HCL Technologies | ADD

Back on track

HCLT's 2Q performance ticked most boxes. Revenues grew 2.4% cc QoQ, beating JMFe: 1.2%. Growth construct was better too with core Services segment (+2.5% cc QoQ; JMFe) driving the beat. Even in Software, growth was stronger in annuity revenues (Subs/Support) even as lumpy perpetual licenses dragged. Despite the mix (lower software), margins were better (17.4% vs JMFe: 17.1%). Deal wins were higher (Net new: USD 2.6bn; +16% YoY) and granular (no mega deals). Advance AI revenues, disclosed for the first time, are clocking USD 400mn ARR. HCL is doubling down on its AI proposition (AI Force/AI Factory) with strengthened GTM, AI advisory and expanded partnership ecosystem. These are helping HCL win deals, though at the expense of revenue deflation in core services at times. HCLT's confidence of stepping up its quarterly net new TCV run-rate to USD 2.5bn+ (from USD 2bn) should offset this deflation. We will however seek more consistent TCV print to build growth acceleration. Besides, modest ask rate (0.3-1.5% CQGR in 2HFY26 for Services), lag between TCV pick-up and revenue conversion and unchanged consol. revenue guidance (3-5%) limit changes to our FY26-28E revenues. Moreover, increase R&D spend (on IPs) and mix change (lower Software) offset 2Q beat on margins. Our FY26-27E EPS is therefore little changed. HCLT is leveraging its strengths in engineering, infrastructure and software to make good strides in AI-centred services. Those should help it navigate AI's deflationary impact better than peers, in our view. 8% upmove since our upgrade and limited earnings upgrade however limit upside. We retain Add.

- **2QFY26- Strong well rounded performance:** HCLT's 2QFY26 topline beat expectations. Revenue grew 2.4% cc QoQ vs. JMFe/Cons. est. of 1.2%/1.5%. IT and Business Services was strong (2.6% cc QoQ) – Lifesciences and healthcare/Public services led with 4.4%/7.8% QoQ growth (USD). Products and platforms growth was soft at 0.5% cc QoQ (-3.7% YoY) offsetting some of the strength in services. Softness in products was due to decline in perpetual license revenue as the company shifts its focus towards subscription. EBIT margins expanded 116 bps QoQ to 17.4% vs JMFe/Cons. est. of 17.1%. Increased margins in software (+30bps), absence of one-off impact (+30bps), higher utilization (+50bps), FX (+56bps) aided margins partially offset by restructuring (-55bps). PAT came in at INR 42.4bn, marginally missing expectations (vs JMFe/Cons. est. of INR 43.2/43bn). LTM FCF/PAT was 125%.

- **Guidance-Unchanged:** HCL won USD 2.57bn net new TCV, +16% YoY. LTM TCV grew at 13% YoY. The company closed two of the large deals which spilled over from Q1, thus exceeding USD 2.5bn mark without any mega deal. HCLT maintained its FY26 cc guidance for total revneue (3-5%) and raised the lower end of the guidance for services from 3-5% to 4-5%. Guidance implies CQGR of 0.3-1.5% for Services through 3Q-4QFY26. Confidence in the closed bookings, along with a strong pipeline, is informing management's guidance. The company maintained its EBIT margin guidance at 17-18%. Q3/Q4 is expected to see 70-80bps/40-50bps impact due to wage revisions. Restructuring expenses are expected to continue in Q3 and might spill into Q4. Restructuring led margin gains could be offset by higher investments, therefore margin rebound in FY27 could be limited, in our view.

- **Minimal changes in estimates; Maintain ADD:** We have revised our revenue estimates by (49)-45bps over FY26-28E. Services and ER&D revenue estimates have been increased while products' has seen a decrease. Our EBITDA margin estimates are unchanged despite 2Q beat. We expect higher R&D spend – as the company invests in IPs – and mix change (lower software) could impact margins. Our EPS has been revised by (0.7%)-2.1%. Maintain ADD.

Abhishek Kumar
abhishek.kumar@jmfl.com | Tel: (91 22) 66303053
Nandan Arekal
nandan.arekal@jmfl.com | Tel: (91 22) 62243683
Anushree Rustagi
anushree.rustagi@jmfl.com | Tel: (91 22) 69703668

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	1,580
Upside/(Downside)	5.7%
Previous Price Target	1,550
Change	1.9%

Key Data – HCLT IN	
Current Market Price	INR1,495
Market cap (bn)	INR4,056.1/US$45.7
Free Float	32%
Shares in issue (mn)	2,713.7
Diluted share (mn)	2,713.7
3-mon avg daily val (mn)	INR4,927.5/US$55.6
52-week range	2,005/1,303
Sensex/Nifty	82,327/25,227
INR/US$	88.7

Price Performance

%	1M	6M	12M
Absolute	1.9	7.5	-18.5
Relative*	1.4	-1.9	-18.8

** To the BSE Sensex*

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,99,130	11,70,550	12,87,948	13,76,896	14,80,134
Sales Growth	8.3%	6.5%	10.0%	6.9%	7.5%
EBITDA	2,42,000	2,55,050	2,66,434	2,86,848	3,11,903
EBITDA Margin	22.0%	21.8%	20.7%	20.8%	21.1%
Adjusted Net Profit	1,57,020	1,73,910	1,74,591	1,93,652	2,12,455
Diluted EPS (INR)	57.9	64.1	64.3	71.4	78.3
Diluted EPS Growth	5.7%	10.8%	0.4%	10.9%	9.7%
ROIC	34.6%	38.5%	40.4%	44.0%	49.2%
ROE	23.5%	25.2%	24.9%	27.5%	30.1%
P/E (x)	25.8	23.3	23.2	20.9	19.1
P/B (x)	5.9	5.8	5.8	5.8	5.8
EV/EBITDA (x)	15.7	14.8	14.2	13.2	12.1
Dividend Yield	3.5%	4.0%	4.1%	4.8%	5.2%

Source: Company data, JM Financial. Note: Valuations as of 13/Oct/2025

Key Highlights from the call

- **Demand:** HCLT reported broad-based demand in Q2 FY26, with growth visible across all major verticals and geographies. Management mentioned that the overall demand environment remains good, and growth this quarter was led by services. Leadership highlighted sustained client focus on legacy and application modernization and GenAI-led transformation. They also saw USD 100mn+ in advanced-AI-revenue in Q2. They noted that while the external environment continues to be unpredictable, their key business indicators like revenue growth, booking, pipeline, AI demand, etc. all look promising.

- **Outlook:** HCLT maintained its FY26 revenue growth guidance of 3–5% in cc terms, with services expected to grow 4–5% on the back of this standout quarter. Management reiterated EBIT margin guidance at 17–18%. Leadership said the company's progress in AI gives confidence in its overall AI proposition and announced plans to continue investing in advanced AI capabilities. Moreover, the company maintained that the impact of recent H-1B related developments is minimal given its low visa dependence and strong local hiring focus. Overall, management expressed confidence in achieving FY26 guidance supported by steady deal momentum, AI-led opportunities, and operational discipline.

FY26 overall growth guidance maintained at 3-5% in cc terms,

FY26 services growth guidance at 4-5% in cc terms

- **Bookings:** They reported strong new bookings of USD 2.6bn in Q2 FY26 including two large deals. The company highlighted that this was the first quarter where this figure surpassed the USD 2.5bn mark without any mega deals. Management noted that this performance was broad-based across verticals and geographies. Leadership mentioned that within the top 10 renewals, five clients increased their overall ACV, while the remaining ones had a decline due to AI-linked productivity. Management added that the company continues to see a strong correlation between new bookings and revenue growth, typically with a one-two quarter lag. They also noted that the pipeline remains at a record high.

- **Margin:** EBIT margin for Q2 stood at 17.5%, expanding 116bps QoQ. The margin bridge includes – Tailwinds: +56bps from forex gains, +35bps from improved profitability of the software segment, and +81bps from services growth (+50bps from higher utilization through Project Ascend and +30bps from the absence of Q1 one-off), partially offset by, headwind: -55bps impact from restructuring charges. Management reiterated full-year EBIT margin guidance of 17–18%, while cautioning that wage revisions will weigh on margins in Q3 (70-80bps) and Q4 (incremental 40-50bps). They highlighted that the ongoing restructuring program is expected to continue through Q3 FY26 and expect a spillover in Q4 FY26 (full-year 40bps impact). Leadership emphasized that impact of the restructuring and wage revision has been baked into their guidance.

Margin walk:

EBIT margins increased 116bps in 2Q. This was driven by-
Forex gains: +56bps,
Software growth: +35bps,
Services growth: +80bps, and
Restructuring charges: -55bps

- **Segments:** Management highlighted that they have been growing in three large verticals – BFSI, Technology, and Telecom & Media. They noted that while their top performing verticals on a sequential basis were Life Sciences & Healthcare and public services, on a YoY basis Financial Services and Technology fared well. **Retail and CPG** – They highlighted that clients are showing interest in their approach to adopting and scaling AI. A couple of areas where they saw this included integration work in M&A and large scale SDLC transformation work supported by GenAI, especially their AI Force platform. **Manufacturing** – They noted that while the broader manufacturing segment is doing fine, there is continued impact due to the auto sector slowdown within the overall manufacturing vertical.

- **Advanced AI strategy**: HCLT articulated their AI strategy around four pillars – (i) proactively transforming their existing services by embedding GenAI into delivery and internal operations; (ii) building differentiated IP and AI-native solutions, where the company continues to develop proprietary accelerators, frameworks, and domain-specific assets that can be scaled across clients and industries; (iii) expanding into new AI-led services including advisory, model training, and AI operations management, with a focus on helping enterprises operationalize GenAI at scale; and (iv) strengthening the ecosystem of AI partnerships, deepening alliances with hyperscalers, foundation model providers, and start-ups to jointly build and deploy enterprise-grade AI solutions.

- **Supply:** HCLT noted continued non-linearity between revenue and headcount growth in Q2 FY26, with a 1.8% YoY increase in revenue per employee. Management said this improvement reflects efficiency gains from embedding AI across delivery and operations. The company continues to train employees at scale under its AI skill standardization framework, building black-belt cohorts across technology streams to strengthen readiness for AI-led delivery.

Exhibit 1. 2QFY26 result summary

	2Q26 A	1Q26 A	*Change (QoQ)*	Estimate (JMFe)	*Variance (vs. JMFe)*	Estimate (Consensus)	*Variance (vs. consensus)*	*QoQ estimate*	
								JMFe	*Consensus*
USD-INR	87.66	85.61	*2.4%*	87.99	*-0.4%*	87.58	*0.1%*	*2.8%*	*2.3%*
CC Revenue Growth (QoQ)	2.4%	-0.8%		1.2%		1.5%		*1.2%*	*1.5%*
Revenue (USD mn)	3,644	3,545	*2.8%*	3,601	*1.2%*	3,612	*0.9%*	*1.6%*	*1.9%*
Revenue (INR mn)	319,420	303,490	*5.2%*	316,875	*0.8%*	316,321	*1.0%*	*4.4%*	*4.2%*
EBIT (INR mn)	55,500	49,420	*12.3%*	54,056	*2.7%*	54,091	*2.6%*	*9.4%*	*9.5%*
EBIT margin	*17.4%*	*16.3%*	*109bp*	*17.1%*	*32bp*	*17.1%*	*28bp*	*78bp*	*82bp*
PAT (INR mn)	42,360	38,430	*10.2%*	43,200	*-1.9%*	43,020	*-1.5%*	*12.4%*	*11.9%*
EPS (INR)	15.6	14.2	*10.2%*	15.9	*-1.9%*	15.9	*-1.5%*	*12.4%*	*11.9%*

Source: Company, JM Financial estimates

2QFY26 result review

Exhibit 2. Key financials

INR mn	1QFY25	2QFY25	3QFY25	4QFY25	FY25	1QFY26	2QFY26
Cons revenues (USD mn)	**3,364**	**3,445**	**3,533**	**3,498**	**13,840**	**3,545**	**3,644**
Change (QoQ/YoY)	*-1.9%*	*2.4%*	*2.5%*	*-1.0%*	*4.3%*	*1.3%*	*2.8%*
Cons. revenues (INR m)	**2,80,570**	**2,88,620**	**298,900**	**302,460**	**1,170,550**	**303,490**	**319,420**
Change (QoQ/YoY)	*-1.6%*	*2.9%*	*3.6%*	*1.2%*	*6.5%*	*0.3%*	*5.2%*
Direct Costs	1,87,710	1,91,840	196,610	201,990	778,150	205,830	215,380
Gross profit	**92,860**	**96,780**	**102,290**	**100,470**	**392,400**	**97,660**	**104,040**
Gross margin	***33.1%***	***33.5%***	***34.2%***	***33.2%***	***33.5%***	***32.2%***	***32.6%***
Total operating expense	34,920	33,090	33,690	35,650	137,350	37,310	38,110
Operating profit (EBITDA)	**57,940**	**63,690**	**68,600**	**64,820**	**255,050**	**60,350**	**65,930**
EBITDA margin	***20.7%***	***22.1%***	***23.0%***	***21.4%***	***21.8%***	***19.9%***	***20.6%***
Depreciation & amortization	9,980	10,070	10,390	10,400	40,840	10,930	10,430
EBIT	**47,960**	**53,620**	**58,210**	**54,420**	**214,210**	**49,420**	**55,500**
EBIT margin	***17.1%***	***18.6%***	***19.5%***	***18.0%***	***18.3%***	***16.3%***	***17.4%***
Total other income	9,120	3,250	3,110	2,930	18,410	2,470	1,520
Profit before tax	**57,080**	**56,870**	**61,320**	**57,350**	**232,620**	**51,890**	**57,020**
Provision for tax	14,480	14,500	15,380	14,260	58,620	13,450	14,660
PAT	**42,600**	**42,370**	**45,940**	**43,090**	**174,000**	**38,440**	**42,360**
Change (QoQ/YoY)	***20.6%***	***10.5%***	***5.6%***	***7.9%***	***10.8%***	***-9.8%***	***0.0%***
Adjusted basic EPS	**15.7**	**15.6**	**16.9**	**15.9**	**64.1**	**14.2**	**15.6**
Change (QoQ/YoY)	*6.8%*	*-0.5%*	*8.4%*	*-6.2%*	*10.8%*	*-10.6%*	*10.0%*

Source: Company, JM Financial

Revenue QoQ cc:

IT Services: 2.6%

ERS: 2.2%

Software: 0.5%

Revenue growth in the quarter was led by services segment. Software dragged overall revenues but grew sequentially

ROW grew 7.4% QoQ (USD), leading growth in the quarter. Europe and North American grew 3% and 2.5% respectively

Exhibit 3. Vertical portfolio

	2Q25	3Q25	4Q25	1Q26	2Q26
Distribution					
Financial Services (BFSI)	20.5%	20.3%	21.1%	21.6%	21.7%
Manufacturing	19.5%	19.1%	18.6%	18.6%	18.3%
Technology and Services	13.1%	13.3%	13.4%	14.0%	14.0%
Telecom, Media, Publishing & Entertainment	12.2%	12.1%	14.7%	14.5%	14.7%
Retail & CPG	9.4%	9.6%	8.6%	8.5%	8.9%
Healthcare	16.0%	15.5%	9.7%	9.7%	9.6%
Public Services	9.1%	9.2%	13.9%	13.1%	12.7%
Revenue (USD mn and QoQ growth)					
Financial Services (BFSI)	**638**	**638**	**667**	**697**	**721**
Change	*0.0%*	*0.0%*	*4.5%*	*4.4%*	*3.5%*
Manufacturing (including Hi-tech)	**1,015**	**1,019**	**1,012**	**1,052**	**1,073**
Change	*3.0%*	*0.3%*	*-0.7%*	*3.9%*	*2.1%*
-Technology and Services	**408**	**418**	**424**	**452**	**465**
Change	*3.2%*	*2.5%*	*1.3%*	*6.6%*	*3.0%*
-Manufacturing	**607**	**601**	**588**	**600**	**608**
Change	*2.9%*	*-1.1%*	*-2.1%*	*2.0%*	*1.4%*
Telecom, Media, Publishing & Entertainment	**377**	**387**	**440**	**423**	**422**
Change	*1.6%*	*2.6%*	*13.7%*	*-3.9%*	*-0.1%*
Retail & CPG	**299**	**333**	**307**	**313**	**319**
Change	*4.6%*	*11.5%*	*-8.0%*	*2.0%*	*2.0%*
Healthcare	**498**	**487**	**465**	**468**	**489**
Change	*3.1%*	*-2.2%*	*-4.6%*	*0.6%*	*4.4%*
Public Services	**287**	**280**	**272**	**274**	**296**
Change	*3.5%*	*-2.3%*	*-2.8%*	*0.8%*	*7.9%*

Source: Company, JM Financial

Lifesciences and healthcare (+4.4% QoQ USD) and public services (7.9%) led growth in the quarter

Financial services saw 11.4% YoY cc growth led by an increase in scope of work at a financial services client (Top 10 client). HCLT displaced an incumbent in this scope expansion

Pipeline and deals in retail and CPG to drive growth going forward

HCLT is seeing decision delays in auto sector within the Manufacturing vertical, does not see a recovery in the immediate near term

Bookings, pipeline and demand led to addition of employees in the quarter. Revenue per employee increased, it is expected to continue growing as the company transitions from a headcount linked model to an 'AI + people in the mix' model

Exhibit 4. Key manpower metrics

	2Q25	3Q25	4Q25	1Q26	2Q26
Manpower Base					
Total manpower	**2,18,621**	**220,755**	**223,420**	**223,151**	**226,640**
Net addition	-780	2,134	2,665	-269	3,489
As % of total Base	-0.4%	1.0%	1.2%	-0.1%	1.6%
Technical	**2,04,600**	**206,517**	**209,182**	**208,970**	**212,412**
Support	**14,021**	**14,238**	**14,238**	**14,181**	**14,228**
Operating metrics					
Attrition- IT Services (LTM)	12.9%	13.2%	13.0%	12.8%	12.6%

Source: Company, JM Financial

Exhibit 5. Key client metrics

	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue concentration					
Top 5 Clients	12.1%	12.6%	12.7%	12.6%	12.4%
Top 10 Clients	20.1%	20.3%	20.2%	20.2%	19.9%
Top 20 Clients	30.8%	30.8%	30.4%	29.9%	29.5%
Non-Top 20 clients	69.2%	69.2%	69.6%	70.1%	70.5%
Revenue growth					
Top 5 Clients	8.7%	6.8%	-0.2%	0.5%	1.2%
Top-6 to 10 clients	-0.1%	-1.3%	-3.6%	2.7%	1.4%
Top 10 Clients	5.0%	3.6%	-1.5%	1.3%	1.3%
Top-11 to 20 clients	4.4%	0.6%	-3.8%	-3.6%	1.7%
Top 20 Clients	4.8%	2.5%	-2.3%	-0.3%	1.4%
Non-Top 20	1.4%	2.5%	-0.4%	2.1%	3.4%
Relationship distribution					
USD 1mn+ Clients	952	952	948	956	954
USD 5mn+ Clients	402	398	399	402	406
USD 10mn+ Clients	251	248	251	255	258
USD 20mn+ Clients	137	136	138	144	151
USD 50mn+ Clients	52	53	52	54	54
USD 100mn+ Clients	22	22	22	22	22

Source: Company, JM Financial

Exhibit 6. Guidance Analysis – Guidance implies 0.3%-1.5% CQGR for IT Services

Guidance analysis - Consolidated

	FY26 revenue - implied			FY26 growth guidance	
	FY25A	Lower	Upper	Lower	Upper
Revenue (CC) USD Mn	13,840	14,256	14,532	5.10%	7.10%
Implied QoQ growth - Lower end	**1Q26**	**2Q26**	**3Q26**	**4Q26**	**FY26E**
Revenue (CC) USD mn	3,545	3,644	3,667	3,690	14,546
Growth (q/q)	1.34%	2.79%	0.6%	0.63%	5.1%
Implied QoQ growth - Upper end	**1Q26**	**2Q26**	**3Q26**	**4Q26**	**FY26E**
Revenue (CC) USD mn	3,545	3,644	3,758	3,876	14,823
Growth (q/q)	1.34%	2.79%	3.1%	3.13%	7.1%

Guidance analysis - Services

	FY26 revenue - implied			FY26 growth guidance	
	FY25A	Lower	Upper	Lower	Upper
Revenue (CC) USD Mn	12,462	12,961	13,085	6.10%	7.10%
Implied QoQ growth - Lower end	**1Q26**	**2Q26**	**3Q26**	**4Q26**	**FY26E**
Revenue (CC) USD mn	3,226	3,323	3,332	3,341	13,222
Growth (q/q)	2.01%	3.02%	0.26%	0.26%	6.1%
Implied QoQ growth - Upper end	**1Q26**	**2Q26**	**3Q26**	**4Q26**	**FY26E**
Revenue (CC) USD mn	3,226	3,323	3,373	3,424	13,347
Growth (q/q)	2.01%	3.02%	1.51%	1.51%	7.1%

Note: We have assumed 210bps cc impact for FY26 resulting in USD guidance of 5.1%-7.1% for consol revenue (vs. 3-5% cc as stated) and 6.1%-7.1% for Services (vs. 4-5% cc). Source: Company, JM Financial estimates

Exhibit 7. Products and Platforms: Perpetual license revenue declined due to shift in focus towards subscription

HCL Software Revenue	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (USD Mn)						
Perpetual License Upfront & Others	36.4	58.2	49.4	34.4	29.0	24.0
Subscription & Support	281.7	267.2	329.4	295.0	282.0	290.0
Professional Services	16.4	16.5	21.3	18.5	19.0	19.0
Total Products & Platform revenue	**334.5**	**341.9**	**400.1**	**347.9**	**330**	**333.0**
% Distribution						
Perpetual License Upfront & Others	10.9%	17.0%	12.3%	9.9%	8.8%	7.2%
Subscription & Support	84.2%	78.2%	82.3%	84.8%	85.4%	87.1%
Professional Services	4.9%	4.8%	5.3%	5.3%	5.8%	5.7%
YoY Growth						
Perpetual License Upfront & Others	1%	90%	4%	9%	-20%	-59%
Subscription & Support	2%	0%	-6%	2%	0%	9%
Professional Services	-15%	-20%	-1%	-14%	16%	15%

Source: Company, JM Financial

Retain ADD, Revised TP of 1,580

We have revised our YoY cc revenue growth estimates by (49)-45 bps over FY26-28E. IT services growth expectations are raised by 0-110bps and ER&D growth estimates are revised by 0-868 bps given performance in 2Q. Products segment growth estimates are revised lower by 73bps for FY26E. EBIT margin assumptions are relatively unchanged at (2)-27bps over FY26-28E. We believe, despite 2Q beat, rebound in margins will be limited given our expectations of high R&D investments. We now build EBIT margin of 17.5% for FY26E (vs. guided range of 17-18%). Changes to our topline and our margin estimates drive (0.7%)-2.1% revision to our EPS estimates over FY26-28E. We continue to value HCLTech at 21x. We maintain ADD with a revised TP of INR 1,580 (from 1,550 earlier).

Exhibit 8. What has changed

	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Exchange rate (INR/USD)	87.67	88.50	88.50	87.59	88.50	88.50	*-0.1%*	*0.0%*	*0.0%*
Revenue growth (CC) - YoY	3.5%	6.0%	7.5%	4.0%	5.5%	7.5%	*48bp*	*-49bp*	*1bp*
Consolidated revenue (USD mn)	14,636	15,558	16,723	14,704	15,558	16,725	*0.5%*	*0.0%*	*0.0%*
Growth in USD revenues (YoY)	5.8%	6.3%	7.5%	6.2%	5.8%	7.5%	*49bp*	*-49bp*	*1bp*
Consolidated revenue (INR mn)	1,283,238	1,376,901	1,479,959	1,287,948	1,376,896	1,480,134	*0.4%*	*0.0%*	*0.0%*
EBITDA margin	20.9%	21.3%	21.3%	20.7%	20.8%	21.1%	*-25bp*	*-47bp*	*-26bp*
EBIT margin	17.4%	17.8%	18.0%	17.5%	17.8%	18.2%	*5bp*	*-2bp*	*27bp*
PAT (INR mn)	175,833	191,768	208,038	174,591	193,652	212,455	*-0.7%*	*1.0%*	*2.1%*
EPS	64.8	70.7	76.7	64.3	71.4	78.3	*-0.7%*	*1.0%*	*2.1%*

Source: JM Financial estimates

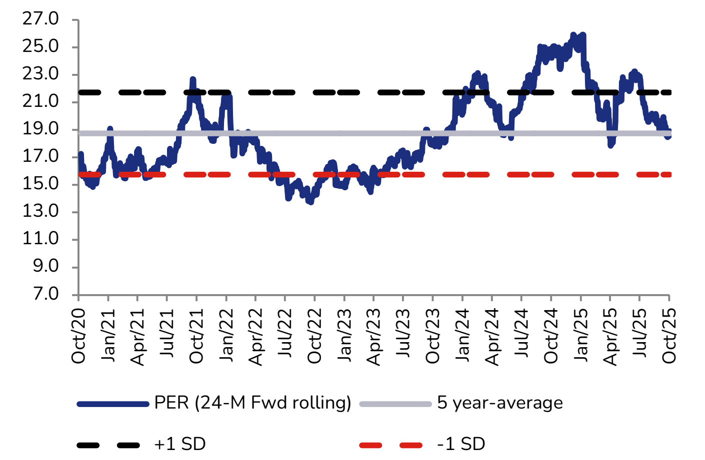
Exhibit 9. JMFe vs. Consensus estimates

	Consensus			JMFe			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales (USD mn)	14,234	15,347	16,526	14,704	15,558	16,725	3.3%	1.4%	1.2%
Sales (INR mn)	1,262,229	1,360,926	1,465,492	1,287,948	1,376,896	1,480,134	2.0%	1.2%	1.0%
EBITDA (INR mn)	266,553	292,632	317,381	266,434	286,848	311,903	0.0%	-2.0%	-1.7%
EBITDA margin (%)	21.1%	21.5%	21.7%	20.7%	20.8%	21.1%	-43bps	-67bps	-58bps
EBIT (INR mn)	220,645	245,388	267,431	225,065	245,162	269,853	2.0%	-0.1%	0.9%
EBIT margin (%)	17.5%	18.0%	18.2%	17.5%	17.8%	18.2%	-1bps	-23bps	-2bps
Net Income (INR mn)	172,964	194,340	211,510	174,591	193,652	212,455	0.9%	-0.4%	0.4%
EPS (INR)	63.8	71.7	77.9	64.3	71.4	78.3	0.9%	-0.4%	0.5%

Source: Visible Alpha, JM Financial

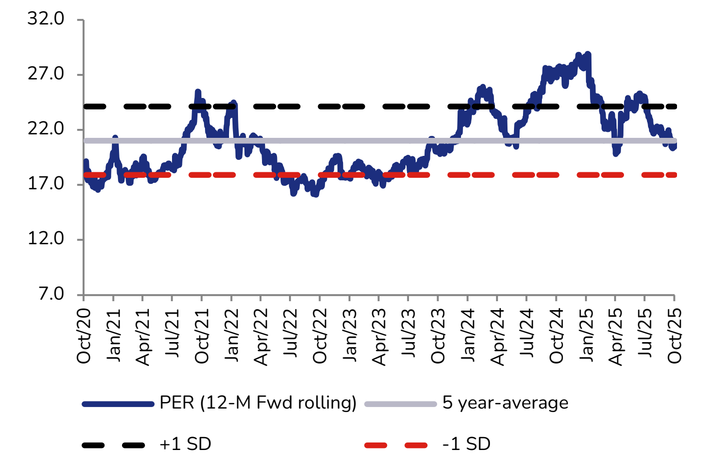
Valuation Charts

Exhibit 10. HCL Tech - PER 24M Fwd, 5 Years



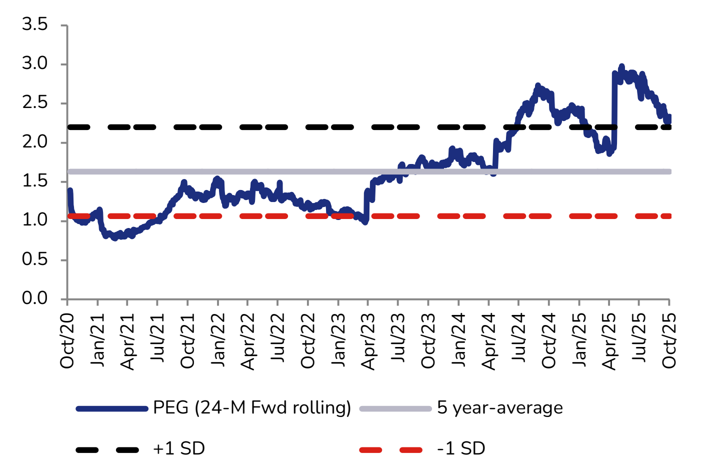
Source: Bloomberg, JM Financial

Exhibit 11. HCL Tech - PER 12M Fwd, 5 Years



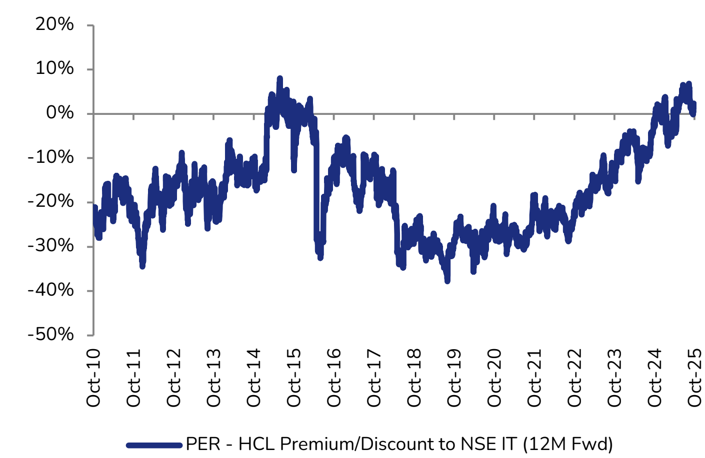
Source: Bloomberg, JM Financial

Exhibit 12. HCL Tech – PEG 24M Fwd, 5 Years



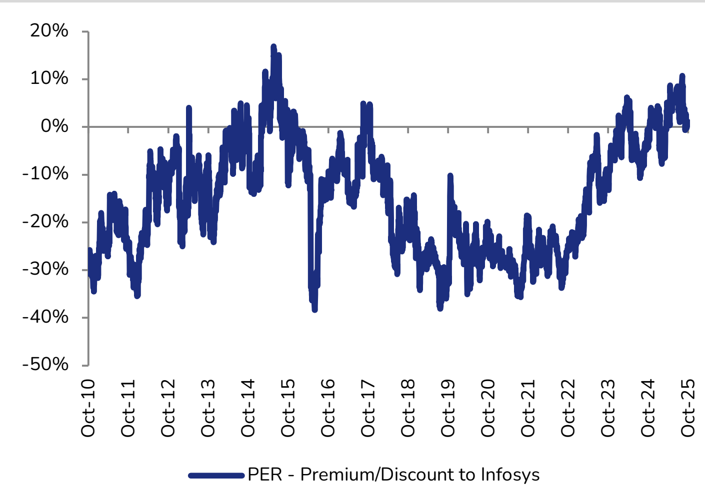
Source: Bloomberg, JM Financial

Exhibit 13. HCL Tech – PER Premium/Discount to NSE IT (12M Fwd)



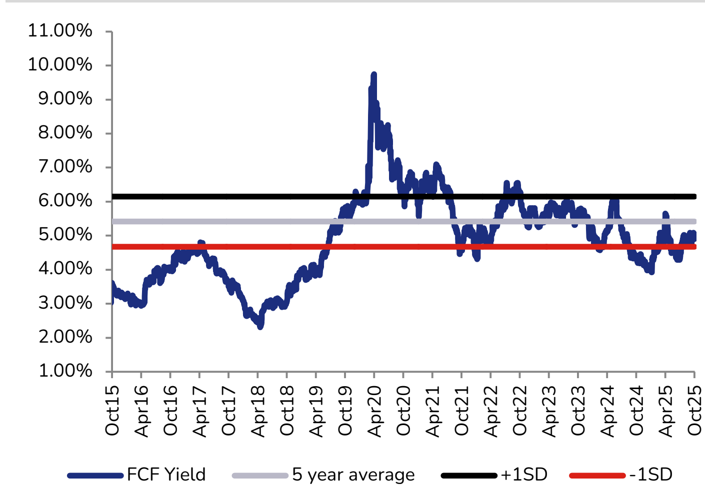
Source: Bloomberg, JM Financial

Exhibit 14. PER differential – HCL Tech over Infosys



Source: Bloomberg, JM Financial

Exhibit 15. HCL Tech – LTM FCF yield



Source: Company, Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,99,130	11,70,550	12,87,948	13,76,896	14,80,134
Sales Growth	*8.3%*	*6.5%*	*10.0%*	*6.9%*	*7.5%*
Other Operating Income	0	0	0	0	0
Total Revenue	**10,99,130**	**11,70,550**	**12,87,948**	**13,76,896**	**14,80,134**
Cost of Goods Sold/Op. Exp	7,21,250	7,78,150	8,67,293	9,24,528	9,95,056
Personnel Cost	0	0	0	0	0
Other Expenses	1,35,880	1,37,350	1,54,222	1,65,519	1,73,176
EBITDA	**2,42,000**	**2,55,050**	**2,66,434**	**2,86,848**	**3,11,903**
EBITDA Margin	*22.0%*	*21.8%*	*20.7%*	*20.8%*	*21.1%*
EBITDA Growth	*6.9%*	*5.4%*	*4.5%*	*7.7%*	*8.7%*
Depn. & Amort.	41,730	40,840	41,368	41,687	42,050
EBIT	2,00,270	2,14,210	2,25,065	2,45,162	2,69,853
Other Income	9,400	18,410	9,599	13,434	13,541
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	2,09,670	2,32,620	2,34,664	2,58,595	2,83,394
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,09,670	2,32,620	2,34,664	2,58,595	2,83,394
Taxes	52,570	58,620	60,033	64,904	70,848
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	80	90	40	40	90
Reported Net Profit	1,57,020	1,73,910	1,74,591	1,93,652	2,12,455
Adjusted Net Profit	**1,57,020**	**1,73,910**	**1,74,591**	**1,93,652**	**2,12,455**
Net Margin	*14.3%*	*14.9%*	*13.6%*	*14.1%*	*14.4%*
Diluted Share Cap. (mn)	2,713.7	2,713.7	2,713.7	2,713.7	2,713.7
Diluted EPS (INR)	**57.9**	**64.1**	**64.3**	**71.4**	**78.3**
Diluted EPS Growth	*5.7%*	*10.8%*	*0.4%*	*10.9%*	*9.7%*
Total Dividend + Tax	1,69,838	1,95,967	2,02,499	2,35,160	2,54,757
Dividend Per Share (INR)	52.0	60.0	62.0	72.0	78.0

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	6,82,630	6,96,550	7,05,120	7,04,408	7,05,198
Share Capital	0	0	0	0	0
Reserves & Surplus	6,82,630	6,96,550	7,05,120	7,04,408	7,05,198
Preference Share Capital	0	0	0	0	0
Minority Interest	80	180	240	280	370
Total Loans	23,270	22,910	23,590	23,590	23,565
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	**7,05,980**	**7,19,640**	**7,28,950**	**7,28,278**	**7,29,133**
Net Fixed Assets	3,22,610	3,32,150	3,30,982	3,17,796	3,06,350
Gross Fixed Assets	49,990	45,600	50,049	52,958	54,820
Intangible Assets	2,72,620	2,86,550	2,80,933	2,64,839	2,51,530
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	0	0	0	0	0
Investments	3,810	12,970	4,510	4,510	4,510
Current Assets	6,71,350	7,10,320	7,48,143	7,72,387	8,00,702
Inventories	0	0	0	0	0
Sundry Debtors	2,55,210	2,58,420	2,74,513	2,90,468	3,04,137
Cash & Bank Balances	2,79,880	2,97,380	3,05,462	3,08,895	3,16,913
Loans & Advances	0	0	0	0	0
Other Current Assets	1,36,260	1,54,520	1,68,167	1,73,023	1,79,651
Current Liab. & Prov.	2,91,790	3,35,800	3,54,684	3,66,415	3,82,429
Current Liabilities	76,470	91,090	1,00,790	1,00,790	1,00,790
Provisions & Others	2,15,320	2,44,710	2,53,894	2,65,625	2,81,639
Net Current Assets	3,79,560	3,74,520	3,93,459	4,05,972	4,18,273
Total – Assets	**7,05,980**	**7,19,640**	**7,28,950**	**7,28,278**	**7,29,133**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,09,670	2,32,610	1,74,631	1,93,692	2,12,545
Depn. & Amort.	41,730	40,840	41,368	41,687	42,050
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	23,050	10,100	-17,967	-5,196	-20,698
Others	-7,850	-18,510	0	0	0
Taxes Paid	0	0	0	0	0
Operating Cash Flow	**2,66,600**	**2,65,040**	**1,98,033**	**2,30,183**	**2,33,897**
Capex	-10,480	-11,080	-23,702	-24,429	-26,531
Free Cash Flow	*2,56,120*	*2,53,960*	*1,74,331*	*2,05,753*	*2,07,366*
Inc (-) / Dec in Investments	-49,540	-29,700	0	0	0
Others	-14,850	-17,520	-4,380	-4,425	-4,425
Investing Cash Flow	**-74,870**	**-58,300**	**-28,081**	**-28,854**	**-30,956**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,40,730	-1,62,500	0	0	0
Inc / Dec (-) in Loans	-1,810	-810	0	0	0
Others	-12,100	-22,300	0	0	0
Financing Cash Flow	**-1,54,640**	**-1,85,610**	**0**	**0**	**0**
Inc / Dec (-) in Cash	**37,090**	**21,130**	**1,69,951**	**2,01,328**	**2,02,941**
Opening Cash Balance	2,27,120	2,79,880	2,97,380	3,05,462	3,08,895
Closing Cash Balance	2,64,210	3,01,010	4,67,331	5,06,790	5,11,837

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	14.3%	14.9%	13.6%	14.1%	14.4%
Asset Turnover (x)	1.5	1.5	1.6	1.7	1.8
Leverage Factor (x)	1.1	1.2	1.2	1.2	1.2
RoE	23.5%	25.2%	24.9%	27.5%	30.1%

Key Ratios

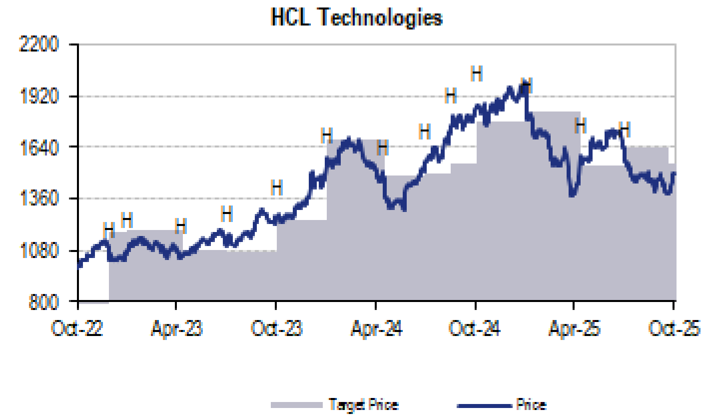
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (`)	251.6	256.7	259.8	259.6	259.9
ROIC	34.6%	38.5%	40.4%	44.0%	49.2%
ROE	23.5%	25.2%	24.9%	27.5%	30.1%
Net Debt/Equity (x)	-0.4	-0.4	-0.4	-0.4	-0.4
P/E (x)	25.8	23.3	23.2	20.9	19.1
P/B (x)	5.9	5.8	5.8	5.8	5.8
EV/EBITDA (x)	15.7	14.8	14.2	13.2	12.1
EV/Sales (x)	3.5	3.2	2.9	2.7	2.5
Debtor days	85	81	78	77	75
Inventory days	0	0	0	0	0
Creditor days	0	0	0	0	0

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Dec-22	Hold	1,180	
13-Jan-23	Hold	1,190	0.8
21-Apr-23	Hold	1,080	-9.2
13-Jul-23	Hold	1,070	-0.9
13-Oct-23	Hold	1,250	16.8
13-Jan-24	Hold	1,680	34.4
27-Apr-24	Hold	1,480	-11.9
13-Jul-24	Hold	1,500	1.4
29-Aug-24	Hold	1,550	3.3
15-Oct-24	Hold	1,780	14.8
14-Jan-25	Hold	1,830	2.8
23-Apr-25	Hold	1,540	-15.8
15-Jul-25	Hold	1,640	6.5
1-Oct-25		1,550	-5.5

Recommendation History



APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com| www.jmfl.com
Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | | Email: ashley.johnson@jmfl.com
Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

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