“HCL Technologies Conference Call”

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Moderator: Ladies and gentlemen good morning and good evening. Welcome to the HCL Axon Analyst Conference Call. As a reminder for the duration of the conference all participants' lines are in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to the management of HCL. Thank you and over to gentlemen.

Shiv Nadar: Thank you. Good evening ladies and gentlemen. I am happy to welcome all of you for the HCL Axon Analyst Presentation this afternoon. At the very beginning I would like to tell you how the board viewed this entire transaction and mention to you how this went through. Our board had on several occasions outlined a consistent policy on acquisitions. Our acquisition policy is that we would stay in the IT services acquisitions only and we would go only to the extent of software product, which comes heavily embedded with IT services. So this is a guidance that we had given to the management team. In addition, we had also encouraged the management team to look at acquisitions where we needed some strength to be brought in. There is a reason you know, several years ago we had acquired certain carve outs from British Telecom as well as in Deutsche Bank. They were all very successfully concluded as you are aware of.

The management team made the first presentation on Axon to the board way back in the month of March and took them as one of the selected candidates. And after going through a lot of detailed search, the management team came along with several external consultants to make the presentation to the board. This was in July when Bain & Company who were the largest consultants for mergers and acquisitions in the whole world came up and made the presentation, the investment bankers who made the presentation were Merrill Lynch. And in order that we have complete independence, we had KPMG doing the due diligence so that the Price Waterhouse Copper who is the company's auditors are not involved in this. I am mentioning all these things to you so that you are aware of the kind of governance practices which the company puts through.

Even for lending, normally which is a transaction that need not come to the board we had Standard Chartered Bank making presentation. And the board at that time nominated a committee consisting of me and Amal Ganguli and Vineet Nayar who is our whole time director for transactions over site. It is very important for you to know this that the transaction over site was continuously reported back to the board of directors. And Amal Ganguli was the Head of Price Water House in India and Middle East put together. We have met several times during the course of the transaction and we presented this back the prebid stage as well as bid stage and post bid stage where all the detailed DD findings. And the board directed the Chairman, that is me, to meet the CEO of Axon to have direct feedback on the acquisition itself as well the CEO representing the management team which I did. I just want you to know our board is an extremely conservative board, it reflects in almost all the processes that we do, that's one reason we get plenty of time in 2004 after completing the Deutsche Bank transaction, we took time to complete integration and we focused on organic growth of the company during 2005/2006 & 2007 it is only this year we started augmenting with the acquisitions for BPO industry as far as in certain software product in the BFSI space. And since we wanted to expand further on SAP services or the enterprise application services, we gave the encouragement to the management team to focus highly on this area.

So this is broadly where we have come and one specific point that I would like to make is the board also further directed the management team to do a cultural diagnostics because we thought that to be one of the higher risk areas for this entire acquisition which the management team completed and then reported back to the board. So this is what went through in the board and has been going through over the last 6 years and specific to this transaction. At a later time, from the governance perspective if anyone of you have questions on this acquisition I will be happy to answer them. I will turn this over to Vineet so that he can take you through the presentation.

Vineet Nayar: Good morning, good afternoon and good evening ladies and gentlemen. We will switch to a presentation for the link for which has already been sent to you. Slide #2 we plan to make 4 comments in our conversation today. The First is this acquisition is the continuous to our blue ocean strategy and thinking of creating uncontested market spaces and I will explain to you how and why. We believe the HCL currently has an attractive debt financing for the Axon acquisition and there are several options for acquisition funding on a long-term basis with minimal risk and I will request Anil to walk you through this section of the presentation. We are happy to have Steve with us, he was the CEO of HCL Axon now the President of the new combined entity HCL Axon, he will walk you through to why HCL Axon is truly unique in what we are offering to SAP and what the world is talking about this venture together. And then I will come back and summarize as to why and how we are integrating the two companies together and how we are what we worked in the last 3 years to make this acquisition a real working success. So these are the 4 topics I want to cover.

The first one let us go over to Slide #4 now. HCL Blue Ocean Strategy has applied to two other white spaces which you already have seen before, the first was offshore engineering services where we discovered the addressable market space to be about $90 billions and the switch companies were accounting for only about $1.5 billion out of the $90 billion. One of the reasons that this was only $1.5 out of the $90 billion, was because there was no innovation on services being offered and therefore you saw the Blue Ocean offering of HCL which is concept to manufacturing, which is a partnership with Celestica, where we take end to end opportunities and there is a large deal which is being announced in this quarter also of this line. Outcome based pricing and risk reward models you saw announced from Cisco in 2005, you saw the Boeing Aircraft multiple subcomponents with their vendors under this model, you saw Computer Associate big announcement on their security products and multiple other products and projects which were done under risk reward sharing which grow our revenues for FY2008 over FY2007 of 45% year-to-year and helped us achieve a dominant position in the industry. If my numbers are correct amongst the switch vendors we own about 38% to 39% market share in the engineering services space and there is a significant growth you saw over the last few quarters predominately because it is white space with very large opportunity of $90 billion.

The second space we identified was a remote infrastructure management which was $104 billion with Swiss company accounting for less then a billion dollars now about $2 billion we saw that a great opportunity there so we developed new models, methodologies, we combined the remote infrastructure management with application operations converted that into around the business, came with device based pricing and you have seen a 50% year-on-year growth right up to FY2008 and we have a dominant position in this industry.

The third area where you saw a white space was the total IT outsourcing, we started talking about that in FY2005 itself and saying that it would be interesting to compete with IBM EDS and Accenture on total IT outsourcing below the level of $500 million deals. We announced Dixon, Skandia and then you know continued with this quarter to be the biggest ever quarter where we were announced the largest number of deals ever in the history of HCL, showing that if you identify the white space if you are first in the market, if you innovate, the growth trajectory automatically comes up.

The next slide basically indicates that SAP is also a similar white space. If you remember I had said in my result announcements in January of 2008 that our enterprise services market space for HCL is broken and it needs to be reengineered. And the reason I had said that was this is a $100 billion services market, out of which $26 billion is accounted by SAP services worldwhite and only $1.5 billion is currently captured by the Switch vendors. And we saw that there is no reason why the $26 billion is captured only $1.5 billion and it should be closer to $7.3 billion, is what I call the addressable market.

There are two factors we have found which did not enable this to happen. Number 1) The capability which the Indian switch vendors including HCL had were inadequate to do large scale consulting blue printing and hence implementation and HCL and other vendors were largely in operations. 2) And the second thing which we saw was there is a very large frustration with a $26 billion strength where large vendors who were actually over charging but at the same time not guaranteeing end deliverable at a end cost at an end price. So we saw there is a white space and I met the board of SAP in November of 2007 and took their guidance to try and see what we can do and participate in and actively work with them to try and identify a high performance teams who could help, who we could acquire and who could be the leaders in leading HCL to the next generation of growth in the enterprise services space.

The Axon initiative which really came together was partly defined by Shiv as to what happened and enough has been written on it. But the real benefit between HCL and Axon is we were looking for a company which is completely complimentary to HCL and there was no overlap. Remember I had said that the leadership at the HCL SAP had to undergo complete change with new capability acquisition and therefore when you look at Axon which was largely on business benefit implementation rollout something which we will as you will see leverage in the rest of the HCL also, Axon is extremely good in business benefit valuation, understanding what the business benefit would be and HCL is extremely good in leveraging of financial model on guaranteeing them and doing a risk reward sharing on that. They are extremely good in public sector, utility, CPT, travel logistics, government, defense, defensive sectors where HCL's dominance was largely where we were gaining in other parts which is Hi-Tech, retail, energy, horizontals. When you look at 2,008 changed the business consultants, about 1,700 largely run the business consultants we saw a significant amount of complimentarity, and the strategy was that if we could reverse merge the HCL SAP practice under the Axon leadership which had demonstrated a very high growth over the last few years and was considered by SAP and their customers as the best management team in the SAP landscape we thought we had a winner in our hand and that is what we went ahead with.

However the logic of acquisition was not based just on the fact that 1+1 will become 2. The way we looked at the acquisition as Shiv talked about was the fact that not only we looked at the business case revenue of CY2008 which we will talk about in a bit as you can see this is a Bain & company slide and we got Bain to do some analysis for us. We looked at the base business growth; we looked at the enhanced growth which will come from offshoring of services to Axon customers we took an assessment by issuing all our customers and see how much Axon could sell into HCL customer base. We looked at number one priority there are three verticals which we have chosen and the growth which will originate out of those verticals because domain knowledge of HCL will be added to Axon offering and we came with a number what totaled worth the total number with synergy and then we added to that the cross sell and up sell of IT services into Axon accounts and therefore that is how the all business case was built. So the reason I am sharing the slide with you is that the business case is not to be looked only from an Axon SAP services perspective but it has a larger ramification for HCL and therefore I called it a transformational transaction. So going forward, I am handing this over to Anil who will talk about the financial rationale and how this funding took place.

Anil Chanana: Thank you Vineet. Good evening, good morning everyone. I am first going to talk about the deal financing. As you all know the first bidder had put a price of 600 pence per share and we had made a counter bid at 650 pence per share. So in Pound terms it was 438.3 million deal for us which translates into $679 million. So this is, I mean if I compare and use the current exchange rate at which finally it is getting done it is 10% lower when I compare with the first bidder and 17% lower when I compare with our own bid. In terms of the funding strategy, HCL is putting its own money of $116 million and loan of $585 million which is a bridge loan for a period of 1 year. So total deal value, total bid value including the expenditure of $22 million comes to $701 million.

On Slide #10, I will talk about the how we are going to take out the loan, what's our long-term funding strategy here is. So one of the options being considered is - do we take out financing and convert into a long-term loan of 3 to 5 years. We have a period of one full year to sort of a look for that. Second is use our own money, money which are on our balance sheet. As you know we have liquid assets available, we will be generating and we will continue to generate cash from the operations. And thirdly there will be an incremental cash flow generation from HCL Axon. The third option could be a combination of a take off financing and using funds, own funds. So what is the decision criteria we are looking at in terms of as to which option to go for. So this will depend upon A) the cash generation by HCL in its core businesses plus HCL Axon. The working capital requirements and requirement for funding the CAPEX as Vineet just explained we have signed $1 billion of deal this quarter. The cost at which the funding will be available and I mean both the pre-tax and well as post-tax wise, the returns we make on our treasury funds and how the currency is moving this period.

I will now move to Slide #11 and explain how the, when this results of HCL of Axon will get consolidated with that of HCL Technologies. This consolidation is effective from 16th of December 2008. The first half revenues of Axon I mean using this, Axon is following IFRS and their reporting currency is GBP. So they had first half year revenue of $124 million and for the full year they are expected to show a marginal growth whereby meeting the consensus analyst consensus estimates, what we are doing is….

Vineet Nayar: H2 over H1 is marginal growth.

Anil Chanana: Yeah correct. Axon financials are being realigned with HCL so what we are doing is changing the reporting currency from GBP to USD that is what we follow. And we follow US GAAPs so we are converting their numbers, which are in IFRS to US GAAPs. Looking at the OND numbers and if re-estate in USD terms and apply US GAAP our expectation is it will be around about $95 million taking the GBP to USD of $1.5. The HCL Axon revenue going forward in FY2010 are expected to outperform the HCL core software of revenue growth, I mean the HCL core software growth comes from EAS services comes from engineering and R&D services and application development and maintenance. I will now handover to Steve to take this forward, thank you.

Steve Cardell: Great thank you. So if we could just move on to Slide #13 what I would like to do is just to paint a picture of the capability and ambition of HCL Axon. With the medium sectors we try to business some markets so if you look at the SAP landscape globally effectively there are two large players Accenture and IBM who dominate our market. We estimate that is about 16% market share each. And then a very long tail of other players who have regional strengths, vertical strengths and so the focus on day one if we bring together the SAP businesses of HCL and Axon is to create an a tier to those large players. And if I look at where we sit across the competitive landscape, on day 1 we cheerfully found there is a large that is beyond other Indian offshore players and so on day 1 when we go to market with around 4,500 consultants employed by HCL Axon. And we also operate a large organization that gives access to further 7,500 SAP consultants in countries where today we do not have our delivery capability. So where we can use a certain part of organizations to access SAP resources in geographic markets where we do not operate today. So the position on Day 1 is we are setting up ourselves up as the largest SAP only partner so we go to market solely from an SAP point of view as HCL Axon and putting ourselves in the peer group with the two large global players and setting ourselves out to be a global organization.

If you go to Slide #14 we have laid out one of the key tenets of our strategy which is the we will go to market as vertical organization and not endeavor to be the market leader in every place that we go but will focus on key global verticals where the combined business has an unique differentiating proposition holding neat IPR in those markets and have unparallel client references that can be built to best. So the five markets that we have chosen to focus on certainly for 2009. If you see these markets where we had not able to foresee projects globally, we have 200 dedicated ISU and CCS consultants. And we have gone with SAP to build a lot of solutions in that piece of the market.

The second is aerospace and defense, our combined business has been involved in a certain all implementations for aerospace and defense clients, we have built SAP's whole product solution for maintenance and repair for the aerospace and defense industry, pull down on our own and we have done over a 100 projects for aerospace and defense clients across the globe and we have been able to partner very closely with the engineering part of HCL Group. Travel logistics, SAP's new product called the TMS solution, we are a global partners with implementing suite of first client implementation to that solution and in terms of airlines we are third party logistic companies and fourth and we have unparallel client track record. Public sector continues to be a very strong growth sector for SAP both at federal level, at a state, and a local level. And again the combined business is a sort of preconfigured solutions focused on centric model that we can operate there. And finally….

Vineet Nayar: Steve could you hold for a minute, I think there is some people are facing the problem looking at the slide, just give us two minutes Steve. Please go on, some of the people are not able to view the slides I think we will still go on, I will try and reach them the slides later, please define the slides as with an assumption as some of the people are not able to view the slides, please go on.

Steve Cardell: Okay so the last section hi-tech and manufacturing is particular high lampp**osts** for the HCL SAP practice and the under the 500 of our consultant come to that capability. So in terms our going to market vertically it is essentially focused utilities, aerospace & defense, travel logistics, public sector, hi-tech & manufacturing these where we have focused on. Slide #15 just outlines why we believe HCL Axon is a unique player in the market? So for the SAP product itself, SAP is partners to the organizations that have deep product knowledge and including new elements of the product to market. And over the last 10 years we have been first to market with the 45 new elements of the SAP product. So a simple example we implemented the world's first SAP e-commerce project in 1996, we did the Europe's first CRM project, the world's first e-Procurement project and so many elements of the vertical solutions we have done the first implementations globally. HCL Axon being the partnered here we have SAP four times over the last six years, and in six years of the product we have strategic development partners in helping SAP enhance the product. So I think we have just really confirms that what we achieved by bringing Axon and the HCL SAP practice together is an ability to offer client a full end-to-end services. The Axon to start heritage and strength was in the change of business, the business benefits as building global designs, blueprinting, re-engineer in core processes in the client organizations and implementing transformational SAP programs. The heritage of the HCL SAP practice with an application support infrastructure management and the optimizations of the application that are just in place by putting this two heritages together, we provide clients with unique proposition at the very beginning in terms of designing program for building the business case through implementation support and evolutions of the SAP platform they have put in place.. So I think try something which gives you a sense of coming out of blocks in the new year what do we have as an organizations. So number one HCL Axon will offer a global delivery models. So you were so working domestic markets. And we deliver it from across our delivery center across the globe. We had 4500 consultants working on those, roughly 1600 of the Americans about a thousand across the Europe and the residual in part of Asia Pacific. We operate from around 40 countries and we will run HCL Axon at the single global data market business units.

Slide #18 gives you the outlook some of the work we are doing with them to help to access were we sit competitively to this, we have assessed ourselves in terms of complete ourselves as a offering and I have already talked about the fact that we offer the full suite from up front transformation engagement all the way through implementation application support infrastructure. So, the full lifecycle and then in terms of scaling coverage, look we are providing the core markets at a global delivery organizations, so say coming back to my first slide, if we look on a global basis, HCL Axon was to belong quite extension ID at the fully finally global of SAP businesses. Sitting to the left are the Indian offshore competitors and sitting in the middle of the chart are the like of Logica CMG and Capegemini ---- were playing part of the market and some of the part of the value chain, but in terms of an organization that come up with the full value chain of services and also on a global basis and deliver on a global basis, they put HCL Axon in a unique position

So slide #19 just to get us some summary, why you need the off shores sitting along side the distinct the complete vendor services, global delivery centers which would currently have a nine countries working in different centers with the scale of 4500 in towns consultants in addition to 7500 that we can show, a coverage SAP coverage in, 24 countries and 60 offices financially strong organization but large global clients would become to a partnering with, under the proposition of compelling alternative to what the large place can offer right now. So Axon would be standalone business, if you look at revenue ahead, look at the high level in the market so that involve extension IBM would play, with the addition the strong attrition offshore delivery organization can provide something in the market not currently available. But like those organizations we are global services partners for SAP. So in terms of Axon in the HCL Axon position in the market, we have high customer satisfaction, we have leadership in key verticals and then key horizontals. We have and unique partnership with SAP and helping them develop a product from the class which we use. One of the early pieces where that we have gone as part of integration is we pull together the combined sales product and we look at also where was in the HCL go with all that potential SAP opportunities that currently been unexplored due to lack of capabilities. And what we have found is to looking through the funnel and said we are already speaking here today we had a combined sales model for HCL Axon over the $1.3 and once we know that market conditions are challenging. This is a significant sales funnel and far larger than any points in Axon and history of the standalone business and in the HCL SAP practices that was the standalone business. We see particular growth in terms of pipeline in the Philippines in energy and also in government. So, again seeking very nicely to the particular capabilities that we have talked.

Slide #21 just gives some highlights where we have already been out in the market place testing the new propositions with clients and for those that can see the slides there are some key battle you can see from large clients and large prospect about why they believe in HCL Axon proposition to provide something not available elsewhere in the market.

So just to summarize in our prospect of the revenue I think having been in the SAP market over 15 years we have a very good sense of competitive landscape and the different group in the competitive within that landscape so we believe in creating HCL Axon, is that we build a new competitor which offers the proposition to the depth and scales and breadth of a large organizations. It was a dedicated SAP focus that covering that we are providing small organizations, I believe that we would see from SAP and from the industry analyst and client and prospect, I think there was something unique in the competitive perspective being formed by the combination of two businesses.

Vineet Nayar: Thank you Steve, so if you move to slide #22 now, we will cover the last chapter as to why we think this was going to work and how we are going to make this work. Slide #23 talks about how we are creating HCL Axon as an independent business unit? if you remember one of the things which I said right in the beginning was we found that Axon is a high performance team, hugely competent, hugely capable, very specialized, and the track record that they have exhibited in the past few years was very-very strong and therefore there was no reason for us to touch it too much and therefore the decision of creating a separate business unit all by itself. So the business unit will be called HCL Axon as you are already aware HCL Comnet, which I used to head some three years ago is run as a separate business unit, so we at HCL are already aware of how that works, Steve would be the president of HCL Axon allexisting Axon and existing HCL SAP accounts will now be owned under the entity called HCL Axon. All delivery will be owned and managed by HCL Axon and there will be defined ways of working between HCL Axon and the rest of HCL which is identical to the way the infrastructure services which is HCL Comnet works with rest of HCL. So we have kept it quite simple so that our focus is on growth and our revenues.

If we go to slide #24 this is the organization structure of HCL, and it is quite simple. So we have four vertical business units which is BFSI, telecom, media, and retail are combined as one, Manufacturing, Life Science, and Healthcare is another, Aero, Defense, Energy, and Utilities is government.These are specific segment created to try and maximize and leverage Axon’s dominance in this market space. We have five horizontal business units each independent in delivery and sales, so HCL Comnet, HCL Axon, Oracle, Engineering Services, and Enterprise Transformation are these horizontals. And this is the way it is simply structure.

Let us go to slide #25 and see how this works. The way it worked and here is where HCL is unique, we have 400 sales guys in the vertical business unit who drive growth through existing customers and through prospects. We have 100 sales guys in the horizontal business unit and we are the unique company which has sales guys in the horizontal business unit. Most people have presales guys in horizontal business units.These 100 sales guys have an option of working through the 400 vertical business units guys and sale to existing customers or to new prospects through the vertical business unit guys or these horizontal sales guys have a direct approach to prospect and can approach it directly. We have created this business model about three years ago and it has worked exceptionally well and that is a reason you have seen a significant growth in the Enterprise EP, Enterprise Transformation Services, in the engineering space, and in the infrastructure management space so all our horizontals have really grown because of the simplistic architecture of sales. And delivery architecture is also very simple, if you look at number two, if it is a horizontal customer, the horizontal delivers it, however, if it is a multi-service delivery customers there is a multi-service delivery layer of managers who manage the client relationship and the vertical business unit and the horizontal business unit cooperate in delivering the services to the customers. So using this simple architecture it was very easy for us to acquire a company, retain the independent culture of that company and at the same time leverage a combined growth for HCL and this is what we have done with HCL Axon.

Shiv was talking about cultural diagnostics which Bain & company helped us do that and I think this was very critical because most of the acquisitions that customer or what people try and do is they acquire the company because the company is very good but then they try very hard to convert that company into themselves, we have no such intentions because we have a huge amount of respect for Axon. We did cultural diagnostics to try and see if the two teams can work together and what was very essential and this is the reason you know this is one of the issues, big issues with the board and therefore when we present it at the decision making process were similar both had intense pace of working, very entrepreneurial like set-up, both were very innovative and growth focus, leadership styles were very informal, both organizations pay high degree of emphasis on employees. There were minor differences in the way we trained, the way we rewarded, and there are cultural differences also. So what we have done is that the diagnostic surveys give us the comfort that we can work together at the same time we have kept minimum interface between the two business units as we learn and know each other I am sure we would expand the coverage as happened with HCL Comnet and Multiple and HCL DSL, and multiple other integrations which you have already seen from HCL.

Slide #27 you would see the way we are doing the branding so the HCL brand remains which the power behind Axon at the same time we want to retain the Axon brand and the Axon brand is not being retained for the customers, I think I saw a brand has a pride in place in the employee's eyes because it is a hugely successful team. And that is the reason we want to retain the Axon brand including an email-ID which is driven on Axon and they have a specific SAP-oriented website. Now we personally believe and this is what Steve said in his brief. "if we can continue to be a focus shop on SAP not very large but focus shop on SAP we believe that we can offer the world of compelling arguments to the big tool of on SAP services".

Going to slide #28 we are retaining most of the management of, I am sorry we are retaining all the management of HCL Axon which will remain in their key roles. In addition we have added Murali Raghavan as global head of delivery who comes from HCL and would be able to bring the off-shoring capabilities to Steve, everybody reports to Steve and that we have already articulated. So it is a simple structure, everybody is in the box, everybody is motivated because Axon certainly becomes the reverse merger of HCL SAP practice of 1700 consultants has almost grown double in size in terms of number of consultants and as now the off-shoring capabilities which they did not have and therefore there is a huge trajectory of growth.

Slide #29 there are always risks. So how are we trying to mitigate risks? So we will see the management side risks. The first which we are doing is we are managing them as independent entity exactly like HCL Comnet we have no intention of branding them or suffocating them and converting them into HCLites. #2 the enthusiasm in the leadership team within Axon and the entire last week I was traveling around the world along with Steve and meeting his leadership team I spent about six odd weeks with about 200 managers across the world if the fact they are infused of being the top three in the world. This is top three in the world is driving HCL infrastructure services, this is driving HCL engineering services, and I believe this is driving HCL Axon to be the top three in the world and to take the top two and win is a big enthusiasm with the senior management is really attracted too.

Our joint teams are working on enhancing customer value, which is being aggressively tracked. We believe we will be able to retain customers not by just relationship, but the value we create to them, there is an extensive communication going on and there is a significant amount of tracking happening on cross-sell and up-sell opportunity. We want to retain the brand, so there is an acceptance of the brand and the PMI execution is being run very tightly with 20 dedicated resources as well as big three management consulting firms, which is driving the entire integration process.

So, let me summarize on what the concluding remark and the way things are. I believe for the customers this time they will see a global scale delivery model with 4500 plus consultants. This time they will see a full lifecycle services, initially Axon only use to do consulting, blueprinting, and implementation. Now, they will see a full ownership, and initially Axon want to use to do business benefit measurements. Today they will be able to see business benefit realized over a period of five years using our balance sheet. There will be a HCL global league and financial strength and access to legacy applications, Engineering services, Infrastructure and BPO. HCL employees are hugely enthused predominantly because there is an opportunity to learn blueprinting capabilities, implementation capabilities, rollout capabilities. We did a survey recently and we asked some simple questions and so how many of the employees of Axon and HCL felt that we can compete and beat the big two in SAP services and you would be surprise that 78% of them said yes, definitely so. So, that is the kind of enthusiasm, which is there in the HCL and Axon employees. For the Axon employees they certainly see an enhanced career opportunities, there are definitely cultural challenges and cultural issues and that is why high quality management are there for. However, they believe there is an opportunity for them to program manage and deliver business benefits, which they promised. They are enthused by the employee first, guiding principal of HCL and then for the first time will be able to see, monitor, and deliver services on a global scale and they would not lose because they do not have the software skills, so they do not have the operation skills which Axon as a standalone entity was losing.

However, they retained the culture of Axon, they retained the ways of working of Axon, they retain the independents of Axon, they retain the smallness of Axon, they retained the focus of Axon, and they retain the pride of Axon, which I think enthuses Axon employees.

Shareholders. I believe; this is a strategic space for HCL, new blue ocean strategy. I have said in 2005 in a journey of transformation that the HCL growth will come from blue ocean alternate paths rather than ADM and you have already seen that for the last three years, we are among the fastest growing IT services company, we hope to continue that trajectory with bold initiatives of product development, of getting into the new white spaces, and through bold transformation acquisitions. You will see a track of acquisitions, using innovative financing schemes, so you saw that in Axon case, you will continue seeing and evaluating more and more innovative ways of lowering our cost of acquisition, lowering our P&L impact, and leveraging our balance sheet to the benefit our shareholders and for employees and for our customers. The integration challenges are there, there is no doubts about it and I do not think we are undermining it. There is a committee on the board, which is monitoring the integration very, very minutely and because we have done a reverse merger of HCL practice into SAP, I think it is largely mitigated. And the fact that HCL has a background of at least seven other mergers and acquisitions before and Axon, if

I am right Steve, has already got an integration mergers, and acquisition capability of five companies under his belt; we believe that we would be able to manage this well.

With that I wish to close the presentation and encourage you to visit www.hcl-axon.com where you will see a very rich capability of what this entity coming together will offer. With that I open the floor to question and answers.

Moderator: Thank you sir. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Anyone who has a question may press * and 1 at this time. The first question is from Mr. Tarun Sisodiya of Anand Rathi Financial Securities, please go ahead.

Tarun Sisodia: Yeah hi, congratulations on closing of the deal and giving a good view. First I actually missed out some part of presentation from you because of the connectivity issues, if you could provide us a copy of that. And secondly, I just wanted to know the loan component that you have right now. What would be the total cost to the company of this loan in terms of percentage inclusive of interest and the hedging cost?

Vineet Nayar: So, the loan component is at-

Tarun Sisodiya: 585?

Vineet Nayar: Libor plus 300, you want to know that how much is the loan size?

Tarun Sisodiya: See, loan size you have given that is 585 or something.

Vineet Nayar: See which is Libor plus 300 basis points, however, the total cost of computation including the hedging cost we will compute and share that with you in our presentation on 23rd of January.

Tarun Sisodiya: Okay sir. And secondly, I just wanted to go through this sales structure that you were mentioning in terms of vertical business and the horizontal business unit. Now, am I given to understand the vertical business unit is also directly sourcing business?

Vineet Nayar: That is correct.

Tarun Sisodiya: And if they do so to get a particular business for a given vertical, then they interact with the horizontal business sales unit for the delivery part of it, how does it function?

Vineet Nayar: Yes that is correct.

Tarun Sisodiya: Okay, so vertical business unit sales, so we get a business and then inform the horizontal business unit salesperson for the delivery part of that?

Vineet Nayar: Sales and delivery part of it.

Tarun Sisodiya: And if any incentive structure is there, it would be shared between the two, is that correct?

Vineet Nayar: No, they both get 100% each.

Tarun Sisodiya: Oh, both will get 100% each?

Vineet Nayar: Yes.

Tarun Sisodiya: Right and in case of reverse, in terms of the horizontal business getting has also similarly it will be going through the vertical?

Vineet Nayar: That is correct, both carries target and both gets 100% each.

Tarun Sisodiya: Okay, but how does it work in terms of multi-delivery clients?

Vineet Nayar: It does the same; the vertical business unit gets 100% of the credit for the entire deal and horizontal for only its part.

Tarun Sisodiya: Okay. Now, in case obviously HCL Axon, which will be treated as a completely independent unit, right?

Vineet Nayar: It will be a horizontal business unit as I had explained.

Tarun Sisodiya: And if you are going to do both 100% on both sides, then how does the P&L accounting work for this?

Vineet Nayar: 100% in incentive terms.

Tarun Sisodiya: So, the cost should be borne completely by HCL Axon or HCL in this case?

Vineet Nayar: Right, you leave that to us, I do not think that is relevant for this conversation. It is we are talking about only sales, bonus schemes.

Tarun Sisodiya: Okay, thanks. And 95 million which was indicated as the December ending quarter pipeline which was there and after that we were given an indication of overall out performance for FY10, any concrete guidance being given for the March as well?

Vineet Nayar: No, sir we are not giving any guidance.

Tarun Sisodiya: Okay, thank you very much.

Moderator: Thank you Mr. Sisodiya. The next question is from Mr. Vikas Jadhav of Motilal Oswal Securities, please go ahead.

Vikas Jadhav: Hi, congratulations on the acquisition sir.

Vineet Nayar: Thanks so much.

Vikas Jadhav: I just wanted to ask you know we had this ERP practice, which had you know the other practices like Oracle and all. So, even that is also you know reverse merged with Axon or?

Vineet Nayar: No, this is only SAP practice has been merged. Therefore, in my slide I showed HCL Oracle excepted.

Vikas Jadhav: Okay and you know this $1 billion deal, which we have said that we have won this quarter. Now, does this also include some of it from Axon and can you just comment on the pricing also in detail?

Vineet Nayar: So, these includes orders which HCL has won, because of HCL Axon actively participating on those bids, so the answer is, yes. The pricing of these deals are identical to the pricing we have seen in the last quarter or the quarter before that.

Vikas Jadhav: Sure, thank I will comeback for the later questions.

Vineet Nayar: Thank you.

Moderator: Thank you Mr. Jadhav. The next question is from Mr. Sandeep Shah of ICICI Securities, please go ahead.

Sandeep Shah: Yes sir, congrats on completing the deal. Sir, just you mentioned that HCL Axon in FY10 will outperform the overall growth rates of the HCL core services, so this is what we are talking on proforma basis or on a reported basis?

Anil Chanana: Sandeep, this will be ultimately the performance, so we are just comparing the two pieces, I mean like remote infra exceeding the core software. So, similarly the HCL Axon as a practice will show revenues, which will be higher than the revenues of core software.

Vineet Nayar: The point we are making is that the growth rate you will see in HCL Axon, like it is an infrastructure growth rate is faster than the core software growth rate. The point we were making is that HCL Axon growth rate will be faster than the core software growth rate, to just to indicate to you that it is being engine for growth.

Sandeep Shah: And secondly, the funnel or the pipeline, which we spoken about $1.2 billion. Is there any particular trend which you have witnessed, which is different than the earlier trends like, is there a more request from the client in terms of price discounts or productivity gains?

Vineet Nayar: Now, these are two separate questions. First is, what we are seeing unique in the SAP funnel as Steve pointed out is government, energy, and utilities dominates the sales funnel and for your reference government, energy, and utility use to be less than 1% of the HCL's funnel, so that is what is new here. Other than that the market space is very competitive, so anybody and everybody is asking for anything and everything they can, which is existing customers, new deals, new customers that environment I am sure, you are already aware of. So, that environment is not different between the new deal and an existing customers; I think everything is asked for a re-discussion.

Sandeep Shah: Okay thanks.

Vineet Nayar: Thank you.

Moderator: Thank you Mr. Shah. The next question is from Mr. Shekhar Singh of Golden Sachs, please go ahead.

Shekhar Singh: Sir like, almost every Indian company claimed that they are pretty big in the ERP area and in the SAP services. Now, just for my understanding like what is the key difference, like when you have Axon what is it that Axon does, which the other Indian companies are not doing, is it the architecting, is it something else just like if you can elaborate on that? You mentioned it in the presentation, but if you were to just summarize it in two lines, what exactly will that be?

Vineet Nayar: Steve, please could you answer that.

Steve Cardell: Yes, so I think there are two things. One is that early in the process, before an RFP comes out, clients are looking for guidance and assistance and thinking through the process they want to run, the improvements they can make in that business. And what companies like to make an essentially he is particularly good at, they are engaging at that point and by doing they ultimately manage to engage with a client and it never goes to RFP, so the first 52.40 access to deals, they currently are not available. And then secondly, I think increasing by this current market, what class you are looking for you can absolute lock sort of return on investment, they got use to seeing in IT deals, but it is not being offered in project based deals. And so I think the second thing that none of the current incumbent is to really articulate for an investment of $30 million there will be a return on investment of 60 and how they get to measure and how I get put all the way through into company's budgets. So, I think there is two particular areas where none of the other Indian offshore are able to offer those sorts of services and will give it to relax on an unique position.

Shekhar Singh And for offering something like an absolute ROI on a particular project, you will be having your own frameworks and models, which basically help you and this is basically one of the differentiating factors versus the other Indian guys?

Steve Cardell: Yeah so, again just as an example SAP developed a product called Value Engineering, which is rare through a try and affect an ROI case in SAP project and its first part to be ready to be in Americas and we are now actually working with SAP, where we have concerns of common instinct taking this to the next level and I think whitening up from that front end ROI base thinking with a global efficient.

Shekhar Singh: Sure.

Vineet Nayar: So, Steve if I could add, could you give an example of the UK utility company and how this business benefit work and what were the savings and how does this whole cycle working, because this question is very interesting. Okay, sales team comes back and I will ask this question again to you.

Shekhar Singh: Yeah sure, so I will comeback later, thank you.

Moderator: Thank you Mr. Singh. The next question is from the Mr. Sagar Thakkar of ICICI Securities, please go ahead.

Sagar Thakkar Hi sir, when is that that Axon would be able to leverage the balance sheet of the financial strength of HCL, can you elaborate more on that, how does it translate into revenue growth for that merged entity?

Vineet Nayar So, what happened was that when they use to participate in some very large deals and in our funnel there are very large deals, they would get not short listed predominantly because of their size and scale and with HCL Axon being part of HCL Technology they would leverage the HCL balance sheet to say that they can pick up $300, $400, $500 million worth of deal and support them. So, that is the way they would be able to leverage the balance sheet.

Sagar Thakkar Okay yeah thanks.

Moderator: Thank you the next question is from the Mr. Kunal Dayal of Merrill Lynch, please go ahead.

Kunal Dayal: Hi this is Kunal, you commented that the H2 revenues will be marginally more than H1. How about the margin outlook and the margin dilution for the combined entity?

Vineet Nayar: So, we do not have those numbers right now, we are working on them as you are aware the acquisition is just seven days old. The PriceWaterhouse is reviewing the numbers right now. So we would be able to give you specific guidance to that only when we comeback on 23rd of January as to what was the historical numbers. And the margins, if you go by their H1 I think it was closer to about 13%-14% and it's already on the web and therefore the combined entity on 1 plus 1 basis without any transformation is going to be margin dilutive in the short term.

Kunal Dayal: Sure, secondly you also mentioned that entire management team of Axon has been retained, could you comment if there is some kind of a retention incentive package for the team?

Vineet Nayar: Yes, we are doing whatever is required and whatever is appropriate in an acquisition situation to do what is best for the business.

Kunal Dayal: Sure, thanks.

Moderator: Thank you Mr. Dayal. The next question is from Ms. Diviya Nagarajanof JM Financial, please go ahead.

Diviya Nagarajan: Hi, congrats on the acquisition, my question was actually for Steve, is Steve back on the call?

Steve Cardell: Yes, I am on the call.

Diviya Nagarajan: Yeah, hi Steve. I just wanted to know if you were to describe Axon's work culture, what kind of a place would you think in your views Axon, but you just then give me an idea what a typical day at Axon would be like?

Steve Cardell: So, Axon its culture is very lean, entrepreneurial, aggressive, and one could even say try and slightly moving on arrogance, so we are very focused on going to the marketplace, going head to head with the big critical players in the market and out beating them on proposition and capabilities. So, Axon people work hard, they are very goal driven and that is the nature of kind of fast going entrepreneurial firm, which is what Axon is doing over this last year.

Diviya Nagarajan: So, I am also trying to understand, like you said, you have been very aggressive and goal-oriented company. When you approach customers post having converted years that they do, HCL Axon, would there be any difference in the way you approach clients and if so, what would the difference be, what would be the biggest difference that you will have to make in your approach?

Steve Cardell: So, I think the biggest change, which we are already seeing is a change in ambition because the limitation of Axon was brought about service offerings. So, why we reduce the deals to large players is that because we did not have global converging reach or because of the client which they buy the bundle services, so they might have wanted implementation, plus staff management plus infrastructure for what they wanted to buy, or they wanted to buy apps management but of course SAP and other technologies, so they wanted to buy an SAP implementation at pause of an IT implementation whereby cost of say that would be IT expand transformation. So, all the issues but we have not historically partnered with other players, so it allows to give the breath that is needed. I think the big difference now, if you can go and stand alone and show the ambition lesson in terms of what we can achieve in the share of quality we can take the client, I think this is going to basically change on day one.

Diviya Nagarajan: By increase share of wallet, what are the kinds of services that you expect that you get into, because we were primarily on the app side, do you think you can probably get leverage into the infrastructure and maintenance side as well with HCL Tech's strengths behind you?

Steve Cardell: Yeah I think completely, I mean we have been very strong in these implementation projects, where we have been weak in application support, well we know that application support is, you run the application in the infrastructure and that allows you to be onsite and available whenever project well comes through and we were unable to do that. Probably; because we did not have cost proposition but also we did not have the scale to learn an efficient 24x7 delivery operation. And so I think what we are seeing at, we have seen increase in the mix of more apps management, but actually about having apps management it would then also fit back into the project business.

Diviya Nagarajan: Right, thanks Steve. Vineet, I was also wondering if there were any kind of earn outs or ESOPs that have been given to the Axon management as part of the retention package and if that is part of the overall deal package is there?

Vineet Nayar: Yeah, I would just answer that, Steve there was one very interesting question when you were dropped out, in terms of could you give some case studies and examples in UK or US, where the business benefits realization a study was done and how the business benefits were realized. Especially, that UK company and the US, company we were talking about, people were interested in hearing specifically how that was delivered, which differentiates you compared to a typical other global SAPs business players.

Steve Cardell: Sure, so let me give you that a good example rather than, we see that concept, Birmingham City Council is the largest local government organization in Europe. We get a business case piece of work to do a complete SAP enable IT outsourcing over 10-year framework that generates a benefits case of doing the program and this is 100s of million of dollars program, so we generate the business piece, all $980 million, we are about two years into that 10-year partnership, we have delivered cash on these savings of $540 million and this is publicly on record on commodities and just two weeks ago, the head of the council issued a press statement saying there would be no increases in taxes in Birmingham for the foreseeable future because of the efficiency generated by the SAP program that Axon has led that's an example here, where you know a very powerful customer message they could give to the citizens. And then a second example, I cannot give you the name of the client, but a larger space in the Defense Company in North America building some of the world's leading helicopters. We did excellent piece of work where we have focused on two things. One was working capital that was tied up in the production, on the manufacturing process and the second thing was the time to build, so the actual cycle time of building helicopters and we did the same thing as we did deep up these benefits what we looked inventory by categorization and we look that the component build of a helicopters and where component parts are coming from. We moved from a supply driven to a demand hold manufacturing process implemented that in SAP and produce some new components for SAP to do that, sort of $100 million of working capital out of our business and hard to find check from agreements to manufacture as the product getting shift, which basically the biggest customer of the US government, just pull forward, directly recognition for them in terms of the delivery. So just kind of two examples where we put real money on the best in line and the very outside of the program. There is no discussion that an SAP project, but a discussion about level of business improvement, so we deliver in the key part of the P&L.

Diviya Nagarajan: Alright, Vineet as to my question on the kind of-

Vineet Nayar Okay, so I answered that question early on, we are doing whatever is required and appropriate in the acquisition process and we have taken the necessary, we have already taken the necessary steps.

Diviya Nagarajan: Sure; thanks and all the best.

Moderator: Thank you Ms. Nagrajan. The next question is from Mr. Nimesh Mistry of MF Global, please go ahead.

Nimesh Mistry: Hi, congratulations on the deal. My question is to Steve, you know basically considering that SAP has given a cautious environment signal and the kind of slowdown in the licenses what they are witnessing. How do you see yourself you know extending your reach in this particular area? And can you explain the time lag from the you know buying of license and from the implementation side how much is the lag? And are you seeing any squeeze in the kind of deal pricing? And lastly, the question on which geographies are you strong at?

Steve Cardell: Okay, so I think there were five questions, I will answer your third one first, because it helps after the others. So, when SAP serves a new license deal, it generates roughly 4 to 5 years of service pull through. So, if you look if you were to with this deal in HCL Axon is a set of license deal we have sold over the last 3 - 5 years. So, if SAP does not sell another new license deal, so it would be one to two years before we will start feeling the pain about. So, clearly there is relationship between SAP licenses and services revenue, but it is not a close and short-term relationship because in new deal, it generates service pull through for three to five years. ECC which is one of our largest clients, we implemented back in 1999 and we experienced these things together that is first thing. The second thing for HCL Axon is marketplace like $26 billion marketplace, we have less than 2% of market share, our strategy in the market is a market share gain opportunity. So, whether that $26 billion market or plus 10 and over the next two years, market share gain where we are focused and I talk about some of the key players we expect to then take market share from. In a sense, where we have more strengths in America; it is North America we have some capability in South America and Canada, but it is core most American market. In Europe, it is really the UK, Switzerland, and most recent in Scandinavia that we are seeing growth and opportunity and then in Asia Pacific it is in Southeast Asian areas such as Singapore, Malaysia, and Australia and New Zealand. So, those are kind of the real pockets of dominant capability that you have, also we have coverage outside of that -- yeah is that answers your questions.

Nimesh Mistry: Yeah and also my second question is on the value chain. Mainly you do consulting and I would like to understand is this at the business level consulting or this is on the SAP practice mainly? Do you actually engage in the current environment when there is lot of restructuring going on, are you engaged in I mean discussions with most of the corporates on the business level or is it only on that SAP implementation and you know design side?

Steve Cardell: Okay, since we have a management consulting practice with over 150 people in it, who engage at a business level, so business planning, performance management type of level, but the reason we have them is to help us to open up for the SAP project. So, that is that space is explored and then the first if you look as an SAP consultant over this, it is something like a high level business case or a root mapping or high level blueprinting. And do you have the capability tied out with value chain of that, but it does not operate standalone operates with a sole purpose of getting us into client situation, so that we can open up a full SAP transformation opportunity.

Nimesh Mistry: Right and lastly any take on the bill rates, I mean what kind of bill rates you might have and what kind of model you work on, is it time and material or is it fixed period?

Steve Cardell: So, we have a combination of commercial models, time material is still there, good chunk in the business express and also other forms of more clients aligned commercial models and in terms of bill rates in country you will see it comparable to our typical competitor say in those countries like the Lloyds and Capgemini and Accenture, and IBM. And obviously and from an offshore perspective comparable to the other competitors you would be familiar with.

Nimesh Mistry: Alright Steve thanks a lot.

Steve Cardell: Thank you.

Moderator: Thank you Mr. Mistry. The next question is from Mr. Manik Taneja of Emkay Global, please go ahead.

Manik Taneja: Hi sir, this is Manik here. My first question was first of all with regards to your margins given that Axon has lower margins than HCL as of now and it is going to be run as an independent entity, what are the roadmap for margins..?

Vineet Nayar: So, this roadmap you know the same question was asked in 2005 about HCL Comnet and the roadmap for margins on HCL Comnet expanded, so that is what the overall target is for HCL Axon and let us wait and see what happens.

Manik Taneja: Okay sir and my second question was that if you could dwell deeper into the demand dynamics in Europe given that, one earlier caller had already asked that question, just wanted what concrete we own the demand dynamics in Europe especially with respect to the different service lines?

Vineet Nayar: Yeah, I think Steve was alluding to the fact that the demand has moved to continental Europe in a very big way, so some of the large deals we would be announcing this quarter are from Continental Europe. So, we are seeing a significant traction in Continental Europe, we are seeing a slower growth in UK that is what we are seeing. We are seeing a larger growth in utilities and government. We are seeing a slower growth in retail and you know the typical offensive industries. So, these are the two trade trends we are seeing. We are not seeing any service line wise variation in trends, the high growth service lines for HCL, which is engineering services, infrastructural services and now SAP continue to be high growth in EMEA also.

Manik Taneja Okay thank you that is it from my side.

Vineet Nayar: Thank you.

Moderator: Thank you Mr. Taneja. Sir, there are no further questions. I would like to hand the conference over to the management of HCL for their final remarks, please go ahead sir.

Vineet Nayar: Okay, so thank you very much for being with us throughout the world, some of you through Internet and some of you on the phone. We greatly appreciate you are taking time to understand our plan and we look forward to your support into mitigating to the investor what HCL Axon. Also there is an opportunity for all of us and all of them. Thank you so much and have a Happy New Year to you and to your entire family thank you.

Moderator: Thank you ladies and gentlemen on behalf of HCL that concludes this conference call. Thank you for joining us and you may now disconnect your lines.