity levels are available on www.crisil.com/complexity-levels. Investors are advised to refer to the crisil complexity levels for instruments that they desire to invest in. Investors may also call the Customer Service Helpdesk with queries on specific instruments.

About CRISIL LIMITED

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Ratings

CRISIL Ratings is India's leading rating agency. We pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we have a leadership position. We have rated over 75,000 entities, by far the largest number in India. We are a full-service rating agency. We rate the entire range of debt instruments: bank loans, certificates of deposit, commercial paper, non-convertible debentures, bank hybrid capital instruments, asset-backed securities, mortgage-backed securities, perpetual bonds, and partial guarantees. CRISIL sets the standards in every aspect of the credit rating business. We have instituted several innovations in India including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We pioneered a globally unique and affordable rating service for Small and Medium Enterprises (SMEs). This has significantly expanded the market for ratings and is improving SMEs' access to affordable finance. We have an active outreach programme with issuers, investors and regulators to maintain a high level of transparency regarding our rating criteria and to disseminate our analytical insights and knowledge.

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of McGraw Hill Financial you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit www.crisil.com/privacy. You can view McGraw Hill Financial's Customer Privacy Policy at <http://www.mhfi.com/privacy>.

Last updated: May, 2013

Disclaimer: A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell, or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. All CRISIL ratings are under surveillance. Ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of this product. CRISIL Ratings rating criteria are available without charge to the public on the CRISIL web site, www.crisil.com. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (+91 22) 3342 3000.

