

HCL Tech posted a weak operating performance in Q4. Revenue fell 3.3% QoQ CC on delay in the procurement decision in March and the usual software seasonality. The Services revenue decline was mainly due to reduced discretionary spending in telecom (particularly at 2 large clients) and discontinuation of 2 SAP programs. EBITM fell by 200bps QoQ to 16.5%, missing our expectation of 17.5%. HCLT generated >USD155mn in advanced AI revenue (~4% of revenue; 6.1% QoQ in CC), driven by scale-up of AI deployments. For FY27, HCLT has guided for overall CC revenue growth of 1-4% (implying 0.4-1.6% CQGR) and Services CC revenue growth of 1.5-4.5% (implying 0-1.2% CQGR), with EBITM band of 17.5-18.5%. The guidance factors in ~50bps growth headwind from 2 client-specific issues (manufacturing, retail) and weakness in discretionary spending in large telecom clients, while excluding contributions from Jaspersoft and the HPE Telecom acquisition. The mgmt indicated AI deflation has not significantly impacted FY26 growth, but the impact is expected to increase from FY27 and weigh on guidance. We cut FY27/28E EPS by 3.0 /2.2%, factoring in the softer Q4 and FY27 guidance along with potential delay in closure of acquisitions. We expect the stock to remain under pressure in the near term due to the Q4 miss and weaker than expected guidance. We retain ADD on HCL Tech with TP of Rs1,450 at 18x Mar-28E EPS.

Result summary

Revenue declined 2.9% QoQ (down 3.3% CC) to USD3.7bn, below our estimate of -1.6% CC QoQ. Among segments, the Software business declined 28.1% QoQ in CC terms due to seasonality; ER&D Services dipped 1.3%, while IT Services was flat. EBITM declined by 200bps QoQ to 16.5%, below our expectations of 17.5%, driven by software business seasonality and delayed client decisions (-181bps), with Services margins dropping by 27bps due to increments (-45bps), restructuring (-41bps), and higher bad debt (-19bps), partially offset by Project Ascend (13bps) and forex (65bps). Services revenue growth was mixed: Technology, BFSI, and Public Services rose 4.4%, 1.6%, and 1.3% QoQ in USD terms, while Telecom, Retail, Healthcare, and Manufacturing declined 3.0%, 1.8%, 1.2%, and 0.9%, respectively. Headcount increased 0.4% QoQ to 227,181. HCLT announced a dividend of Rs24/sh. What we like: Strong growth in the Tech vertical. What we do not like: Operating performance miss in Q4; weaker than expected FY27 guidance.

Impact of AI on HCLT and broader industry

The mgmt has segmented the market into three categories based on the AI impact: 1) ~40% of current enterprise spending is toward the 'AI-disrupted' segment (traditional application, infra services) facing pricing deflation. This segment could shrink at 3-5% CAGR over the next few years, and eventually become 25% of enterprise spending. 2) ~55% is 'AI-amplified/augmented' (data, cloud, security, platform engineering), which is expected to grow ~10% and where AI acts as a growth accelerator. 3) Remaining ~5% is 'AI-native' (AI factory, custom silicon engineering), growing ~30%. Based on its portfolio, it expects an estimated ~2-3% drag on HCLT's overall revenue.

HCL Tech: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	1,099,130	1,170,550	1,301,440	1,405,378	1,515,382
EBITDA	241,980	255,040	267,570	298,431	324,448
Adj. PAT	157,020	173,900	173,610	195,278	216,769
Adj. EPS (Rs)	57.9	64.1	64.0	72.0	79.9
EBITDA margin (%)	22.0	21.8	20.6	21.2	21.4
EBITDA growth (%)	6.9	5.4	4.9	11.5	8.7
Adj. EPS growth (%)	5.7	10.8	(0.2)	12.5	11.0
RoE (%)	23.5	25.2	24.0	25.7	27.8
RoIC (%)	30.8	33.2	33.3	34.9	37.6
P/E (x)	24.9	22.5	23.5	20.0	18.0
EV/EBITDA (x)	15.3	14.5	13.7	12.3	11.3
P/B (x)	5.7	5.6	5.2	5.1	4.9
FCFF yield (%)	5.8	5.7	5.1	4.6	6.4

Source: Company, Emkay Research

Target Price – 12M	Mar-27
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	0.8

Stock Data	HCLT IN
52-week High (Rs)	1,780
52-week Low (Rs)	1,276
Shares outstanding (mn)	2,713.7
Market-cap (Rs bn)	3,905
Market-cap (USD mn)	41,765
Net-debt, FY27E (Rs mn)	(219,554.1)
ADTV-3M (mn shares)	3.1
ADTV-3M (Rs mn)	5,251.4
ADTV-3M (USD mn)	56.2
Free float (%)	39.0
Nifty-50	24,576.6
INR/USD	93.5

Shareholding - Dec-25

Promoters (%)	60.8
FPIs/MFs (%)	16.2/18.4

Price Performance

(%)	1M	3M	12M
Absolute	7.9	(14.5)	(2.9)
Rel. to Nifty	1.5	(12.5)	(4.7)

1-Year share price trend (Rs)



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Earnings call KTAs

1) The management indicated that client decision-making in Q4 continued to be cautious, with heightened scrutiny of IT budgets, particularly for discretionary spending and exploratory transformation initiatives. 2) Demand is shifting in priorities, with traditional discretionary IT still under pressure, while spending is moving toward AI-led initiatives focused on cost reduction, productivity, and efficiency. 3) The macro environment remains uncertain due to tariff volatility and geopolitical risks, with some impact visible in Europe, while North America has not shown any broad-based macro stress. 4) Against this backdrop, weakness was concentrated in a limited set of clients. Two large US telecom clients reduced their discretionary spending across Digital and Engineering Services, while annuity programs were stable. In addition, ramp-downs at two other clients (1 in manufacturing and 1 in retail) added to near-term headwinds, with these issues being client-specific rather than systemic. 5) The management highlighted five key emerging service areas: proactive transformation of services, building differentiated IP that helps clients scale up AI adoption within enterprises, expanding into new AI-led services, strengthening AI partnerships, and grooming AI talent (trained 135,000 employees in GenAI Technologies). 6) AI Factory and semiconductor engineering are seeing particularly strong traction, with AI Factory having won two large clients and securing a >USD100mn deal for the design, implementation, and support of a next-generation AI data center for a large global tech company. AI is now deeply embedded across the business, with nearly all large deals incorporating AI or GenAI components. 7) The AI Force service transformation platform is deployed across 75 accounts, and new AI-enabled SKUs have been launched for the SAP and Medtech verticals. 8) The management stated that its AI strategy is translating into higher wallet share and deeper client engagement, supported by investments in platforms like AI Force, expansion of AI partnerships, and large-scale talent upskilling. 9) The company has moved away from signing some traditional deals over the past six months due to weak economics, despite a potential TCV boost. 10) Deal sizes have been shrinking, with USD100mn deals now closer to USD80mn due to AI-driven productivity. 11) While the pipeline remains strong and diversified, AI adoption is reducing TCV per deal even as pursuit costs stay high. 12) The long-term software strategy remains intact, centered on Data and Operations platforms, which are expected to offset declines in Experience-focused products. 13) Both acquisitions (Jaspersoft and the HPE Telecom Solutions Group carve-out) are pending closure due to delays in US government approvals. 14) The company extended its capital allocation policy for another five years, committing to return at least 75% of net income to shareholders.

Exhibit 1: Quarterly snapshot

Particular (Rs mn)	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)
Net sales (USD mn)	3,682	3,793	-2.9	3,498	5.3
Net sales	339,810	338,720	0.3	302,460	12.3
Operating expenses	272,690	264,600	3.1	237,640	
EBITDA	67,120	74,120	-9.4	64,820	3.5
- Margin (%)	19.8	21.9	(210)	21.4	-170.0
Depreciation	10,920	11,270		10,400	
EBIT	56,200	62,850	-10.6	54,420	3.3
- Margin (%)	16.5	18.6	(200)	18.0	-150.0
Other income (net)	820	1,800		2,930	
Exceptional items	-	(7,190)		-	
Share of profit / (loss) of an associate					
PBT	57,020	57,460	-0.8	57,350	
Tax provided	12,120	16,640		14,260	
PAT	44,900	40,820	10.0	43,090	4.2
Non-controlling interest	20	60		20	
Reported net profit	44,880	40,760	10.1	43,070	
Emkay net profit	44,880	47,950	-6.4	43,070	4.2
Reported EPS (Rs)	16.6	15.1	10.2	15.9	4.5

Source: Company, Emkay Research

Exhibit 2: Actuals vs estimates

(Rs mn)	Actual	Estimate		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue (USD mn)	3,682	3,749	3,754	-1.8%	-1.9%	Revenue missed expectations.
Revenue (Rs mn)	339,810	344,904	344,904	-1.5%	-1.5%	
EBIT	56,200	60,191	60,358	-6.6%	-6.9%	Margin was lower than estimates.
EBIT margin	16.5%	17.5%	17.5%	-90 bps	-100 bps	
PAT	44,880	47,218	46,562	-5.0%	-3.6%	Profit came lower than expectations due to operating performance miss and lower other income.

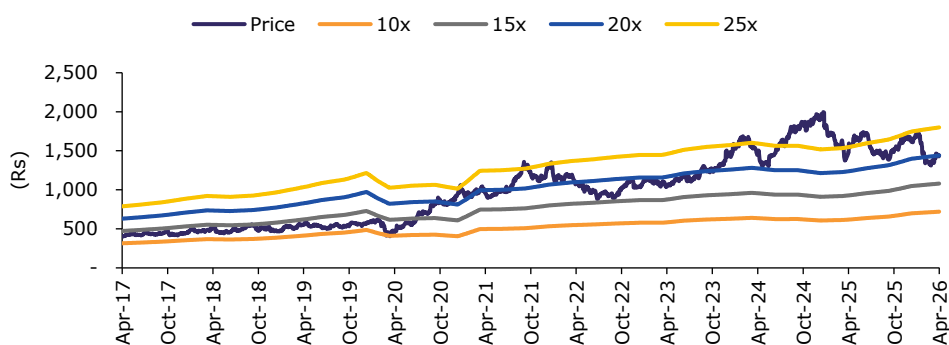
Source: Company, Bloomberg, Emkay Research

Exhibit 3: Changes in estimates

(Rs mn)	FY27E			FY28E		
	Old	New	Change	Old	New	Change
Revenue (USD mn)	15,588	15,276	-2.0	16,448	16,121	-2.0
USD revenue growth YoY	5.8%	4.2%		5.5%	5.5%	
Revenue (Rs mn)	1,434,079	1,405,378	-2.0	1,546,107	1,515,382	-2.0
EBIT	258,574	251,648	-2.7	284,645	277,892	-2.4
EBIT margin (%)	18.0	17.9		18.4	18.3	
Net profit	201,280	195,278	-3.0	221,748	216,769	-2.2
EPS (Rs)	74.2	72.0	-3.0	81.7	79.9	-2.2

Source: Company, Emkay Research

Exhibit 4: HCLTech – One-year forward PER



Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

HCL Tech: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	1,099,130	1,170,550	1,301,440	1,405,378	1,515,382
Revenue growth (%)	8.3	6.5	11.2	8.0	7.8
EBITDA	241,980	255,040	267,570	298,431	324,448
EBITDA growth (%)	6.9	5.4	4.9	11.5	8.7
Depreciation & Amortization	41,730	40,840	43,550	46,783	46,557
EBIT	200,250	214,200	224,020	251,648	277,892
EBIT growth (%)	8.3	7.0	4.6	12.3	10.4
Other operating income	-	-	-	-	-
Other income	14,950	24,850	15,250	18,160	20,742
Financial expense	5,530	6,440	8,690	7,583	7,561
PBT	209,670	232,610	230,580	262,225	291,073
Extraordinary items	0	0	(7,190)	0	0
Taxes	52,570	58,620	56,870	66,867	74,224
Minority interest	(80)	(90)	(100)	(80)	(80)
Income from JV/Associates	0	0	0	0	0
Reported PAT	157,020	173,900	166,420	195,278	216,769
PAT growth (%)	5.7	10.8	(4.3)	17.3	11.0
Adjusted PAT	157,020	173,900	173,610	195,278	216,769
Diluted EPS (Rs)	57.9	64.1	64.0	72.0	79.9
Diluted EPS growth (%)	5.7	10.8	(0.2)	12.5	11.0
DPS (Rs)	52.0	60.0	60.0	66.0	72.0
Dividend payout (%)	89.9	93.6	97.8	91.7	90.1
EBITDA margin (%)	22.0	21.8	20.6	21.2	21.4
EBIT margin (%)	18.2	18.3	17.2	17.9	18.3
Effective tax rate (%)	25.1	25.2	24.7	25.5	25.5
NOPLAT (pre-IndAS)	150,042	160,220	168,768	187,478	207,029
Shares outstanding (mn)	2,714	2,714	2,714	2,714	2,714

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	209,670	232,610	221,020	262,225	291,073
Others (non-cash items)	33,880	22,330	34,710	46,703	46,477
Taxes paid	(42,120)	(42,430)	(40,760)	(66,867)	(74,224)
Change in NWC	23,050	10,100	(15,220)	(21,328)	(6,630)
Operating cash flow	224,480	222,610	199,750	220,733	256,695
Capital expenditure	(10,830)	(10,830)	(13,990)	(52,480)	(22,850)
Acquisition of business	(20,430)	(19,820)	(1,590)	0	0
Interest & dividend income	10,410	13,220	14,300	0	0
Investing cash flow	(67,230)	(49,140)	(14,730)	(52,490)	(22,850)
Equity raised/(repaid)	0	(6,760)	(7,110)	0	0
Debt raised/(repaid)	(1,810)	(810)	(23,080)	21,410	0
Payment of lease liabilities	(11,410)	(14,530)	(16,850)	0	0
Interest paid	(640)	(510)	(460)	0	0
Dividend paid (incl tax)	(140,730)	(162,500)	(146,180)	(179,102)	(195,384)
Others	(50)	(500)	(10)	0	0
Financing cash flow	(154,640)	(185,610)	(193,690)	(157,692)	(195,384)
Net chg in Cash	2,610	(12,140)	(8,670)	10,551	38,462
OCF	224,480	222,610	199,750	220,733	256,695
Adj. OCF (w/o NWC chg.)	201,430	212,510	214,970	242,060	263,326
FCFF	214,320	211,780	185,760	168,253	233,845
FCFE	219,200	218,560	191,370	160,670	226,285
OCF/EBITDA (%)	92.8	87.3	74.7	74.0	79.1
FCFE/PAT (%)	139.6	125.7	115.0	82.3	104.4
FCFF/NOPLAT (%)	142.8	132.2	110.1	89.7	113.0

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	5,430	5,430	5,430	5,430	5,430
Reserves & Surplus	677,200	691,120	746,220	762,396	783,781
Net worth	682,630	696,550	751,650	767,826	789,211
Minority interests	80	180	320	320	320
Non-current liab. & prov.	(10,310)	(10,640)	(11,460)	(10,640)	(10,640)
Total debt	72,720	81,330	73,560	96,157	101,883
Total liabilities & equity	779,410	807,270	864,630	899,867	930,595
Net tangible fixed assets	49,990	45,600	47,990	44,252	41,156
Net intangible assets	272,620	286,550	290,480	303,393	287,156
Net ROU assets	29,100	30,160	35,920	32,442	28,068
Capital WIP	0	0	0	0	0
Goodwill	201,320	217,560	238,880	260,960	260,960
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	272,870	288,530	305,150	315,711	354,172
Current & ex-cash	362,880	393,930	471,580	485,144	523,118
Current Liab. & Prov.	208,050	237,530	286,490	281,076	303,076
NWC (ex-cash)	154,830	156,430	185,090	204,069	220,042
Total assets	779,410	807,270	864,630	899,867	930,595
Net debt	(200,150)	(207,200)	(231,590)	(219,554)	(252,289)
Capital employed	779,410	807,270	864,630	899,867	930,595
Invested capital	477,440	488,580	523,560	551,714	548,354
BVPS (Rs)	251.6	256.7	277.0	282.9	290.8
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt/EBITDA (x)	(0.8)	(0.8)	(0.9)	(0.7)	(0.8)
Interest coverage (x)	38.9	37.1	27.5	35.6	39.5
RoCE (%)	29.4	31.2	29.8	31.9	34.0

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	24.9	22.5	23.5	20.0	18.0
EV/CE(x)	4.9	4.8	4.4	4.3	4.1
P/B (x)	5.7	5.6	5.2	5.1	4.9
EV/Sales (x)	3.4	3.2	2.8	2.6	2.4
EV/EBITDA (x)	15.3	14.5	13.7	12.3	11.3
EV/EBIT(x)	18.5	17.3	16.4	14.6	13.1
EV/IC (x)	7.8	7.6	7.0	6.7	6.7
FCFF yield (%)	5.8	5.7	5.1	4.6	6.4
FCFE yield (%)	5.6	5.6	4.9	4.1	5.8
Dividend yield (%)	3.6	4.2	4.2	4.6	5.0
DuPont-RoE split					
Net profit margin (%)	14.3	14.9	13.3	13.9	14.3
Total asset turnover (x)	1.5	1.5	1.6	1.7	1.7
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	23.5	25.2	24.0	25.7	27.8
DuPont-RoIC					
NOPLAT margin (%)	13.7	13.7	13.0	13.3	13.7
IC turnover (x)	2.3	2.4	2.6	2.6	2.8
RoIC (%)	30.8	33.2	33.3	34.9	37.6
Operating metrics					
Core NWC days	51.4	48.8	51.9	53.0	53.0
Total NWC days	51.4	48.8	51.9	53.0	53.0
Fixed asset turnover	3.4	3.6	3.9	4.1	4.5
Opex-to-revenue (%)	78.0	78.2	79.4	78.8	78.6

Source: Company, Emkay Research

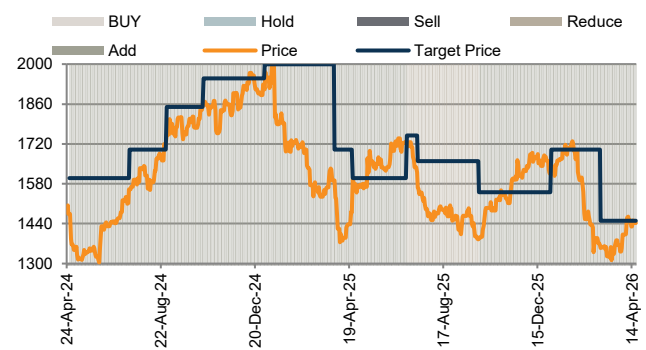
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
31-Mar-26	1,342	1,450	Add	Dipeshkumar Mehta
05-Mar-26	1,354	1,450	Add	Dipeshkumar Mehta
18-Feb-26	1,467	1,700	Add	Dipeshkumar Mehta
13-Jan-26	1,665	1,700	Add	Dipeshkumar Mehta
01-Jan-26	1,635	1,700	Add	Dipeshkumar Mehta
14-Oct-25	1,495	1,550	Add	Dipeshkumar Mehta
01-Oct-25	1,390	1,550	Add	Dipeshkumar Mehta
15-Jul-25	1,566	1,660	Reduce	Dipeshkumar Mehta
01-Jul-25	1,718	1,750	Reduce	Dipeshkumar Mehta
23-Apr-25	1,594	1,600	Add	Dipeshkumar Mehta
31-Mar-25	1,593	1,700	Add	Dipeshkumar Mehta
14-Jan-25	1,814	2,000	Add	Dipeshkumar Mehta
01-Jan-25	1,912	2,000	Add	Dipeshkumar Mehta
15-Oct-24	1,870	1,950	Add	Dipeshkumar Mehta
01-Oct-24	1,817	1,850	Add	Dipeshkumar Mehta
29-Aug-24	1,752	1,850	Add	Dipeshkumar Mehta
13-Jul-24	1,560	1,700	Add	Dipeshkumar Mehta
09-Jun-24	1,432	1,600	Add	Dipeshkumar Mehta
03-Jun-24	1,314	1,600	Add	Dipeshkumar Mehta
27-May-24	1,353	1,600	Add	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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