

## MARKET NOTE

# HCL Technologies Breaks into the Major League with CY20 Revenues Topping US\$10 Billion

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## EXECUTIVE SNAPSHOT

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### FIGURE 1

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## HCL Technologies Breaks into the Major League with CY20 Revenues Topping US\$10 Billion

This IDC Market Note assesses the role of HCL Technologies' strategic and tactical decisions that powered the vendor to US\$10 billion in revenues for CY20. This Market Note explores the continued relevance of HCL Technologies' Mode 1-2-3 strategy in the Asia/Pacific market.

### Key Takeaways

- HCL Technologies' achievement of the coveted US\$10 billion a year revenue tag marks its entry into a rather select club of global IT services vendors and should open new opportunities for the vendor as it gears to compete for bigger and more complex transformation opportunities.
- HCL Technologies' much publicized Mode 1-2-3 strategy has been central to its growth and success over the last several years. The fact that Mode 2, which includes a slate of digital transformation-centric services around data analytics, hybrid cloud, Internet of Things (IoT), cybersecurity and such, has been able to deliver a YoY growth of over 25% in constant currency terms for four consecutive years, which has powered the vendor's growth, is a testament to how successful this strategy has been.
- HCL Technologies' announcement that its products and platforms business registered a 9.3% YoY growth in constant currency terms suggests that its Mode 3 strategy is on sound footing as well. This hybrid approach to building capabilities, leveraging both organic growth and strategic acquisitions, is best illustrated by the success it has had with its acquisitions of several of IBM's platform and software assets in 2019.
- The heterogeneity of Asia/Pacific has meant widely differing trends of technology adoption preferences and maturity across countries in the region. HCL Technologies' opportune investments in building presence and capability in the region over the last few years, coupled with the versatility of its Mode 1-2-3 approach, positions it well to capitalize on a range of opportunities in this dynamic growth market.

Source: IDC, 2021

## IN THIS MARKET NOTE

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## IDC'S POINT OF VIEW

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On January 12, 2021, HCL Technologies released its earnings figures for CY20 and announced that its revenues for the year surpassed US\$10.02 billion on the back of a 3.6% year-over-year (YoY) growth. This marks HCL Technologies' entry into a rather select set of IT services vendors and should open new opportunities for the vendor as it gears to compete for bigger and more complex transformation opportunities.

HCL Technologies' much publicized Mode 1-2-3 strategy has been central to its growth and success over the last several years. For the benefit of the audience, a short summary of the Mode 1-2-3 strategy is presented here. With a view of providing an evolutionary road map for a rapidly changing technology landscape, in 2015, HCL Technologies segmented its portfolio of technology and service offerings into three modes. Mode 1 encompasses the vendor's portfolio of core services around applications, infrastructure, engineering, and business processes, which it sought to optimize and modernize. Mode 2 includes a slate of digital transformation–centric services around data analytics, hybrid cloud, Internet of Things (IoT), cybersecurity, and such. Mode 3 was intended as a futuristic vision for HCL Technologies built on intellectual property (IP), products, platforms, and an ecosystem orchestration play.

The fact that Mode 2 has been able to deliver a YoY growth of over 25% in constant currency terms for four consecutive years, which has powered the vendor's growth, is a testament to how successful this strategy has been. This has been complemented by HCL Technologies' efforts to strengthen its slate of products and platforms through both organic development and strategic investments and acquisitions. HCL Technologies' acquisitions of several of IBM's platform and software assets are a great case in point. In addition to providing HCL Technologies access to a steady license, management, and support revenue stream from a slew of legacy products with a strong use base, they provide the vendor a crucial foothold into numerous key accounts to help drive its digital transformation journeys. HCL Technologies' announcement that its products and platforms business registered a 9.3% YoY growth in constant currency terms suggests that its Mode 3 strategy is on sound footing as well.

How suited to Asia/Pacific is HCL Technologies' Mode 1-2-3 strategy? The heterogeneity of the region means widely differing trends of technology adoption preferences and maturity across countries in the region. Although technology trends in the more mature Australia, New Zealand, and Singapore markets are comparable with those in North America or Western Europe, some of the emerging markets in Southeast Asia have vastly different characteristics. The differences are stark when looking at a relatively mature IT services market segment, such as IT outsourcing (ITO). Although IDC forecasts the ITO market in Australia to remain essentially flat between 2020 and 2024, during the same forecast period, the ITO market for Southeast Asia (excluding Singapore) is expected to grow at a compound annual growth rate (CAGR) of over 7.5%. HCL Technologies' strength in both traditional outsourced services and its evolutionary cousin, managed cloud services (MCS), allow it to effectively engage with customers in different stages of technology maturity and help them evolve through its

modes as enterprises in the region embrace the cloud as an integral platform of their future technology estates.

The Asia/Pacific region was among the first to be impacted by the COVID-19 crisis, but it has also been among the fastest to bounce back. China was the only country in the world to register economic growth in 2020, whereas business activities in large parts of the region are now close to their pre-COVID-19 levels. Available evidence suggests that Asia/Pacific will power global growth, at least for a while. HCL Technologies' achievement of the coveted US\$10 billion a year revenue tag, coupled with its opportune investments in the region over the last few years, positions it well to capitalize on the opportunities in the region. Size does matter (especially in the world of IT services), and HCL Technologies' newfound size should help it open new doors to larger and more complex transformation deals.

## LEARN MORE

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- *Amid COVID-19, HCL Eclipses \$10 Billion for Calendar Year 2020* (IDC #IcUS47396421, January 2021)
- *IDC FutureScape: Worldwide Services 2021 Predictions - Asia/Pacific (Excluding Japan) Implications* (IDC #AP46320421, January 2021)
- *HCL Asia/Pacific Analyst Day: Preparing Enterprises for the Next Normal* (IDC #AP46595720, July 2020)

## Synopsis

HCL Technologies' achievement of the coveted US\$10 billion a year revenue tag marks its entry into a rather select club of global IT services vendors and should open new opportunities for the vendor as it gears to compete for bigger and more complex transformation opportunities. The heterogeneity of the Asia/Pacific region has meant widely differing trends of technology adoption preferences and maturity across countries in the region. HCL Technologies' opportune investments in building presence and capability in the region over the last few years, coupled with the versatility of its Mode 1-2-3 approach, positions it well to capitalize on a range of opportunities in this dynamic growth market.

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