



HCL Technologies Ltd

Analyst Recommendation: BUY

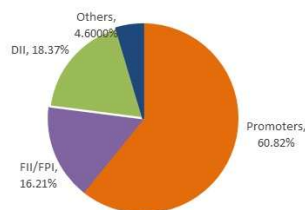
BSE Code: 532281

NSE: HCLTECH

CMP: Rs 1691
3 Year Target - Rs 1865

Face Value	10.00
Market Cap (Rs Billion)	4525.3
Stock PE	26.9
Dividend Yield	3.17%
Shares O/S (Cr)	271
Book Value per Share (Rs)	263
Nifty	25,818

1 yr. Price Chart of Stock and Nifty

Shareholding pattern as on 31st Dec 2025

Investor's Rationale

HCL Technologies reported robust performance for the quarter. It reported revenue of \$3.79 billion, up 4.1% QoQ and 7.4% YoY in USD terms; up 6.0% QoQ and 13.3% YoY in INR terms to Rs. 338.7 billion; and up 2.4% QoQ and 4.8% YoY in constant currency (CC) terms. Services revenue grew 1.8% QoQ and 5.0% YoY in CC, while Digital revenue rose 17.7% YoY, contributing 43.2% to total Services. HCL Software ARR stood at \$1.07 billion, up 0.6% YoY in CC. Vertical-wise in CC terms, Financial Services was up 8.1%YoY; Manufacturing was up 1.8%YoY; Lifescience & Healthcare was down 1.4%YoY; Technology & Services was up 14.4%YoY; Telecom, Media, Publishing & Entertainment was up 7.1%YoY; Retail & CPG was down 2%YoY; Public Service was up 8%YoY. EBIT margin expanded 110 bps QoQ to 18.6% contracted ~90bps YoY impacted by wage hikes and restructuring excl. restructuring margins at 19.4%. Overall guidance was at 4.0–4.5% CC, underpinned by robust order inflows and accelerating AI-led deal momentum. Management commentary reflects a strategic shift toward proactively capturing emerging AI-driven spending opportunities, mitigating reliance on a cyclical recovery in traditional discretionary demand. We expect Revenue/EBITDA/PAT to clock 9.8%/9.9%/8.2% CAGR over FY25-FY28E. We have revised our FY26E/FY27E/FY28E EPS by 0.6%/1.2%/0.7%. We roll over to March'28 estimates for valuation and maintain BUY with revised target price of Rs 1,865 (vs 1,691 earlier) at PE of 23x on Mar'28E EPS. We have increased target PE from 22x to 23x to account for its robust growth in Tier 1 category.

Investment View

Deal momentum and management commentary suggest robust growth visibility, led by AI- driven transformation, infrastructure modernization and legacy upgrade spend. Margins are expected to remain resilient within guidance, supported by automation-led efficiencies and operating leverage. Improved client mining and execution should translate into sustained earnings momentum. We have revised our FY26E/FY27E/FY28E EPS by 0.6%/1.2%/0.7%. We roll over to March'28 estimates for valuation and value HCLT at increased PE of 23x (previously 22x) on Mar'28E EPS to arrive at target price of Rs 1,865(vs Rs 1,691 earlier)

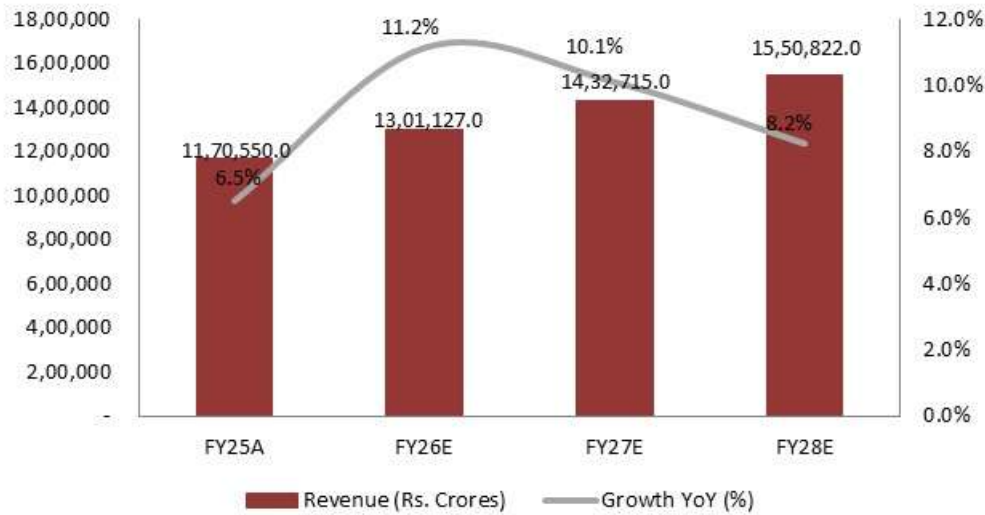
YE Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E
Revenues	11,70,550	13,01,127	14,32,715	15,50,822
EBITDA	2,55,050	2,74,620	3,10,722	3,39,038
PAT	1,74,000	1,77,484	2,02,072	2,19,992
ROE	25	25	27	27
ROCE	24	24	26	26
P/E	26	26	22	21
Adjusted EPS	64	65	75	81



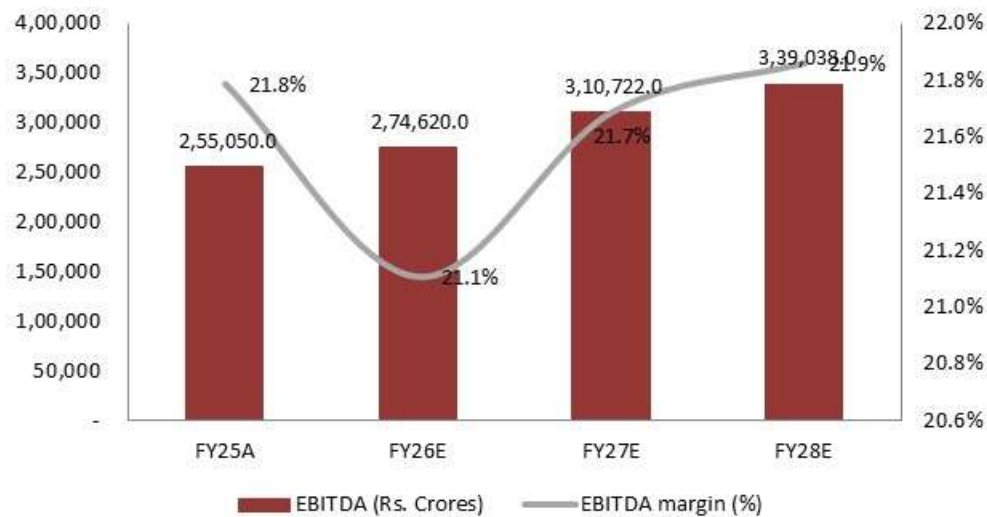
Investor Rationale

- FY26 services revenue growth guidance raised to 4.75–5.25% YoY (CC), reflecting confidence from strong bookings and AI-led demand.
 - Management outlook emphasizes proactively chasing new AI-linked spending pools rather than waiting for legacy discretionary demand to return.
 - AI increasingly embedded in all large deals, with clients moving from point solutions to holistic AI-led operating model and process transformation
 - Demand strongest in “day-minus-one” AI opportunities such as AI factories, AI infrastructure, custom silicon for edge inferencing and engineering services linked to AI CapEx.
 - Traditional discretionary spending remains slow, but spend is emerging in AI infrastructure, modernization, data lifecycle management and software development acceleration
 - Pipeline remains strong across verticals and geographies, supporting confidence in medium-term growth despite global uncertainty.
 - Mega 5-year \$473mn TCV deal with a global apparel retailer to modernize applications and data using agentic AI, with ramp-up expected from Q4 onward
 - Large deal wins also included consolidation mandates in insurance and a greenfield AI- powered IT setup for a Europe-based food major, supporting future revenue visibility
 - Operating margin at 18.6%, up 111 bps QoQ but down 94 bps YoY, impacted by wage hikes, furloughs and restructuring; underlying margin at ~19.4% excluding restructuring
 - Restructuring costs expected to have a similar impact in Q4, with management aiming to complete the exercise within FY26
 - ROIC improved to 39.4% LTM, up 277 bps YoY, indicating stronger capital efficiency despite investment phase
 - Manufacturing and auto remain muted, while aero & defence and technology verticals show better traction, especially in engineering services
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Revenue growth to be steady



EBITDA to grow going ahead



Net profit to surge going ahead





Outlook and Valuation

Deal momentum and management commentary suggest robust growth visibility, led by AI- driven transformation, infrastructure modernization and legacy upgrade spend. Margins are expected to remain resilient within guidance, supported by automation-led efficiencies and operating leverage. Improved client mining and execution should translate into sustained earnings momentum. We have revised our FY26E/FY27E/FY28E EPS by 0.6%/1.2%/0.7%. We roll over to March'28 estimates for valuation and value HCLT at increased PE of 23x (previously 22x) on Mar'28E EPS to arrive at target price of Rs 1,865(vs Rs 1,691 earlier)

Company Overview

HCL Tech is a leading global IT services company, which is ranked amongst the top five Indian IT services companies in terms of revenues. Since its inception into the global landscape after its IPO in 1999, HCL Tech has focused on transformational outsourcing, and offers an integrated portfolio of services including software-led IT solutions, remote infrastructure management, engineering and R&D services and BPO. The company leverages its extensive global offshore infrastructure and network of offices in 46 countries to provide multi-service delivery in key industry verticals



Balance sheet (Consolidated)

YE Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E
Equity share capital	5430	5430	5430	5430
Reserves & surplus	691120	722080	777627	848381
Shareholders fund	696550	727510	783057	853811
Minority Interest	180	120	121	122
Total debt	22910	23541	24194	24870
Non Current Liabilities	77620	81704	86156	91010
Total liabilities	797260	832875	893528	969813
Net block	45010	60084	69640	74362
Capital WIP	590	590	590	590
Net fixed assets	332150	349984	362410	370116
Non Current Assets	90650	92879	95331	98028
Investments	910	910	910	910
Inventories	1330	1675	1845	1997
Sundry debtors	195230	267355	294393	318662
Cash & Cash Equivalents	212890	129524	147412	187920
Loans & advances	9760	10443	11174	11956
Other current assets	201880	216750	232793	250109
Trade payables	30160	21388	23551	25493
Other current liab.	213150	223557	234729	246733
Provisions	14870	17249	20009	23211
Net current assets	362910	363553	409327	475208
Total assets	797260	832875	893528	969813

Profit & Loss Account (Consolidated)

YE Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E
Revenues	1170550	1301127	1432715	1550822
Cost of revenue	778150	871977	945769	1021032
SG&A	137350	154530	176224	190751
EBITDA	255050	274620	310722	339038
Depreciation & Amortisation	40840	43926	49444	54279
EBIT	214210	230695	261278	284760
Other income	17550	9395	10151	10563
PBT	232620	238459	269429	293323
Taxes	58620	60975	67357	73331
Effective tax rate (%)	25.2	25.6	25	25
PAT	174000	177484	202072	219992
Minority/Associates	-90	-80	0	0
Recurring PAT	173910	177404	202072	219992
Reported PAT	173910	177404	202072	219992



Cash Flow (Consolidated)

YE Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E
Profit Before Tax	232620	238459	269429	293323
Depreciation & Amortisation	40840	43926	49444	54279
Net Change – WC	17930	-81744	-25622	-23119
Direct taxes	-53930	-73069	-64262	-69926
Net cash from operations	219910	118178	218838	243993
Capital expenditure	-35200	-61760	-61870	-61985
Investments	-4270	-3737	-3923	-4119
Others	-1440	7166	7699	7866
Net cash from investing	-40910	-58331	-58094	-58238
FCF	179000	59847	160744	185755
Increase/(decrease) in debt	-360	631	653	675
Dividend paid	-162500	-146525	-146525	-149238
Others	-4750	2680	3015	3316
Net cash from financing	-167610	-143213	-142857	-145246
Net change in Cash	11390	-83366	17887	40509

Equity Research

Key Ratios & Valuations (Consolidated)

YE Mar	FY25A	FY26E	FY27E	FY28E
Returns (%)				
ROE	25.2	24.9	26.8	26.9
ROCE	24.3	24.3	26.1	26.3
ROIC	27.4	24.4	26.3	27.3
Adjusted EPS	64.1	65.4	74.5	81.1
BVPS	256.7	268.1	288.6	314.7
CEPS	79.1	81.6	92.7	101.1
DPS	59.9	54	54	55
Dividend payout (%)	93.4	82.6	72.5	67.8
Valuation (x)				
P/E	26	25.5	22.4	20.6
P/BV	6.5	6.2	5.8	5.3
EV/EBITDA	17	16.1	14.2	12.9
Dividend yield (%)	3.6	3.2	3.2	3.3



Equity Research

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	Buy	More than equal to 15%
Hold	Between 10% & -5%	Accumulate*	Upside between 10% & 15%
Reduce	Less than -5%	Hold	Between 0% & 10%
		Reduce/sell	Less than 0%

** To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.*



Member: BSE, NSE, MCX, MCX-SX, CDSL

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