

“Transcript of the 30th Annual General Meeting of
HCL Technologies Limited”

August 16, 2022

11:00 A.M. (IST)

Moderator :

Dear Shareholders, Good morning and welcome to the 30th Annual General Meeting of HCL Technologies Limited through video conferencing.

For smooth conduct of the meeting, the speaker shareholders will be in mute mode only. Audio and video will be switched on only when they will speak at the AGM as per the pre-registration.

Those shareholders who have not registered themselves as speakers can communicate and share their comments or queries, through the 'Q&A' tab available on the screen for online communication.

I would now like to hand over the proceedings to Mrs. Roshni Nadar Malhotra, the Chairperson of HCL Technologies Limited.

Over to the Chairperson.

Roshni Nadar Malhotra

Thank you !

Namaskar and a Very Good Morning, dear Shareholders, my fellow Board Members, Ladies, and Gentlemen. A very warm welcome to you at the 30th Annual General Meeting of HCL Technologies Limited.

I pray that you and all your loved ones are safe and healthy.

This AGM has been convened through video conferencing, which is in compliance with the circulars issued by the Ministry of Corporate Affairs, Government of India. The Company has also provided a webcast facility to view the live proceedings of this meeting on NSDL's website.

I am satisfied that the Company has made all efforts feasible to enable the shareholders to participate in this AGM through video conferencing and to vote electronically on the items being considered at this meeting.

It is my pleasure to introduce to you to the Chairman Emeritus, members of the Board and management present with us today.

We have

Mr. Shiv Nadar, Founder HCL and Chairman Emeritus & Strategic Advisor to the Board. He is joining this meeting from New Delhi.

Mr. C. Vijayakumar, Chief Executive Officer and Managing Director of the Company. He is joining this meeting from USA.

Ms. Robin Abrams, Independent Director. She is a member of the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee. She is also the Chairperson of the ESG & Diversity Equity Inclusion Committee. She is joining this meeting from USA.

Dr. Mohan Chellappa, Independent Director. He is a member of the Nomination and Remuneration Committee and the CSR Committee. He is joining this meeting from USA.

Mr. Simon England, Independent Director. He is a member of the ESG & Diversity Equity Inclusion Committee. He is joining this meeting from UK.

Mr. Deepak Kapoor, Independent Director. He is a member of the Audit Committee and the Risk Management Committee. He is joining this meeting from USA.

Mr. Shikhar Malhotra, Non-Executive Director. He is a member of the Stakeholders' Relationship Committee and the Finance Committee. He is joining this meeting from Noida.

Ms. Vanitha Narayanan, Independent Director. She is a member of the Nomination and Remuneration Committee She is joining this meeting from USA.

Mr. R. Srinivasan, Independent Director. He is the Chairman of the Nomination and Remuneration Committee and a member of the Finance Committee. He is joining this meeting from Singapore.

Professor S. Shankara Sastry, Independent Director. He is joining this meeting from USA.

Mr. Thomas Sieber, Independent Director. He is a member of the Finance Committee. He is joining this meeting from Switzerland.

Mr. S. Madhavan, Independent Director. He is the Chairman of the Audit Committee, the Risk Management Committee, the Finance Committee and the Stakeholders' Relationship Committee. He is also a member of the CSR Committee. He is joining this meeting from New Delhi.

Ms. Nishi Vasudeva, Independent Director. She is a member of the Audit Committee and the Risk Management Committee. She is joining this meeting from Mumbai.

Mr. Prateek Aggarwal, Chief Financial Officer of the Company. He is joining this meeting from Noida.

Mr. Manish Anand, Company Secretary of the Company. He is joining this meeting from Noida.

The representative from M/s. B S R & Co. LLP, the Statutory Auditors of the Company and the representative from M/s. Chandrasekaran & Associates, the Secretarial Auditors of the Company are also present in this meeting through Video Conferencing

Manish, Can you please confirm if we have the requisite quorum for this meeting?

Manish Anand

Thank you !

Yes, I confirm that the requisite quorum is present.

Roshni Nadar Malhotra

Thank you !

Dear Shareholders, as we have the requisite quorum to conduct the proceedings of this meeting, I now call this meeting to Order.

The 'Register of Directors & Key Managerial Personnel & their Shareholding', the 'Register of Contracts or Arrangements in which the Directors are interested' and a certificate from the Secretarial Auditors of the Company on the RSU Plan – 2021 are available electronically for inspection during the meeting at the NSDL E-voting platform.

Ladies and Gentlemen, the Notice dated July 21, 2022 convening this Annual General Meeting and a copy of the Annual Report for the financial year ended March 31, 2022, have already been circulated to the shareholders of the Company electronically.

With your permission, I shall take them as read.

The Statutory Auditors' Reports on the standalone and consolidated financial statements and the Secretarial Audit Report of the Company for the financial year ended March 31, 2022, do not contain any qualification, reservation, adverse remark, or disclaimer. Accordingly, these reports are not required to be read out, as provided in the Companies Act, 2013.

I will now begin my formal address to the shareholders.

Dear Shareholders,

Good morning, and a warm welcome to the 30th Annual General Meeting of HCL Technologies. On behalf of the Board of Directors, I thank you for joining us and hope that you and your families are safe and keeping well.

The post-pandemic world has accelerated the adoption of technology, which has become an unstoppable force for good that is transforming lives. Digital and cloud have become the new normal as enterprises and governments embrace digital technologies to serve their stakeholders more efficiently in the connected world.

These trends represent new growth opportunities for HCL Technologies. With its deep domain knowledge and experience, your Company is helping enterprises accelerate their digital transformation journeys and become future-ready.

For the year ended March 31, 2022, your Company reported a revenue of INR 85,651 crores (13.6% growth YoY) and a pre-tax profit of INR 16,951 crores (6.9% growth YoY). Our services business grew at 15.9% YoY, headlined by digital application services, engineering services, and cloud transformation services.

HCL Technologies is a trusted partner for top businesses across the world. Last year, the number of \$100 million clients increased to 16, and \$50 million clients increased from 29 to 43. 85% of our revenue growth came from 50 clients, 40 of which are Fortune 500 or Global 500. This growth has been driven by our strong digital propositions. We are proud of the deeper, multi-service line relationships we have built on this journey.

Capturing real value from cloud transformation continues to be a massive market driver and one of the biggest areas of technology spending across industries. We believe that by 2025, more than 50% of technology spending in the IT Services market will be on cloud. Being amongst the first to spot this potential, we have strategically partnered with top hyperscalers and are well positioned to leverage growth opportunities in this space.

Another unique differentiation is our product and service diversification strategy to tap a large Total addressable market. Today, our Products & Platforms business is not just a profitable and cash-generating portfolio but also a door-opener in net new clients in mature as well as new geographies and verticals.

This sustained performance has been made possible by our people, who are at the core of our strategy. Our team of diligent, diverse, and passionate 210,000+ ideapreneurs across 52 countries continues to deliver quality experience to our clients.

Our philosophy of empowering our people as well as diversifying our talent pipeline, has put us in a position of strength in the market. HCL Technologies continues to focus on building the workplace of tomorrow, which promotes an equitable, collaborative and transparent culture and supports the learning and development needs of its people.

Our distinctive people practices continue to win accolades across the globe. We were featured in Forbes' 2021 list of the "World's Best Employers" for the second consecutive year, We were the top-ranked Company globally in the Professional Services sector and one of the only five India-headquartered multinationals across all sectors. We are recognized as a "Top Employer" in 17 countries. The leading analyst group, Avasant has ranked us a "Leader" in its Digital Talent Capability 2021 RadarView™. We stay deeply committed to our diversity, equity and inclusion agenda and we are now a part of the European Diversity Charter chapter and included in the Bloomberg Gender-Equality Index.

We continue to invest aggressively in scaling our advanced capabilities and prioritizing growth in strategic areas. And we do this with a sense of purpose and responsibility toward our stakeholders and communities.

As you are aware, a key priority for HCL Technologies is to integrate sustainability and corporate social responsibility into our business models and decision-making.

While sharpening our environmental, social and governance (ESG) focus with a Board sub-committee, the Company has embraced an overarching sustainability framework built around the tenets of **ACT. PACT. IMPACT.**

- **ACT:** We understand that impact starts with us. We act in the most responsible and sustainable manner. We ensure we use every resource efficiently to maximize value.
- **PACT:** Our relationships go beyond a formal contract with our stakeholders. We are working for a sustainable future in collaboration with our clients, partners, communities, and all stakeholders.
- **IMPACT:** We focus on creating sustainable impact through all our initiatives and activities.

We have identified 12 material ESG topics and are tracking over 100 metrics to drive sustainability across the organization. The Company has committed to achieving net-zero carbon by 2040, joining a select group of public companies globally that have committed to net-zero carbon emission targets. Our 2030 sub-targets have been validated by the Science Based Targets initiative (SBTi) and aligned with the 1.5°C pathway.

We are deeply aware of the impact businesses can deliver in elevating communities globally and continue to strengthen our efforts in India and other geographies where we operate. In recognition of these efforts, HCL Technologies received the prestigious Corporate Citizen of the Year Award in 2021 from The Economic Times for championing social change and good governance.

In India, with a cumulative investment of more than INR 900 crores, HCL Foundation has impacted more than 3.7 million lives across 22 states and three union territories. Today, HCL Foundation drives five flagship programs – HCL Samuday for integrated rural development, HCL Grant to empower non-profits

for community-led rural upliftment, HCL Uday to address developmental issues in urban areas, Clean Noida to transform Noida into one of the cleanest cities in India, and HCL Harit for environmental action.

Various other special initiatives are also being undertaken by the HCL Foundation in India. These include – Power of One, Sports for Change, the HCL Foundation Academy, My E-Haat. It gives me great pleasure to share that Jerlin Anika, an 18-year-old HCLTech Sports Scholar, won Gold for India in Badminton at the recent Deaflympics in Brazil. There are many more inspiring stories like Jerlin's.

As a global technology company, HCL Technologies continues to broaden its community engagements beyond India through partnerships and own initiatives, including employee volunteering. Some of the major initiatives included partnering with European Food Bank Federation and other NGOs to support those impacted by the Ukraine crisis. In the United States of America, we have identified three focus areas – education, environment, and health and made a long-term commitment to addressing food insecurity. HCL Technologies partnered with Feeding America® during National Volunteer Month to provide almost 1.7 million meals to those in need.

The digital future is an exciting one and will throw up limitless opportunities to innovate. HCL Technologies is accelerating the creation and application of tomorrow's technologies today. Together with our clients and partners, we are developing game-changing solutions for a better world.

Our growth strategy for this emerging digital future is built on five strategic objectives:

The first and foremost strategic objective is **Leadership through differentiated services and products**. We constantly look to innovate our service and product portfolio, so that we can deliver differentiated value to our clients to support their digital transformation and win big in the market.

The second is being an **Employer of Choice in professional services across all key geographies**. Our 'People' are the biggest enablers of our ability to deliver differentiated solutions to our clients. HCL takes pride in being an employer of choice for multi-generational talent in our chosen countries. We are deeply focused on strengthening our 'People' leadership and continue being a magnet for top talent across the world.

The third strategic objective is to be the **Preferred Digital Partner for Global 2000 Enterprises in chosen markets**. 70% of the global technology spend comes from the Global 2000 enterprises. Our objective is to be a strategic partner for these large clients and deepen our relationship with them.

The fourth is to **Weave ESG goals into business strategy**. At HCL, we are not looking at ESG in isolation and want to weave this into our business strategy. It's about the solutions that we can offer to our clients, it's about localizing, it's about how can we be purposefully contributing to the communities that we operate in.

The fifth and last strategic objective for us is to **Deliver superior Total Shareholder Return over the medium term**. Over the last 10-years, HCL Technologies delivered the Highest TSR among Tier-1 Indian service providers. This is something we are very proud of.

HCL Technologies continues to have great momentum, reflected in the healthy growth in bookings and pipeline across our various businesses. We continue to maintain leadership positions in most of the recent analyst rankings and recognitions across key areas such as public Cloud IT transformation, digital engineering, and digital workplace services. As we look towards the future, we are well positioned to address the large and growing target addressable market for services and products across all chosen geographies and verticals. Your Company is confident and determined to increase its market share. We are also committed to improving our efforts to learn, build, grow, and work to benefit people and the planet.

Our Founder and Chairman Emeritus, Mr. Shiv Nadar's vision and leadership continue to inspire us to pursue our growth strategy. It gives me immense pleasure to share that Mr. Shiv Nadar was felicitated by the U.S. India Business Council with the 2021 Global Leadership Award. He was also named Philanthropist of the Year, 2021 by the Indo-French Chamber of Commerce and Industry and honored with the Eminent Engineer Award, 2021 by the Engineering Council of India for his pioneering role in the field of engineering, business and philanthropy.

The Board of Directors of your Company is amongst the most diverse, with more than 30% women Directors and 60% international Directors, and continues to steer our growth strategy in these challenging times.

On behalf of the Board, I would like to thank all of our stakeholders, including shareholders, employees, clients, and governments of the countries we operate in, for their unwavering support and encouragement.

Thank you!

Now, I would like to brief you about the two resolutions which are required to be approved today. There are “Two Resolutions” in the Notice to be approved by the Shareholders at this Annual General Meeting.

- The First Resolution is regarding the consideration and adoption of the Audited Financial Statements (including Audited Consolidated Financial Statements) of the Company for the financial year ended March 31, 2022 together with the Reports of the Board of Directors and of the Auditors thereon.
- The Second Resolution is relating to my re-appointment as a Director, liable to retire by rotation.

We now move to the Question & Answer session with the shareholders who have registered themselves as speakers with the Company for raising their queries or share their views on any item of the AGM notice.

Before we commence this session, I will request Manish Anand, our Company Secretary to share a few guidelines for the Q&A Session.

Over to you, Manish.

Manish Anand

Thank you, Roshni !

I will quickly share certain norms to the shareholders for the Q&A session.

- The Q & A session will be anchored by the Moderator who will call the pre-registered speakers to come up one-by-one.
- The Speaker Shareholders are requested to unmute their microphone before speaking and enable their webcam if they wish to appear on the video. Shareholders, please note that your participation through video conferencing is being recorded.
- In the interest of time, kindly restrict your comment / query to not more than 2 minutes. It may be noted that the Company reserves the right to limit the number of shareholders asking questions depending upon the availability of time.
- To avoid repetition, the response to the queries raised by the shareholders will be provided once all the speaker shareholders have been heard.
- If any shareholders' queries or questions remain unanswered due to paucity of time, such shareholders may write their queries at the designated e-mail id which is investors@hcl.com and we will send our response via e-mail.

I now request the Moderator to invite the speaker shareholders. Thank you !

Over to you Moderator.

Moderator

Thank You! Manish

The first Speaker Shareholder is Mr. Yash Pal Chopra joining us from Delhi

Yashpal Chopra

Honourable chairperson, I'm Yashpal Chopra, calling from Delhi an old shareholder of the company for the last more than two decades. I must congratulate you and your team for the grand performance of the company. I said grand because the performance are high for around six to seven months, whole the first three months of the financial year were impacted by a COVID and the last three months was affected by those Ukrainian -Russian war and that disrupted our supply chain. So in spite of that, the performances are excellent, because there is an all- round growth in revenue PBT, PAT, ROC, EPS and even our dividend declaration, we are very much proud of the company being investor friendly. But as investor friendly, I have just a request that the company is holding big general reserve fund so out of that the company should now think of the time has come when they are to think of liberal bonus for the shareholders. So I would request our chairperson to consider that thing. So now my queries, though I know that the current year performance will be excellent, but because now both the pandemic are going to die their own death, but still I would like it to be confirmed by the management that I'm correct in the life of the company, of any company so I feel that they should just explore as addition and diversification also that but before I wind up, I must thank our corporate governance for getting me chance to speak and pray God to bestow positivity on you so that the positive it means is strength of the company

Moderator

Thank You! Mr. Chopra

The next speaker shareholder is Mr. Toni Bhatia, joining us from Faridabad, Haryana.

Mr. Bhatia, you may please ask your question

Toni Bhatia

Okay. Okay mam meri aawaj aa rahi ha na. meri awaaj aa rahi hai. madam thank you. Respected chairperson, eminent board of directors and my co-friends shareholders. First of all chairperson you gave us such a beautiful speech you gave us. Usmain aap nain kafi kuch bataya. Such a marvellous speech you gave us. Regarding performance there is no doubt there is it all round progress in the company. The revenue from operations 85,651 crores, profit after tax 13,499 crores, diluted EPS 49.8

such a marvellous results ma'am you gave us chairperson. Corporate governance you have shown in such a good manner for this credit goes to CFO and our Company Secretary. CSR activities par bhi aapne kafi dhyan diya, Iski ki bhi main taarif karunga. Hamri company ko kai award wagara mile, iski liye main madam main aapka, pure board ka, aur sabhi employees ka aabhari hu, unki wajah se credit ka credit jata hai/ Resolution number 2, yes, resolution number two in this regard I will say I am strongly going to support and second the resolution regarding Madam Roshni Nadar Malhotra, under her leadership company is doing well. With these words, I won't take much time. Once again, I support and second the balance sheet. Thank you, ma'am, thank you.

Moderator

Thank You ! Mr. Bhatia

Our next speaker shareholder is Mr. Vimal Jain joining us from Delhi.

Vimal Jain

Hello, hello. Am I audible? Okay, good morning to the chairperson and board of directors and my fellow shareholders attending the E-meeting. Congratulations to the management and all the staff, employees for providing the excellent results during the COVID pandemic. There is no doubt in the financial statements of the annual report as I have full faith in the management. Most of the points have been covered in the chairperson's speech, but I would like to know that in this improved scenario in IT sector after the pandemic, how will you reward the shareholder in financial year 23? Shall we expect a bonus issue? Secondly, what step has the board taken to monitor that shareholders interests are being protected. Thank you very much to the secretarial department for allowing me to put up my points in the meeting and hope the management will continue to hold the AGM through VC in future also, which enables the shareholders like me to interact with the management residing far away places. Thank you very much, Madam.

Moderator

Thank you! Mr. Jain.

The next speaker shareholder is Mr. Shreepal Singh Manot, joining us from Gurugram, Haryana

Shreepal Singh Mohnot

Haan Namaskar Ji ! aap sun pa rahe hai mereko

Moderator

Hanji Shripal ji, aapki aawaj aa rahi hai humain.

Shreepal Singh Mohnot

Main shripal singh mohnot Gurgaon, Haryana se bol raha hu. Aap sab ko sadar pranam, sadar namaskar. Aadarnaiya chairperson sahiba aapke direction main company nain amulya 30 salo main bahut aachi tarakki ki hai. Iske liye main aapko or aapke pure board ko bahut- bahut badhai deta hu. Aap bharat ke Pradhmantri ji ka sapna digital India banane main bada yogdan kar rahe hai. Company ki pragati main aapka yogdan amulya hai. Aapke aache shashan or prashashan ki vajah se company nirantar pragati ke path par agrasar hai. Hamare rajasthan main ek kahawat hai – mangan mile na bhik, bin mange mile moti mile. Aapne is kahawat ko phalibhut kiya hai. Iske liey main aapka sabka aabhar vyakt karta hu. Aapne shareholders ko itna diya, kabhi maangne ki jarurat hi nahi padti hai. Aane wale salo main company ke vistaar ki yojna batai. Iske liye punji ki vyastha kaise karenge. Aapke CFO sahab, Company Secretary sahab bahut aacha kaam kar rahe hai. Samai par balance sheet aur notice mil gaya hai. Company secretary sahab aur unke sahiyogi nain apna amulya samay nikaal kar harama marg darshan kiya hai, uska main aabhar vyakt karta hu. Dhanyawad, Jai Hind.

Moderator

Thank you! Mr. Shreepal.

As there are no other registered speaker shareholders, I would like to hand over proceedings back to the Chairperson.

Roshni Nadar Malhotra

Thank you all Speaker Shareholders !

We will now check and collate if any queries have been raised by the Shareholders on the Live Chat.

I now request the Moderator to play a video after which we will provide our responses to the queries raised by the Shareholders. Short Video to be played, please !

(Video Plays)....

Roshni Nadar Malhotra

Apart from the queries raised by the speaker shareholders, we have also received queries through e-mail and Live Chat , which we would now respond to.

There are a set of questions that I will take and then I will pass it on to Mr. C. Vijayakumar, our CEO who will answer the next set of questions and then to Mr. Prateek Aggarwal our CFO who will further answer the remaining questions.

The first question that I received from the shareholders is what are some of the challenges and opportunities that you foresee in the year ahead?

There are uncertainties in the global macro environment like hyper-inflation, slowing GDP growth, geo-political conflicts, and these continue to be challenges. In terms of opportunities, customers' preference to embrace technology and digital programs to drive their own business growth and their cost reduction initiatives are the key positives and opportunities for HCL.

How do you judge the present economic environment and growth opportunities?

We remain vigilant and watchful of current business and global economic environment. Our portfolio is fairly diversified in terms of, run the business and change the business. And we take opportunities and advantages of any possible scenarios of economic downturns or optics.

What is your long-term vision of the company? Where do you see HCL in next five to seven years? Are you doing anything different to make our company more agile, growth oriented and future ready?

Our long-term vision is to be one of the fastest growing and responsible technology companies globally. We have differentiated services and products and we want to be the number one digital service provider of choice for customers. We would also like to be the employer of choice in talent markets across the world. And to do this while generating the best in class, total shareholder return all of our efforts are directed towards achieving these goals.

Does the company support differently-abled persons as part of its CSR activities?

Yes, the CSR activities of the company which are under the HCL Foundation include supporting differently-abled persons and substantial amount in this regard is budgeted as part of the company's annual CSR budget. In fact, in my AGM speech, I did mention Jerlin Anika, our HCL tech spots for change scholar. She won three golds at the deaflympics in Brazil this year and we're extremely proud of that and there are many more inspirational stories.

There was a question on by a couple of shareholders on bonus shares.

This is something that the Board will deliberate.

And there was also a further question on future AGMs being remote and in this format.

We will follow what the government states as permissible and do the same.

I will now like to pass it on to Mr. C. Vijayakumar to answer your specific questions related to company performance and the comparative environment. CVK!

C. Vijayakumar

Thank you Roshni !

I have a few questions from the shareholders. One question is our growth is been on the slower side in the last few quarters compared to our peers. How can we get back to the top quartile of growth as we've seen in the past? Also, our deal wins have been strong recently, why is it not reflected in the growth numbers? Any long-term five to seven-year growth targets?

I will answer this one by one.

First, TCB wins have been very impressive. We closed FY'22 with a total contract value of \$8.3 billion, which is a growth of 14% over FY'21. The deals typically take three to nine months to reflect in revenue. So the deals won in the latter half of FY'21 translated into robust revenue growth as you can see from the second quarter of FY'22. If you look at the growth reported by HCL Technologies in the services business during FY'22, we reported three consecutive quarters of 5% plus growth in services in constant currency from Q2 to Q4 of FY'22. On the YoY basis also the growth has been quite good. In terms of long-term growth, we generally provide revenue outlook on an annual basis. For FY'23 we provided a revenue growth guidance of 12 to 14% in constant currency.

The next question is, we thank the management for not making any big acquisitions in the recent bull market in the IT sector, where a majority of the IT companies have made big acquisitions. Now, with valuations becoming more reasonable, do we have any plans for a big acquisition? If yes, which geographies do we prefer?

Overall, the demand environment is very robust, and we see a lot of opportunities in the market to grow the business organically. And we have decided to largely focus on organic growth on future acquisitions, if any, it will be on three areas. One could be to bolster geographic presence in some focus geographies, like Germany, France, Japan, that have a higher IT spend intensity and our presence is lower than what IT spent intensity is. We would also look at some select capabilities that can strengthen our positioning on the digital side. We could look at select high-growth, small product acquisitions, that would enrich our existing portfolio. And as of now, we have no plans for any large-sized acquisition.

There was another question, are we able to pass on increase in cost to our clients? If not, then why? Due to excess competition or if you're doing differentiated work for our clients, pricing shouldn't be an issue.

We have initiated an exercise a few months ago to get incremental bill rates from our customers. The customers in general have responded positively, though the whole process takes some time to conclude and translate to the P&L. And wherever possible, we have cost of living adjustments in our contracts, we are negotiating that as well with our customers. All the new deals, we have increased the prices. However, for the old deals, since they have long-term contracts, it's really a mutual discussion with

customers to see if we can get a better pricing. However, the industry continues to be quite competitive and that does prevent any significant price increases that are possible from customers.

There was another question on our P&P business, where we had mentioned that it's more like a start-up so what is the upside to a P&P business over the next three to five years and what are the major risks?

In the P&P business, we expect to leverage the huge installed base. We have about 6,800 global clients of which 241 are G-500 clients and 540, G -2000 clients, and we have a global footprint in 132 countries. So, our endeavor will be to explore cross-selling, up-selling to this client base, both our products and services. In fact, in FY'22, we're already seeing some early successes in this area and we also announced a number of product releases.

There was a question on what are the risks?

I think a couple of key risks in this business is the inherent seasonality of the business and the continued product innovations. To mitigate this risk, we have also gradually changing our model from a perpetual license to more subscription and more annuity-based revenue models and we are very focused on product innovation to be relevant and differentiated to our customers.

The another question is, is this a 2008 moment for IT companies? All companies CEOs are bullish on revenue growth and deal wins whereas most analysts say IT companies cannot see beyond two quarters. Are we reasonably confident of our growth and deal wins beyond a few quarters and years?

We believe that the market opportunity is going to be very robust for the next two to three years. And our portfolio is very well diversified to take advantage of all the addressable opportunities, whether it is a market which is growing or where there is a little bit of economic pressure. So we will continue to lead in digital propositions, digital engineering, cloud and overall IT outsourcing propositions.

The next question is what is the uppermost strategic priority for the remaining period in the fiscal year?

I think we are in a fairly tight market environment in terms of the costs and the wage inflation. So we will remain very focused on achieving the revenue and the margin guidance that we've provided to the market. Robust cash generation will also be another key focus area. Of course, all of this is going to

happen by our continued emphasis on people and our clients which will make our ability to meet our goals possible.

Just one more question, are inflation and depreciating rupee a concern for our company? How are you looking at adopting to these situations?

Yes, the increasing inflation, obviously results in wage increases. So it's an important metric that we keep track of. We do have some protections in our contracts for cost of living adjustments. In long-term contracts, we are trying to exercise that and as a general statement, depreciating rupee on a standalone basis is positive for our profitability.

Now the question is what steps are you taking to reduce costs to improve profitability?

There are many, many steps we have taken like increasing the freshers. We've had traditionally a slightly lower percentage of freshers, now we are increasing. There are a few levers to improve the utilisation. There is a little more offshoring and then getting better realisation from customers and also focusing on more high value services. These are the few things that we're looking at.

Are there any impacts due to geo-political tensions around the globe?

Right now, we have very, very little business which is in the in the areas, where we have geo-political stress. So we do not see any impact, any significant impact on our business?

With that, I will pass it on to Prateek for a few more questions on the financial topics.

Prateek Aggarwal

Thank you CVK!

I think the first question that I have is a little bit of repetition. It talks about our EBITDA margins have been disappointing in the last few quarters, have our margins bottomed out, could our EBITDA margins be comfortably above 20-22% in three to five years time-frame?

Our margin performance has been impacted by a slew of factors relating to the supply side constraints, steep increase in salaries, elevated attrition rates and management of attrition in terms of higher retention costs, out of cycle wage increases etc. These factors are impacting the entire IT sector and HCL is not the only isolated company being affected. In view of the supply side factors continuing to be of concern, we lowered our margin guidance for FY'23 to a range between 18 to 20%. And we further sort of qualified it at the end of Q1 to be at the lower end of the guided range for the full financial year. On a medium-term basis, we are depending on factors like increased fresher intakes, their training and deployment and billing, and the resultant pyramid optimisation. Price realisation improvements which CVK talked about as well, improved utilisation of manpower and increase in offshore mix as the most potent levers to improve the margins going forward, apart from others.

The next question is about most of our shareholders, we have said in the past that most of our shareholders prefer dividends over buybacks, but buyback at an attractive valuation creates more value for the shareholders than the dividend is the feeling of this particular shareholder. So is there a certain valuation or price below which we would prefer back over paying dividends?

In answer, dividends and buybacks are both considered acceptable ways of returning cash to the shareholders. Based on our capitalisation table and current taxation rates for various types of shareholders, dividends do work out more optimal in terms of net receipt, post-tax in the hands of the shareholders at a total level of our shareholder base. Dividends are also more consistent, because we give it every quarter and uniform because it goes to all shareholders in the same pari-passu. So they are both more consistent and uniform in terms of rewarding the shareholders. So I think we continue to favour dividends over buybacks.

The next question is, in the next two years, our free cash flow would be higher than our profit due to some non-cash charges. Can we have a payout policy on FCF rather than profits going ahead? What steps has the company taken to protect the interest of the shareholders?

I think one of the speaker shareholders also asked a similar question. In answer, we have already proposed the pay-out policy to pay a minimum of 75% of the net income to shareholders over the next five years. So FY'22 to FY'26, full block of five years, and we are going to maintain the same, the number will not be too different for FCF so we don't feel the need to do anything, make any changes.

The next question is, how has the Company's strengthened, competitiveness relating to its presence in industry spaces, margins, and the strength of its balance sheet?

I think we've talked about the competitiveness and the margins so respect to strengthening of the balance sheet over the past year, we have focused on making our balance sheet as asset light as possible and hopefully you would have seen that, helping us in the deployment of capital in business and improving the return on invested capital. We have proactively taken steps and continue to do the same to replace high cost debt with low cost debt.

The last question I have is on the any significant bad debts and what is the net debtors' position of the company in comparison to the last fiscal year?

In answer, there is no significant change in the bad debts or provided bad debts and the number in FY '22 at the end of the year was 447 crores on a total billed debtor base of 15,839 crores and this number was actually slightly lower compared to the previous year when it was 476 crores. So it came down by about 30 crores while the base of last year was 14,077. So in percentage terms, the drop was even higher.

There was a question which came in over the chat, CVK I think you wanted to address this.

I will read out the question and maybe you can help address it.

HCLT has been regularly giving good dividends which is much appreciated by shareholders. However, the gap in PE ratios of HCLT and other top majors TCS and Infosys has increased. Are there any plans to bridge the gap which will definitely improve the share price, which seems to be lagging these in percentage increase over the year?

C Vijayakumar

So while there are a lot of similarities between the top companies, there are also significant dissimilarities in terms of the portfolio of the business and the focus areas. As a team, we believe there are two important things that we need to focus on to improve our multiples. One is to deliver consistently

industry leading organic growth and that is what we are exclusively focused on. We have a de-emphasized some of the inorganic bits, and continuously focusing on building organic capabilities and delivering superior organic growth. And the second aspect that we're focused on is also to be more capital efficient to deliver better return on invested capital on an ongoing basis. Since we've done some acquisitions, some of the return ratios are deteriorated, but with a consistent approach to doing the business in an asset like manner, we are gradually seeing the return metrics improving. And we have also taken a strategic bet in terms of products and platforms and once we did this important decision, definitely our PE ratios deteriorated, but we strongly believe in it to be a very good long-term bet. So you need to wait for the strategy to play out which we are very, very diligently executing. I think with all these steps, I do think over a period of time the gaps should bridge.

Roshni Nadar Malhotra

Thank you, CVK ! Thank you Prateek !.

This completes the Q&A session.

I will now move on to the e-voting. Shareholders may please note that there will be no voting by show of hands. The instructions for e-voting can be read by clicking on the e-voting tab on your screen.

M/s. Nityanand Singh & Co., Company Secretaries has been appointed as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. Mr. Nityanand Singh, representative of this firm is present at the AGM through video conferencing. The decision of the Scrutinizer will be final regarding the validity and results of the e-voting (including remote e-voting).

The results of voting on the resolutions shall be hosted on the website of the Company, on or before Thursday, August 18, 2022.

As all the items of business as part of the notice of the Annual General Meeting have been taken up, the e-voting is now open for 30 minutes. The proceedings of this meeting shall be closed thereafter.

Thank you once again for joining us today. Be safe and take care.

Be safe and take care.

Thank you !