

Financial Services Views Vendor profile: HCL Technologies

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HCL



Based on artificial intelligence

About this report

This report is designed to provide readers with an analysis focused on one specific SITS vendor operating in the UK marketplace. In this case, the information is in the context of the UK financial services industry. The research explores the vendor's strategy, structure, offerings and performance and is based on TechMarketView's own analysis. The report also provides a comparison with a selection of other SITS providers and the wider market.

This document includes a ranking of the Top 20 vendors (by revenue) within the SITS market in UK financial services. Revenues presented in this report are based on TechMarketView's own estimates, following our analysis of annual performance for each company for the financial year ending between 1st April 2020 and 31st March 2021.

This report may also include revenue estimates for leading vendors that report after March 2021. These are usually based on IFRS or US GAAP accounting as appropriate to the company. However, where more meaningful we have used proforma revenues.

Our estimates include the impact of acquisitions as reported, i.e., from the time the acquisition was completed, unless otherwise stated. We may have revised 2019 revenues and rankings for some companies where new information has become available that is materially different from our previous estimates or where the company has restated its results.

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Introduction

The important operational support provided to UK enterprises by Indian founded SITS vendors is one of the most significant success stories of the UK technology industry. The dominant position now occupied by this cohort highlights the inexorable rise of this leading group of SITS providers over the last twenty-five years or so.

Since opening its first office in the UK in 1975, the largest of the Indian vendors, **TCS**, has successfully grown to become this country's largest SITS provider, with UK revenue of £2.6bn. Meanwhile, in 2020 the Top 6 Indian founded vendors operating in the UK (**TCS**, **Cognizant**, **Infosys**, **HCL Technologies**, **Wipro** and **Tech Mahindra**) generated aggregate revenue of £7.7bn and accounted for 13% of the total UK SITS market.

With a lot having already been written about the number one vendor, TCS, this report takes a closer look at one of its close competitors and Indian peers. Currently in second place in the cohort of leading Indian founded vendors operating in the UK, this analysis examines the UK financial services operations of HCL Technologies.

Key messages

HCL Technologies has had an active presence within the UK financial services industry since 1997. Historically, the company's operations have tended to be relatively low-profile compared to some of its competitors, with the vendor apparently choosing to eschew significant publicity.

The vendor has successfully grown its presence within the market, to date that has largely been achieved by expanding within its existing accounts. In recent years HCL Technologies has enjoyed healthy revenue growth as it has secured key roles supporting a number of major transformation programmes.

HCL Technologies was in 6th position in our most recent ranking of SITS vendors in UK financial services. The vendor performed well both against the overall market and its peer group of leading Indian SITS providers.

The vendor's Mode 1-2-3 strategy provides a tailored approach to transformation, dependent on the digital maturity of their organisation. HCL Technologies has also developed a family of digital transformation offerings for financial services under the Novus brand.

The dedicated partner units operated by HCL Technologies (for **AWS, Google, Microsoft, IBM and Oracle**) have been key drivers of growth. As cloud adoption has accelerated, the vendor has increasingly leveraged these capabilities amongst existing clients looking.

HCL Technologies global overview

Headquartered in Noida, India, with 198k employees and annual global revenue of £7.6bn, technology vendor HCL Technologies has traditionally derived the majority of its business from operations within North America. Europe has been growing in importance to the vendor recently and the financial services sector here in the UK forms a significant part of that mix.

Table 1: Global Revenue Mix by Geography

	2021	2016
Geographical Mix	% of total	% of total
North America	56.4%	58.2%
Europe	27.7%	26.7%
India	3.0%	3.1%
Rest of World	12.9%	12.0%
Total Revenue	100%	100%

Source: HCL Annual Reports.

The vendor's business is segmented between three key operational areas. IT and Business Services is the largest of these, accounting for more than 70% of annual revenue. Engineering and Research and Development Services is second, accounting for 15.6% of the total in 2021. Meanwhile, Products and Platform's generated 13.6% of global revenue in 2021 and has experienced the strongest growth of late (up from 11.5% of the total in 2020).

Table 2: Global Revenue Mix by Solution Area

	2021	2020	
Solution Area	% of total	% of total	% increase
IT and Business Services	70.8%	71.8%	5.2%
Engineering and R&D	15.6%	16.7%	(0.6%)
Products and Platforms	13.6%	11.5%	26.1%
Total Revenue	100%	100%	6.7%

Source: HCL Technologies 2021 Annual Report.

Compared to some other vendors, HCL Technologies has perhaps tended not to make a lot of noise publicly about its UK operations. To date the company's efforts here have largely focused on growth within existing accounts. Any apparent lack of publicity is perhaps also in part due to the operating structure of the company. HCL Technologies is not segmented along traditional geographies but operates primarily through its global verticals.

HCL Technologies in UK financial services

The foundation of HCL Technologies' UK financial services presence dates back to 1997 and was further strengthened in 2008 via the acquisitions of **Axon** and **Liberata**. Axon Group Plc was, at the time, the vendor's largest overseas acquisition in the IT space. Meanwhile, the addition of Liberata's book of business process services contracts included agreements with **AXA, Barclays, Resolution** and **Chesnara**.

TechMarketView's latest ranking of the leading SITS vendors in UK financial services is based on revenue for 2020. The Top 20 vendors accounted for 72% of the total market append. This proportion was down by 5 points on the previous ranking one year earlier. Against this backdrop, the position of HCL Technologies within our ranking reflects a very solid performance despite the recent challenges of the market environment.

Table 3: Top 20 UK Financial Services Suppliers

Current Rank	Previous Rank	Vendor	HQ	Latest (£m)	Previous (£m)	Change
1	1	TCS	IN	1,289	1,350	-4.5%
2	2	IBM	US	1,050	1,243	-15.5%
3	3	Accenture	IE	832	924	-10.0%
4	4	DXC Technology	US	747	840	-11.1%
5	7	AWS	US	650	461	41.0%
6	5	HCL	IN	542	520	4.2%
7	9	Microsoft	US	517	419	23.4%
8	8	Atos	FR	436	432	0.9%
9	10	SS&C	US	417	401	4.0%
10	11	Infosys	IN	402	386	4.1%
11	12	Wipro	IN	379	383	-1.0%
12	6	Capita	UK	363	491	-26.2%
13	13	Cognizant	US	359	369	-2.7%
14	14	Capgemini	US	304	315	-3.5%
15	15	Ion Group	IE	300	287	4.5%
16	16	FIS	US	271	274	-1.1%
17	21	PwC	UK	259	231	12.1%
18	20	Oracle	US	239	243	-1.7%
19	17	Link Asset Services	AUS	228	247	-7.7%
20	22	Deloitte	US	220	205	7.3%
TOTAL				9,802	10,020	-2.2%

Source: TechMarketView - rankings are subject to revision.

HCL Technologies was stable in 6th position in our most recent comparison of UK financial services SITS vendors, having enjoyed another good year for growth during which revenue grew by 4.2% to £542m. However, despite this increase the vendor slipped one place to 6th due to the stellar performance of public cloud hyperscaler, AWS.

Our most recent ranking reveals that together, the Top 20 vendors generated total revenue of £9.8bn from UK financial services (compared to £10.1bn for the previous ranking). The aggregate total for this group was down 3.1%, whilst the median rate of change saw a 1% decline. HCL Technologies was 1 of only 9 companies in the Top 20 that enjoyed an increase in revenue in that period.

Performance versus peer group

HCL Technologies has performed well against its peer group of leading Indian technology companies. The vendor's year on year growth was the strongest of the sample and, along with Infosys, it was 1 of the only 2 Indian vendors that increased UK financial service revenue.

Table 4: Leading Indian Vendors in UK Financial Services

Current Rank	Previous Rank	Vendor	HQ	Current (£m)	Previous (£m)	Change
1	1	TCS	IN	1,289	1,350	-4.5%
6	5	HCL	IN	542	520	4.2%
10	11	Infosys	IN	402	386	4.1%
11	12	Wipro	IN	379	383	-1.0%
13	13	Cognizant	US	359	369	-2.7%
TOTAL				2,971	3,008	-1.2%

Source: TechMarketView - rankings are subject to revision.

HCL Technologies has also performed well at a corporate level recently. For the twelve months ended 31 March 2022, HCL's global revenue increased by 12.8% year on year with financial services revenue up 10.2% in constant currency. The comparison below (taken from HCL's most recent annual report) reveals a consistent pattern of growth.

Figure 1: HCL Technologies Global Performance



Source: HCL 2021 Annual Report.

Recent developments

April 2022

HCL Technologies recently expanded its relationship with financial services software vendor **Avaloq** via a new global partnership around wealth and asset management. The alliance is focused on the burgeoning opportunity being driven by the new generation of investors utilising self-service tools, coupled with strong interest in new asset classes such as crypto.

Supplementing its relationship with Avaloq, in May 2022 HCL acquired Swiss-based, digital banking and wealth management consultancy, **Confinale AG**. The firm is an Avaloq Premium Implementation Partner. Confinale has one of the largest independent pools of Avaloq-certified specialists in Europe. The deal also provides HCL with access to tools developed to accelerate Avaloq implementations.

November 2021

HCL Technologies announced a multi-year application deal with **Euroclear**, the world's largest provider of domestic and cross-border settlement and related services for bond, equity, and fund transactions.



The agreement will support Euroclear's transformation journey as the firm looks to improve its digital capabilities with an emphasis on the creation of business value through innovation and data monetisation.

To support this, HCL is setting up a co-innovation Lab in Brussels where the focus will be exploring new business models and market opportunities supported by digital initiatives. HCL will be able to draw heavily on its experience of helping its other Financial Services customers drive transformation.

Also in November 2021, HCL Technologies launched a dedicated **AWS** business unit, which supported by its AWS engineering, solutions and business teams.

HCL is an AWS Premier Consulting Partner with competencies including SAP on AWS, DevOps, Migration, MSP Partner status, Storage and migration of mainframe apps/data to AWS. The firm currently has around 10,000 AWS-trained people and is looking to double that to 20,000.



HCL intends to leverage a vertical-first approach, specifically in Financial Services, Telco, and Energy & Utilities alongside its technical expertise in SAP, contact centres, hybrid cloud and mainframe modernisation.

May 2021

In 2021, HCL Technologies announced plans to significantly grow its UK resources via a recruitment programme aimed at hiring one thousand new employees. Joiners will be used to support clients here and elsewhere around the world from the company's sites in London and Manchester. HCL is actively recruiting in the fields of digital transformation, cloud, artificial intelligence and cybersecurity.

Digital transformation strategy

Over the last 18 to 24 months the SITS market has experienced a significant increase in the appetite for business transformation, and the adoption of digital technologies. Timelines have been thrust forward, and the pace of business and technology change has been greatly accelerated.

The realities of doing business during lockdown, highlighted the vulnerability of analogue methods and the limitations of heritage technologies. This has pushed the entire ecosystem further along the path in terms of adopting new digital processes and customer-centric business models.

Against this backdrop, HCL's established Mode 1-2-3 strategy seeks to offer clients a tailored approach, dependent on the maturity of their transformation journey. Whilst the ultimate goal of a achieving a truly digital enterprise remains the same, the programme employed under each of the three "Modes" differs, respecting the sequential steps required to modernise an organisation.

Figure 2: HCL "Mode 1-2-3" Transformation Journey



Supplemental to Mode 1-2-3, HCL has developed a family of vertical specific, digital transformation offerings for financial services under the Novus brand. Segmented between Banking, Insurance and Capital Markets each Novus offering is designed to support a specific business process area.

Figure 3: HCL "Novus" offerings for financial services

Banking	Capital Mkts	Insurance	Fintech & Shared service
Open Banking	Pre-Trade Solutions	Next Generation Claims	Customer Experience
Digital Banking	Post Trade Solutions	Core Policy Admin Systems	Cards & Payments
Digital Lending	Wealth 2.0	Enabling Solutions	Risk Based Services
Commercial & Trade	Digital Treasury	Surround Systems	Compliance

Investments in transformation capabilities

HCL Technologies maintains a business unit dedicated to Microsoft technologies. The operation was created to develop intellectual property for customer-specific scenarios and to provide support to financial services clients around Microsoft's suite of cloud-based business applications. HCL Technologies was subsequently named as an inaugural partner for Microsoft's Cloud for Financial Services.



HCL Technologies also has a collaborative partnership with IBM, designed to help clients accelerate transformation by migrating workloads to IBM's public cloud. The unit assists clients, including those in regulated industries such as financial services, to develop cloud-native, digital solutions, built on the IBM public cloud, using IBM Cloud Paks and containerised software, running on Red Hat OpenShift, and Watson data analytics.

HCL Technologies has also made a broadly similar investment around Google Cloud, in addition to its established partnership with the runaway leader in public cloud, AWS. HCL's alliances with all of the pre-eminent cloud suppliers, demonstrates its commitment to supporting customers on their cloud journey, incorporating migration, applications development, and the adoption cloud-based services.

HCL Technologies is also **SAP** services and licence resell partner, and the two vendors co-innovates around S4/HANA, DLT/blockchain and Leonardo. Off the back this longstanding global partnership, HCL Technologies has also established a UK innovation centre focused on the development of new cloud-native SAP applications.

Expanding client relationships

HCL Technologies has proved its ability to growing its share of wallet with a number of global financial services providers. As a result, the vendor is currently embedded in several major, transformation efforts, some examples of which are detailed below.

Life assurance

HCL Technologies has longstanding relationship with Dutch insurer, **Aegon**, having worked with the company for more than 17 years. In 2018, the vendor was selected for a 5-year deal to help drive digital transformation. The agreement entrusted HCL Technologies with improving application lifecycle management and automation is fundamental to Aegon's goal of becoming "digital-first" for its c30m customers. The deal made HCL Technologies responsible for establishing and managing an ecosystem of technology suppliers.

Banking

HCL Technologies runs a London-based, financial services innovation lab for a large European Financial Institution and is involved with the multi-billion Euro, transformation program of the bank, aimed at improvements to Return on Equity and Cost-Income Ratio through adoption of Cloud. The relationship highlights HCL Technologies' credentials as a strategic transformation partner, with the scale and breadth of services to support the largest institutions and the most complex projects, while addressing issues of cybersecurity and data privacy.

Irish Republic

As well as its operations here in the UK, HCL also has an established presence within the Irish financial services sector, supporting two of the region's largest providers. As part of those activities, the vendor provides business operations, applications development/support and automation solutions to one of its large clients and is supporting significant modernisation and rationalisation initiatives as part of the organisation's digital transformation.

HCL Technologies also provides technical support for another leading Irish bank. The vendor supports 13K IT users and delivers technology services that underpin the network of 257 branches. The vendor was recently involved in a major project to transform the bank's IT estate into a modern workplace architecture.

Conclusions

HCL Technologies has been a strong and stable performer since it entered the UK SITS market for financial services. More recently, the vendor has started to capitalise on its reputation for consistent delivery, to leverage strategic transformation opportunities within key financial services accounts. Competition for these engagements remains strong and the vendor's ongoing success will in part depend on its ability to win business from incumbent suppliers.

Financial services organisations are increasingly leveraging hybrid mix of on premise and public cloud via multiple providers to drive their business transformations and the adoption of digital approaches. The "agnostic" approach taken by HCL Technologies should help it to capitalise on the growing number of opportunities in this area. Within financial services in particular technology investments in these areas are expected to be a strong driver of future growth.

The ongoing commitment of HCL Technologies' to invest in new products and platforms should help to future proof its portfolio as the market evolves. As demonstrated by the vendor's efforts to incorporate AI into the delivery of traditional services. This approach has had a positive effect on both client satisfaction and margins and has underpinned HCL Technologies' ability to develop contracts with existing financial services clients.

HCL Technologies has taken a robust approach to reskilling its workforce in recent years. The company has a potent training department that has played a major part in motivating employees to learn new skills. This includes re-training more than 250 UK employees in what the vendor calls "DNA skills" (data/analytics, digital technologies and agile & DevOps).

In moving away from the services on which its business was traditionally based HCL Technologies is one of a number of major vendors that has undergone its own transformation. Unlike some of its rivals, HCL Technologies has successfully managed to demonstrate market growth, whilst simultaneously evolving its proposition. If the vendor can continue this elusive formula, it should help to ensure success within the UK financial services space, where so many potential customers are looking to address similar business and operational challenges.

About the Author



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Research Director, Jon Davies, is responsible for TechMarketView's Financial Services research programme. Jon has more than 35 years' experience within the financial services and technology industries, and an in-depth knowledge of insurance, retail banking and global IT.

Prior to joining TechMarketView, Jon had an 18-year career with DXC Technology where he spent many years leading the global Insurance, Banking and Capital Markets research teams, supporting sales, strategy, offerings development and pricing. Prior to this, Jon held a variety of research and business intelligence roles at a major North American insurer.

Jon is an experienced writer and is passionate about turning insights into action. As the overarching themes of innovation and digital transformation loom large over the global financial services industry, Jon will help clients make sense of the disruptive forces impacting their businesses.

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