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HCL Technologies Limited

Q4FY26 Result Update | Sector: IT - Software

April 22, 2026

HCL Technologies Limited

Stable Growth, Near-Term Headwinds

Q4FY26 Result Update | Sector: IT - Software

ACCUMULATE

Current Market Price	1301
Target Price	1419
Upside	9.1%
Nifty	24,410
Sensex	78,644

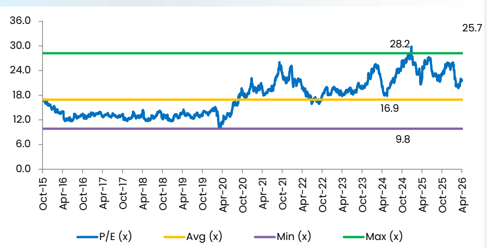
Key Stock Data

Company Name	HCL Techologies Limited
BSE Code	532281
NSE Code	HCLTECH
Bloomberg	HCLT:IN
Shares o/s, Cr (FV 2)	271.5
Market Cap (Rs Cr)	3,53,222
3M Avg Volume (NSE)	34,78,579
52 week H/L	1,780/1,298

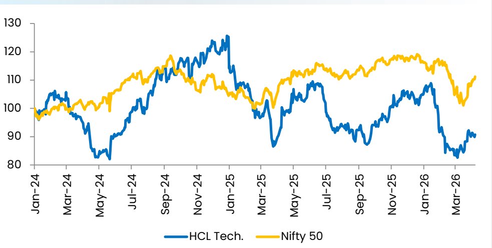
Shareholding Pattern

	Sep-25	Dec-25	Mar-26
Promoter	60.8	60.8	60.8
FII	16.6	16.2	15.5
DII	17.8	18.4	19.0
Others	4.7	4.6	4.7

1 Year Forward P/E (x)



1 Year Relative Price Chart



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Financial Performance Stable but Moderating Growth: HCL Technologies Ltd reported a steady Q4 FY26, with revenue at ₹33,981 crore, growing 12.3% YoY, while PAT rose 4.2% YoY to ₹4,490 crore. However, sequential performance remained muted, with USD revenue declining 3% QoQ due to seasonal weakness in the software segment. EBIT margins came under pressure, declining to 16.5%, impacted by operating leverage and changes in business mix. Full-year FY26 revenue stood at $14.7 billion, growing 3.9% in constant currency. Overall, the performance reflects resilience in a challenging macro environment, while also highlighting a slowdown in discretionary IT spending and softer deal conversions in certain verticals.

Segment Performance Services Strong, Software Weak: The services segment remained the primary growth driver, growing 4.1% in Q4 FY26, supported by steady demand in digital engineering and cloud services. However, the software business declined 4.1% YoY, largely due to seasonality and delayed procurement decisions. Within verticals, Technology & Services led growth with 24.1% YoY expansion, while Financial Services remained stable. The telecom segment continued to lag, declining 2.2% YoY due to reduced spending from key global clients. This divergence between services strength and software weakness indicates a mixed demand environment, where core IT services remain resilient but product-linked revenues face near-term pressure.

AI Strategy Emerging as a Core Growth Engine: HCL Technologies Ltd's AI-led transformation is becoming a central pillar of its growth strategy. The company reported an annualized AI revenue run rate exceeding $620 million, with nearly all new deals incorporating AI or GenAI components. Its five-pillar AI approach includes proprietary platforms like AI Force, industry-specific IP development, and expansion into AI-native services such as AI factories and physical AI solutions. Strategic partnerships with global leaders like Google, Microsoft, Nvidia, and OpenAI further strengthen its positioning. Additionally, large-scale talent upskilling, with over 135,000 employees trained in GenAI, ensures strong execution capability, positioning HCL Tech competitively in the evolving AI-driven IT services landscape.

Deal Wins and Order Pipeline Strong Visibility: HCL Tech maintained strong deal momentum with Q4FY26 TCV at $1.94 billion, taking the full-year deal wins to $9.3 billion. This robust pipeline provides medium-term revenue visibility despite short-term headwinds. The company continues to win large transformation deals, including high-value AI-led engagements exceeding $100 million. However, execution timelines remain slightly elongated due to delayed client decision-making and macro uncertainties. While the deal pipeline remains healthy, conversion into revenue could be gradual. This indicates that while demand exists, clients are cautious in ramping up spending, especially in discretionary areas, impacting near-term revenue acceleration.

Margins Headwinds and Capital Allocation: Margins remained under pressure due to wage inflation, lower utilization in certain segments, and an adverse business mix. Q4 EBIT margin declined to 16.5% (reported), reflecting these headwinds. Additionally, the company faces a structural challenge from "AI-led deflation," which is expected to reduce pricing by 2-3% annually. On the positive side, HCL Tech continues to reward shareholders aggressively, with a total FY26 dividend of ₹60 per share and a payout ratio of 97.6%. The company has also extended its capital allocation policy, committing to return at least 75% of net income, reinforcing its strong cash flow generation and shareholder-friendly approach.

Outlook & Valuation: Looking ahead, HCL Technologies Ltd has guided for conservative FY27 revenue growth of 1-4% in constant currency, with services expected to grow slightly faster. EBIT margins are projected in the 17.5-18.5% range, indicating stability but limited expansion. The cautious outlook reflects macro uncertainty, weak discretionary spending, and ramp-downs from key clients. From a valuation perspective, the stock remains reasonable compared to peers, supported by strong dividends and consistent cash flows; however, meaningful upside will depend on acceleration in AI-led revenue and a recovery in global IT spending, making it a steady but not high-growth play in the near term. We estimate Revenue/EBIT/PAT CAGR of 7.5%/8.1%/8.2% over FY26–28E and maintain an **ACCUMULATE** rating with a target price of **₹1,419**.

Financial Summary - Consolidated

Particulars (INR Cr)	FY25	FY26	FY27E	FY28E
Net revenue	1,17,055	1,29,102	1,38,721	1,49,126
EBIT	21,420.0	22,922.8	24,908.2	26,776.4
EBITM (%)	18.3	17.8	18.0	18.0
APAT	17,399	18,065	19,692	21,169
APATM (%)	14.9	14.0	14.2	14.2
EPS (Rs)	64.1	66.5	72.5	78.0
PE (x)	20.3	19.6	17.9	16.7
RoE (%)	25.1	25.4	26.9	28.1

Source : RBL Research

Key Highlights:

- **Headwinds & Tailwinds Mixed Demand Environment:** HCL Tech operates in a mixed macro environment where cost-optimization deals and AI adoption act as key tailwinds, while weak discretionary spending remains a major headwind. Clients, especially in telecom and tech, continue to delay large transformation projects, impacting near-term growth. However, long-term tailwinds such as cloud migration, digital engineering, and AI integration remain intact. The company's diversified portfolio helps cushion sector-specific weakness. While demand is not collapsing, it is clearly shifting toward efficiency-led spending rather than aggressive expansion, creating a transition phase for IT services companies.

- **Company Growth Stable but Moderating:** HCL Tech continues to deliver steady but moderate growth, reflecting resilience amid global uncertainty. Its services business remains the primary growth driver, supported by engineering and digital capabilities. However, overall growth has slowed due to weakness in the software and telecom verticals. The company is transitioning toward AI-led and platform-driven services, which may take time to scale meaningfully. Despite short-term moderation, HCL Tech's strong execution, diversified client base, and focus on high-value deals provide a stable foundation for long-term growth, though near-term acceleration remains limited.

- **Recovery in Discretionary Spending Key Trigger Ahead:** A meaningful recovery in discretionary IT spending remains the biggest catalyst for growth revival. Currently, global clients, especially in the US and Europe, are cautious due to macroeconomic uncertainties, geopolitical risks, and budget constraints. This has led to delayed decision-making and slower deal ramp-ups. However, once economic visibility improves, discretionary spending on digital transformation, cloud, and AI initiatives is expected to rebound. HCL Tech is well-positioned to benefit from this recovery, given its capabilities and deal pipeline. The timing of this recovery will largely determine the pace of revenue growth in FY27 and beyond.

- **Industry Growth Structural Story Intact:** The global IT services industry continues to offer strong long-term structural growth, driven by digital transformation, cloud adoption, cybersecurity, and AI integration. While near-term growth has slowed to low single digits, the long-term trajectory remains intact. Enterprises are increasingly investing in automation and efficiency technologies, which benefits companies like HCL Tech. India-based IT firms maintain a competitive edge due to cost efficiency and talent scale. As macroeconomic conditions stabilize, the industry is expected to revert to mid-to-high single-digit growth, providing a favorable backdrop for sustained expansion.

- **Deal Wins & AI Momentum Strong Pipeline:** HCL Tech's strong deal wins and AI-led pipeline are key positives. The company reported robust TCV wins, with increasing deal participation in AI and GenAI-led transformation. AI revenue has scaled significantly, and large deals including AI factory and engineering engagements highlight growing client adoption. Nearly all new deals now incorporate AI components, signaling a structural shift in demand. While execution may be gradual due to cautious client spending, the pipeline provides strong medium-term visibility. AI is not just a growth driver but also a differentiator, helping HCL Tech move up the value chain.

- **Future Guidance & Competition Cautious but Competitive:** Management has guided for 1-4% revenue growth in FY27, reflecting a cautious outlook amid global uncertainty and weak discretionary demand. Margins are expected to remain stable, supported by cost controls and operational efficiency. Competition in the IT services space remains intense, with peers like Tata Consultancy Services, Infosys, and Wipro aggressively investing in AI and digital capabilities. Despite this, HCL Tech's engineering strength, AI focus, and strong client relationships position it well to navigate competition and capture growth as demand recovers.

Modest growth led by services and tech; telecom weak, with strong AI momentum ($620M run rate).

Modest EBIT growth YoY, QoQ decline due to seasonality; margins slightly compressed, but core profitability remains stable.

PAT rose to ₹4,488 crore (+4% YoY, -10% QoQ), driven by lower tax and higher other income despite weak operations.

Profit & Loss Account - Consolidated

Particulars (INR Cr)	Q4FY26	Q4FY25	Y-o-Y	Q3FY26	Q-o-Q
Revenue ($ Mn)	**3,682**	**3,498**	**5.3**	**3,793**	**(2.9)**
Revenue (Rs Cr)	**33,981**	**30,246**	**12.3**	**33,872**	**0.3**
Cost of Sales	709	489	45.0	772	(8.2)
Gross Profit	**33,272**	**29,757**	**11.8**	**33,100**	**0.5**
Gross Margins (%)	97.9	98.4	-47bps	97.7	19bps
Employee Cost	19,377	17,246	12.4	18,867	2.7
Other Expenses	5,777	5,816	(0.7)	6,821	(15.3)
Total Expenditure	**25,863**	**23,551**	**9.8**	**26,460**	**(2.3)**
EBITDA	**8,118**	**6,695**	**21.3**	**7,412**	**9.5**
EBITDA Margins (%)	23.9	22.1	175bps	21.9	201bps
Depreciation	1,092	1,040	5.0	1,127	(3.1)
EBIT	**5,620**	**5,442**	**3.3**	**6,285**	**(10.6)**
EBIT Margins (%)	16.5	18.0	-145bps	18.6	-202bps
Other Income	322	449	(28.3)	385	(16.4)
Interest	240	156	53.8	205	17.1
PBT	5,702	5,735	(0.6)	6,465	(11.8)
Tax	1,212	1,426	(15.0)	1,427	(15.1)
PAT	**4,490**	**4,309**	**4.2**	**5,038**	**(10.9)**
PAT Margin (%)	13.2	14.2	-103bps	14.9	-166bps
EPS	16.5	15.9	4.2	18.6	(10.9)

Source : RBL Research

ER&D led growth; IT services remain dominant, software declined due to seasonality, while core services maintained strong momentum.

Revenue by Segments

Particulars (Rs Cr)	Q4FY26	Q4FY25	Y-o-Y	Q3FY26	Q-o-Q
IT & Business Services	25,486	22,503	13.3	24,489	4.1
% of total revenue	75.0	74.4	60bps	72.3	270bps
Engineering & R&D Services	5,777	4,900	17.9	5,690	1.5
% of total revenue	17.0	16.2	80bps	16.8	20bps
HCL Software	2,820	2,964	(4.8)	3,794	(25.7)
% of total revenue	8.3	9.8	-150bps	11.2	-290bps
Total Services revenue	31,263	27,403	14.1	30,180	3.6

Source : RBL Research

Strong ROW growth; Americas weak, Europe mixed, signaling a clear shift toward geographic diversification.

Revenue by Geographies

Particulars (Rs Cr)	Q4FY26	Q4FY25	Y-o-Y	Q3FY26	Q-o-Q
American	19,131	19,720	(3.0)	19,070	0.3
% of total revenue	56.3	65.2	-890bps	56.3	0bps
Europe	9,209	8,741	5.4	9,383	(1.9)
% of total revenue	27.1	28.9	-180bps	27.7	-60bps
ROW	5,641	1,785	216.1	5,420	4.1
% of total revenue	16.6	5.9	1070bps	16.0	60bps

Source : RBL Research

Tech & Services led growth; Telecom rebounded QoQ. BFSI steady, while others showed mild weakness.

Revenue by Verticals

Particulars (INR Cr)	Q4FY26	Q4FY25	Y-o-Y	Q3FY26	Q-o-Q
Financial Services	7,272	6,382	13.9	7,147	1.7
Manufacturing	6,320	5,626	12.3	6,368	-0.7
Technology & Services	5,029	4,053	24.1	4,810	4.6
Retail & CPG	3,296	2,934	12.3	3,353	-1.7
Telecommunications, Media, Publishing & Entertainment	4,112	4,204	-2.2	3,082	33.4
Lifesciences & Healthcare	4,825	4,446	8.5	4,878	-1.1
Public Services	3,126	2,601	20.2	3,082	1.4

Source : RBL Research

Shift from Telecom to Tech & BFSI; Public Services rising, Manufacturing flat.

Share of Verticals in Revenue

Particulars (%)	Q4FY26	Q4FY25	Y-o-Y	Q3FY26	Q-o-Q
Financial Services	21.4	21.1	30bps	21.1	30bps
Manufacturing	18.6	18.6	0bps	18.8	-20bps
Technology & Services	14.8	13.4	140bps	14.2	60bps
Retail & CPG	9.7	9.7	0bps	9.9	-20bps
Telecommunications, Media, Publishing & Entertainment	12.1	13.9	-180bps	9.1	300bps
Lifesciences & Healthcare	14.2	14.7	-50bps	14.4	-20bps
Public Services	9.2	8.6	60bps	9.1	10bps

Source : RBL Research

Strong client mining with growth in $50Mn+ and mid-tier segments; $100Mn+ stable, pipeline expanding.

Client Metrics

Particulars ($ Mn)	Q4FY26	Q4FY25	YoY Change	Q3FY26	QoQ Change
100 Mn $+	23	22	1	23	0
50 Mn $+	60	52	8	56	4
20 Mn $+	149	138	11	151	-2
10 Mn $+	277	251	26	268	9
5 Mn $+	429	399	30	421	8
1 Mn $+	976	948	28	968	8

Source : RBL Research

Client concentration declining, reducing dependency on top accounts; revenue base becoming more diversified and resilient.

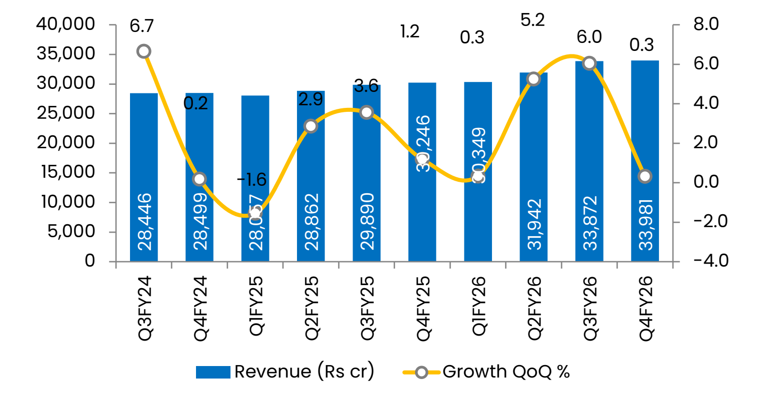
Client Contribution to Revenue

Particulars (%)	Q4FY26	Q4FY25	Q3FY26
Top 5 Clients	11.9%	12.7%	12.2%
Top 10 Clients	19.1%	20.2%	19.7%
Top 20 Clients	19.1%	30.4%	29.1%

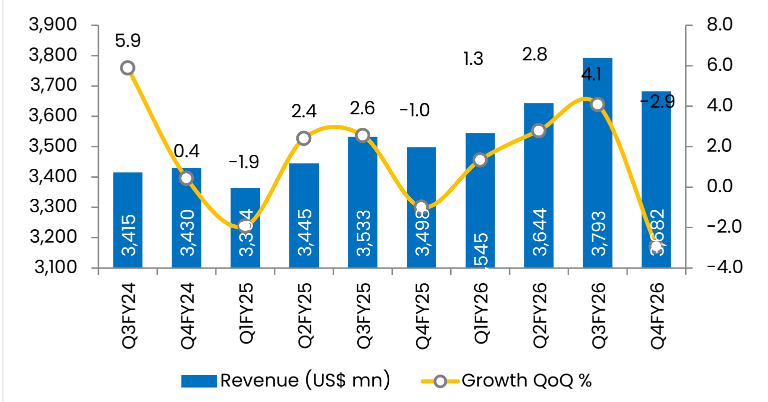
Source : RBL Research

Story in Charts

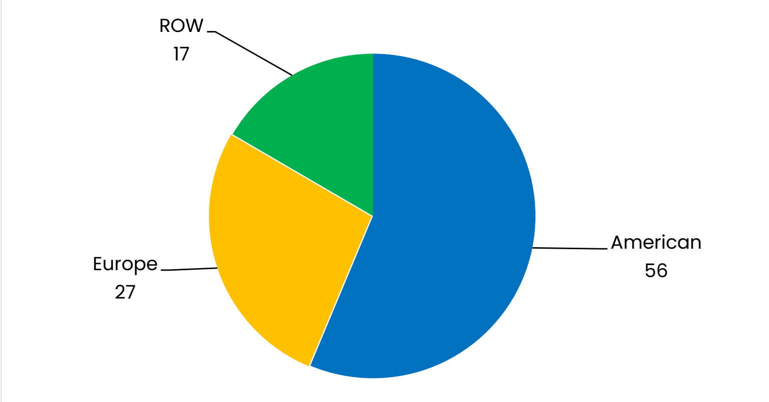
Revenue in rupees grew by 12% YoY and 0.3% QoQ



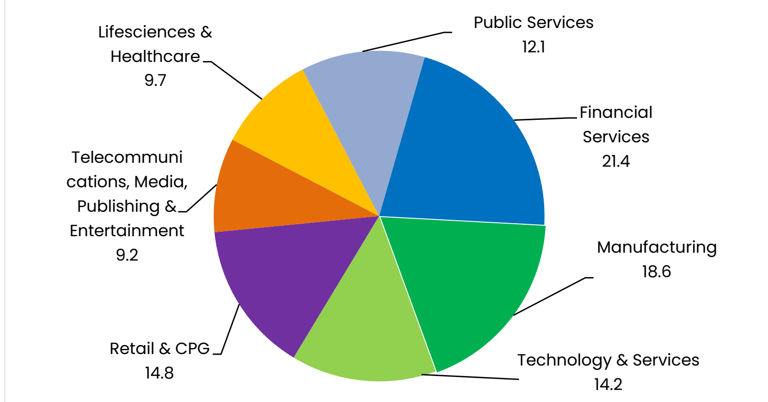
Revenue in dollar grew by 5% YoY but declined by 2.9% QoQ



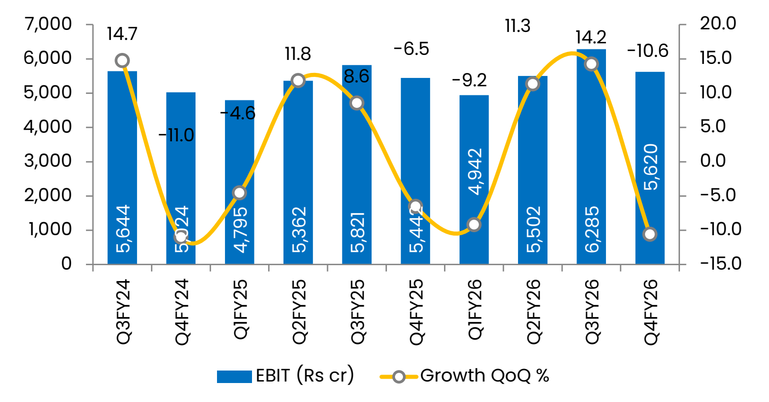
Geographical Mix for Q4FY26 (%)



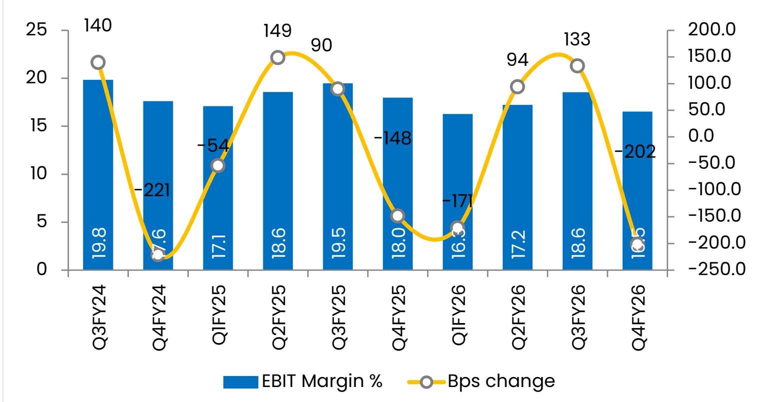
Vertical Mix for Q4FY26 (%)



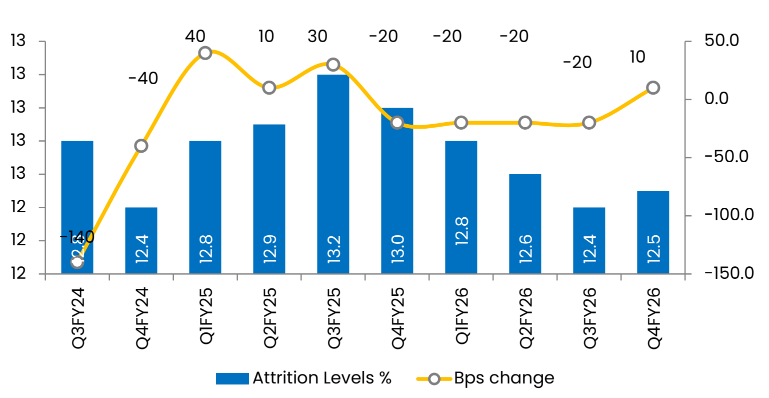
EBIT grew by 3% YoY but declined by 10.6% QoQ



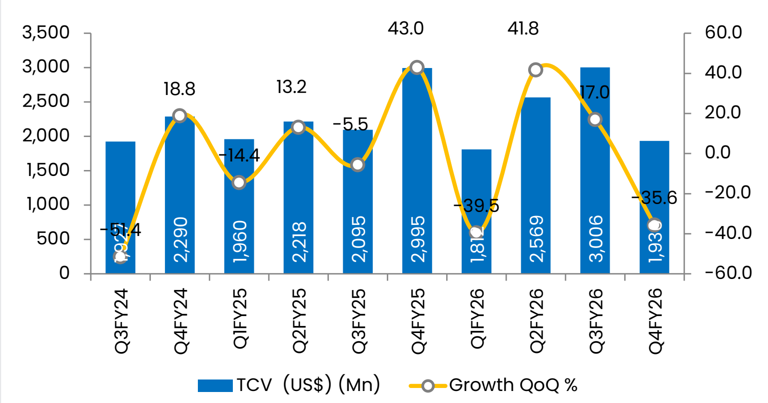
EBIT margin contracted by 145 bps YoY and 202 bps QoQ



Attrition moderated to 12.5% in Q4FY26



Deal wins stood at TCV USD 1,936 mn



Source: RBL Research

Profit & Loss Account - Consolidated

Particulars (INR Cr)	FY25	FY26	FY27E	FY28E
Net sales	**1,17,055**	**1,29,102**	**1,38,721**	**1,49,126**
Expenditure				
Purchase of stock in trade	1,976	2,582	2,497	2,684
(Increase) / Decrease In Stocks	52	57	62	66
Total raw materials	2,028	2,639	2,559	2,751
Gross Profit	**1,15,027**	**1,26,463**	**1,36,163**	**1,46,375**
Gross Margins %	**98.3**	**98.0**	**98.2**	**98.2**
Employee cost	66,755	73,588	79,071	85,002
Outsourcing Cost	15,162	16,912	18,173	19,535
Other expenses	7,606	8,392	9,017	9,693
Total expenditure	**91,551**	**1,01,532**	**1,08,819**	**1,16,981**
EBITDA	**25,504**	**27,570**	**29,902**	**32,145**
EBITDAM (%)	21.8	21.4	21.6	21.6
Depreciation	4,084	4,648	4,994	5,369
EBIT	**21,420**	**22,923**	**24,908**	**26,776**
EBIT Margin %	**18.3**	**17.8**	**18.0**	**18.0**
Other income	2,485	1,872	2,081	2,237
Interest expenses	644	707	733	788
PBT	23,261	24,087	26,256	28,225
Tax	5,862	6,022	6,564	7,056
PAT	**17,399**	**18,065**	**19,692**	**21,169**
PAT Margin %	**14.9**	**14.0**	**14.2**	**14.2**
EPS	64.1	66.5	72.5	78.0

Source: RBL Research

Balance Sheet - Consolidated

Particulars (INR Cr)	FY25	FY26E	FY27E	FY28E
Share Capital	543	543	543	543
Reserves & Surplus	68,869	70,676	72,645	74,762
Total Shareholder's Fund	**69,412**	**71,219**	**73,188**	**75,305**
Minority Interest	18	18	18	18
Long term borrowings	70	77	83	89
Short term borrowing	2,221	2,450	2,632	2,830
Total Debt	**2,291**	**2,527**	**2,715**	**2,919**
Deferred tax liabilities	3,284	3,622	3,892	4,184
Long term provision	1,920	2,118	2,275	2,446
Other long term liabilities	4,445	4,903	5,268	5,663
Total	**9,650**	**10,643**	**11,436**	**12,293**
Current Liabilities				
Trade payables	6,225	6,866	7,377	7,931
Short term provisions	1,487	1,640	1,762	1,894
Other current liabilities	14,047	15,492	16,647	17,895
Total	**21,759**	**23,998**	**25,786**	**27,720**
Total liabilities	**1,03,129**	**1,08,404**	**1,13,143**	**1,18,255**
Application of Assets				
Net Block	14,416	13,939	14,175	14,423
Current work in process	59	59	59	59
Goodwill	21,756	21,756	21,756	21,756
Non current investment	100	110	119	128
Tax assets	1,269	1,400	1,504	1,617
Long term loans and advances	305	336	361	388
Other non-current assets	4,441	4,898	5,263	5,658
Total	**42,346**	**42,499**	**43,237**	**44,029**
Current Assets				
Current investments	7,473	8,392	9,017	9,693
Inventories	133	147	158	169
Trade receivables	25,842	30,419	32,685	35,136
Cash & Bank balance	20,131	19,417	19,953	20,527
Short term loans and advances	976	1,076	1,157	1,243
Other current assets	6,228	6,455	6,936	7,456
Total	**60,783**	**65,905**	**69,905**	**74,226**
Total assets	**1,03,129**	**1,08,404**	**1,13,143**	**1,18,255**

Source: RBL Research

Cash Flow - Consolidated

Particulars (INR Cr)	FY25	FY26E	FY27E	FY28E
Profit before tax	23,261	24,087	26,256	28,225
Add: Depreciation	4,084	4,648	4,994	5,369
Add: Interest cost	644	707	733	788
Less: Other Income	-	-	-	-
Operating profit before WC	**27,989**	**29,442**	**31,983**	**34,382**
Changes in working capital	369	(2,304)	(752)	(813)
Cash from Operations	28,358	27,138	31,231	33,569
Less: Taxes	(5,862)	(6,022)	(6,564)	(7,056)
Cash flow from Operations	**22,496**	**21,116**	**24,667**	**26,512**
Net cash used in Investing				
Purchase of fixed assets	(5,144)	(4,171)	(5,230)	(5,617)
Purchase of investments	(436)	(929)	(633)	(685)
Sales of fixed assets	-	-	-	-
Cash flow from investing	**(5,580)**	**(5,100)**	**(5,864)**	**(6,302)**
Cash flow from Financing				
Proceeds of borrowings	(36)	236	188	204
Dividend (Incl dividend tax)	(16,250)	(16,259)	(17,723)	(19,052)
Interest cost	(644)	(707)	(733)	(788)
Others	10	-	-	-
Cash flow from Financing	**(16,920)**	**(16,731)**	**(18,268)**	**(19,636)**
Net cash Inflow/Outflow	(4)	(714)	536	574
Opening cash	9,441	9,437	8,723	9,259
Exchange gain/loss	-	-	-	-
Closing Cash	9,437	8,723	9,259	9,833

Source: RBL Research

Key Financial Ratios

Particulars	FY25	FY26E	FY27E	FY28E
Per share Data				
EPS (Rs)	64.1	66.5	72.5	78.0
Book value per share (Rs)	255.7	262.3	269.6	277.4
Dividend per share (Rs)	59.9	59.9	65.3	70.2
Dividend Yield (%)	4.6	4.6	5.0	5.4
Dividend Payout (%)	93.4	90.0	90.0	90.0
Profitability Ratios				
EBITDAM(%)	21.8	21.4	21.6	21.6
PBTM (%)	19.9	18.7	18.9	18.9
NPM (%)	14.9	14.0	14.2	14.2
RoE (%)	25.1	25.4	26.9	28.1
RoCE (%)	29.9	31.1	32.8	34.2
Efficiency Data				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Interest Cover Ratio	33.3	32.4	34.0	34.0
Fixed Asset Ratio	0.1	0.1	0.1	0.1
Debtors Days	80.6	86.0	86.0	86.0
Inventory Days	0.4	0.4	0.4	0.4
Payable Days	19.4	19.4	19.4	19.4
WC Days	61.6	67.0	67.0	67.0
Valuation				
P/E (x)	20.3	19.6	17.9	16.7
P/BV (x)	5.1	5.0	4.8	4.7
EV/EBITDA (x)	13.6	12.6	11.6	10.8
EV/Sales (x)	3.0	2.7	2.5	2.3

Source: RBL Research

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Ratings Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0% - 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

Before you use this research report, please ensure to go through the disclosure interalia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link: **www.religareonline.com/disclaimer**

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

S No.	Statement	Answer	
		Tick Appropriate	
		Yes	No
1.	I/we or any of my/our relative has any financial interest in the subject company? (If answer is yes, nature of interest is given below this table)		No
2.	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of the research report or date of the public appearance?		No
3.	I/we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of the public appearance?		
4.	I/we have received any compensation from the subject company in the past twelve months?		No
5.	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
6.	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
7.	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
8.	I/we have served as an officer, director or employee of the subject company?		No
9.	I/we have been engaged in market making activity for the subject company?		No

2014 is/are as under:

Statements of ownership and material conflicts of interest, compensation – Research Analyst (RA)

Nature of Interest [If answer to f (a) above conflicts is Yes ....]

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

S. No.	Name of RA	Signature of RA	Serial Question of question which the signing RA needs to make a separate declaration	Answer	Answer