

## Retail Equity Research



## HCL Technologies Ltd.

**HOLD**

Sector: IT Services

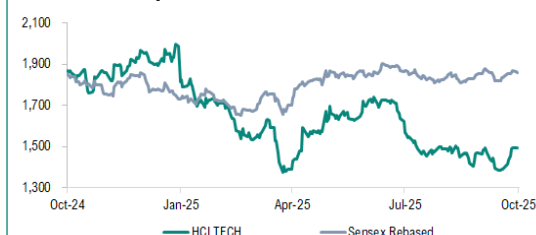
29<sup>th</sup> October, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 1,700
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	HCLT:IN	84,997	HCLTECH	532281	12 Months
				<b>CMP</b>	<b>Rs. 1,557</b>
				<b>Return</b>	<b>+9%</b>

Data as of: 29-Oct-2025, 18:00 hrs

Company Data			
Market Cap (Rs.cr)	422,559		
52 Week High — Low (Rs.)	2,011 - 1,304		
Enterprise Value (Rs. cr)	402,892		
Outstanding Shares (cr)	271.4		
Free Float (%)	39.0		
Dividend Yield (%)	3.8		
6m average volume (cr)	0.3		
Beta	0.9		
Face value (Rs. )	2.0		
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	60.8	60.8	60.8
FII's	19.1	19.1	16.6
MFs/Institutions	15.5	15.5	17.8
Public	4.1	4.1	4.1
Others	0.5	0.5	0.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-4.5%	4.9%	-20.0%
Absolute Sensex	0.0%	7.7%	1.0%
Relative Return	-4.6%	-2.8%	-21.0%

\*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	117,055	128,484	138,135
Growth (%)	6.5	9.8	7.5
EBITDA	25,504	25,986	28,894
EBITDA Margin (%)	21.8	20.2	20.9
PAT Adjusted	17,390	17,874	20,049
Growth (%)	10.8	2.8	12.2
Adjusted EPS	64.1	65.9	73.9
Growth (%)	10.8	2.8	12.2
P/E	24.8	22.7	20.3
P/B	6.2	5.8	5.6
EV/EBITDA	16.7	15.5	13.9
ROE (%)	25.0	25.3	27.5
D/E	0.0	0.0	0.0

## Digital platforms power next wave

**HCL Technologies Ltd (HCL Tech) is a software development and business process outsourcing company, as well as a provider of IT infrastructure services. It has operations in 60 countries, with a client base including Fortune 500 and Global 2000 companies.**

- HCL Tech's consolidated revenue grew 10.7% YoY (4.6% YoY at constant currency) to Rs. 31,942cr, supported by strong traction in digital transformation, AI-led solutions and robust deal wins.
- IT and Business Services revenue grew 10.0% YoY (3.8% YoY at CC) to Rs. 23,693cr, driven by steady client spending in financial services and telecom, and new digital mandates across the Europe and US segments.
- Engineering and R&D Services rose 19.3% YoY (13.4% YoY at CC) to Rs. 5,423cr, led by continued demand in engineering and AI-based product development.
- EBITDA increased 2.8% YoY to Rs. 6,545cr, but EBITDA margin contracted 160bps YoY to 20.5% due to an increase in cost of sales (+20.9% YoY).
- HCL Tech targets the 100 top clients to adopt AI Force, pursuing enterprise-scale standardisation of platform-led solutions and repeatable industry offerings such as InsightGen for financial services and VisionX for manufacturing.

## Outlook &amp; Valuation

The company showcased strong strategic progress, marked by record deal wins, healthy client expansion, and increasing enterprise adoption of its proprietary AI and digital platforms. Growing traction in the modernisation programmes, deepened technology partnerships and consistent execution across key verticals highlight its strengthening market position. Management maintains growth and margin guidance, reflecting confidence in the demand environment, a scalable innovation pipeline and a disciplined cost structure. Continued investment in AI factories, responsible AI frameworks and automation-led delivery excellence enhance long-term competitiveness and transformation leadership, reinforcing sustainable growth visibility. Therefore, **we have retained our rating on the stock at HOLD with a target price of Rs. 1,700 based on 23x FY27E adj. EPS.**

## Quarterly Financial Consol.

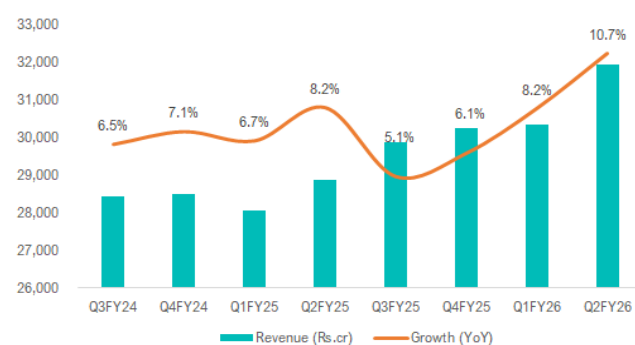
Rs.cr	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales	31,942	28,862	10.7	30,349	5.2	62,291	56,919	9.4
EBITDA	6,545	6,369	2.8	6,035	8.5	12,580	12,162	3.4
Margin (%)	20.5	22.1	-160bps	19.9	60bps	20.2	21.4	-120bps
EBIT	5,502	5,362	2.6	4,942	11.3	10,444	10,157	2.8
PBT	5,702	5,687	0.3	5,189	9.9	10,891	11,394	-4.4
Rep. PAT	4,236	4,237	0.0	3,844	10.2	8,080	8,496	-4.9
Adj PAT	4,235	4,235	0.0	3,843	10.2	8,078	8,492	-4.9
Adj. EPS (Rs)	15.6	15.6	0.0	14.2	10.2	29.8	31.3	-4.9



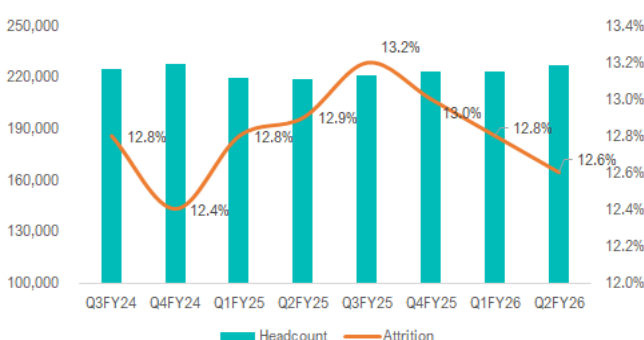
## Key concall highlights

- HCL Tech has provided revised guidance for FY26, projecting company revenue growth between 3% and 5% YoY and services revenue growth of 4% to 5% YoY in CC terms. EBIT margin is expected to range 17%-18%, reflecting balanced growth with continued investment in AI and modernisation initiatives.
- The company achieved a record new deal TCV of \$2,569 million, up 41.8% QoQ and 15.8% YoY, surpassing the \$2.5 billion milestone for the first time without any dependence on mega deals.
- HCL Tech is scaling its AI factory proposition in partnership with NVIDIA, Dell and HPE to build and operate enterprise AI clusters, offering turnkey, rack-scale infrastructure and managed operations globally.
- The company plans AI Force v2.0 GA in January 2026, adding agentic workflows, orchestration and responsible-AI features. The beta is deployed across 47 client accounts to validate enterprise readiness.
- HCL Tech filed 47 patent applications and secured 8 patents in the quarter for AI, automation and engineering innovation.
- HCL Tech's headcount stood at 226,640 in Q2FY26, with net addition of 3,489 employees and 5,196 freshers hired. The LTM attrition rate improved to 12.6% from 12.9% YoY, reflecting better employee retention and workforce stability.

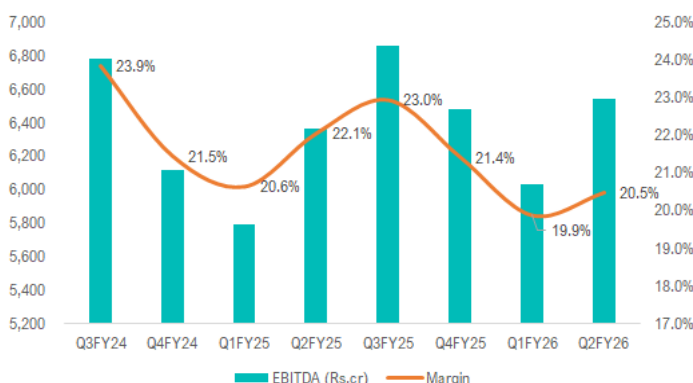
## Revenue



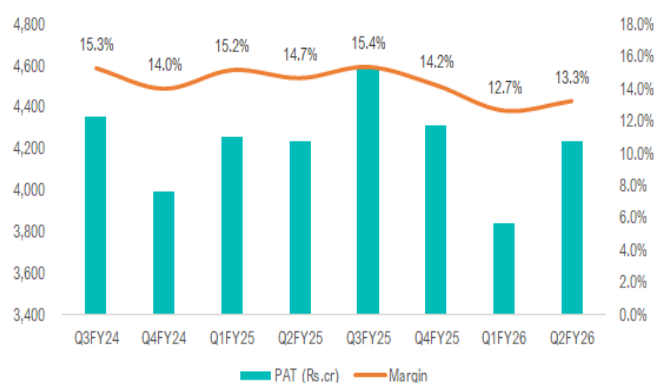
## Headcount



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	124,146	133,227	128,484	138,135	3.5	3.7
EBITDA	26,788	28,851	25,986	28,894	-3.0	0.1
Margins (%)	21.6	21.7	20.2	20.9	-140bps	-80bps
Adj. PAT	20,044	20,044	17,874	20,049	-10.8	0.0
EPS	68.0	73.9	65.9	73.9	-3.1	0.0



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Sales</b>	<b>101,456</b>	<b>109,913</b>	<b>117,055</b>	<b>128,484</b>	<b>138,135</b>
% change	18.5	8.3	6.5	9.8	7.5
<b>EBITDA</b>	<b>22,628</b>	<b>24,198</b>	<b>25,504</b>	<b>25,986</b>	<b>28,894</b>
% change	10.2	6.9	5.4	1.9	11.2
Depreciation	4,145	4,173	4,084	4,140	4,200
<b>EBIT</b>	<b>18,483</b>	<b>20,025</b>	<b>21,420</b>	<b>21,846</b>	<b>24,693</b>
Interest	353	553	644	664	800
Other Income	1,358	1,495	2,485	2,671	2,858
<b>PBT</b>	<b>19,488</b>	<b>20,967</b>	<b>23,261</b>	<b>23,854</b>	<b>26,752</b>
% change	15.0	7.6	10.9	2.5	12.1
Tax	4,643	5,257	5,862	5,963	6,688
Tax Rate (%)	23.8	25.1	25.2	25.0	25.0
<b>Reported PAT</b>	<b>14,845</b>	<b>15,710</b>	<b>17,399</b>	<b>17,890</b>	<b>20,064</b>
PAT att. to common shareholders	14,851	15,702	17,390	17,874	20,049
Adj.*	-	-	-	-	-
<b>Adj. PAT</b>	<b>14,851</b>	<b>15,702</b>	<b>17,390</b>	<b>17,874</b>	<b>20,049</b>
% change	9.6	5.7	10.8	2.8	12.2
No. of shares (cr)	271.4	271.4	271.4	271.4	271.4
<b>Adj EPS (Rs.)</b>	<b>54.7</b>	<b>57.9</b>	<b>64.1</b>	<b>65.9</b>	<b>73.9</b>
% change	9.6	5.7	10.8	2.8	12.2
DPS (Rs.)	48.0	52.0	60.0	62.6	65.0

### Cash Flow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>18,996</b>	<b>19,875</b>	<b>21,474</b>	<b>22,014</b>	<b>24,249</b>
Non-cash adj.	2,465	2,946	580	-1,132	-968
Other adjustments	-	-	-	-	-
Changes in W.C	-3,452	-373	207	-432	-364
<b>C.F. Operation</b>	<b>18,009</b>	<b>22,448</b>	<b>22,261</b>	<b>20,450</b>	<b>22,917</b>
Capital exp.	-1,444	-1,016	-1,083	-4,352	-4,020
Change in inv.	-2,250	-4,423	-3,456	-1,299	-351
Other invest.CF	-237	-1,284	-375	75	183
<b>C.F - Investment</b>	<b>-3,931</b>	<b>-6,723</b>	<b>-4,914</b>	<b>-5,576</b>	<b>-4,187</b>
Issue of equity	-	7	-676	-	-
Issue/repay debt	-1,848	-181	-81	578	148
Dividends paid	-12,995	-14,073	-16,250	-16,981	-17,643
Other finance.CF	-1,038	-1,217	-1,554	-5	-1
<b>C.F - Finance</b>	<b>-15,881</b>	<b>-15,464</b>	<b>-18,561</b>	<b>-16,407</b>	<b>-17,495</b>
Chg. in cash	-1,803	261	-1,214	-1,534	1,234
<b>Closing Cash</b>	<b>9,065</b>	<b>9,456</b>	<b>8,245</b>	<b>6,711</b>	<b>7,945</b>

### Balance Sheet

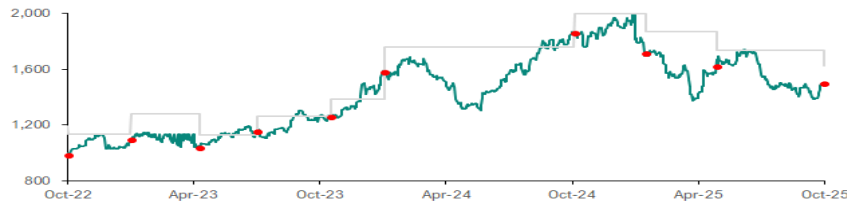
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	9,065	9,456	8,245	6,711	7,945
Accts. Receivable	19,572	19,483	19,523	21,332	22,859
Inventories	228	185	133	154	171
Other Cur. Assets	24,712	30,207	34,208	36,869	39,556
Investments	110	94	91	96	100
Gross Fixed As-sets	16,086	16,786	17,178	20,840	24,708
Net Fixed Assets	7,708	7,801	7,517	7,037	6,702
CWIP	40	108	59	61	63
Intangible Assets	26,911	27,262	28,655	29,345	29,497
Def. Tax -Net	1,252	1,031	1,064	1,082	1,214
Other Assets	3,813	4,150	6,049	6,348	5,520
<b>Total Assets</b>	<b>93,411</b>	<b>99,777</b>	<b>105,544</b>	<b>109,035</b>	<b>113,627</b>
Current Liabilities	21,291	22,622	25,818	27,510	29,268
Provisions	1,315	1,612	1,920	2,208	2,274
Debt Funds	2,757	3,057	2,755	3,333	3,481
Other Liabilities	2,650	4,215	5,378	5,401	5,600
Equity Capital	543	543	543	543	543
Res. & Surplus	64,862	67,720	69,112	70,006	72,412
Shareholder Funds	65,405	68,263	69,655	70,549	72,955
Minority Interest	-7	8	18	34	49
<b>Total Liabilities</b>	<b>93,411</b>	<b>99,777</b>	<b>105,544</b>	<b>109,035</b>	<b>113,627</b>
BVPS	241	252	257	260	269

### Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	22.3	22.0	21.8	20.2	20.9
EBIT margin (%)	18.2	18.2	18.3	17.0	17.9
Net profit mgn.(%)	14.6	14.3	14.9	13.9	14.5
ROE (%)	22.7	23.0	25.0	25.3	27.5
ROCE (%)	27.1	28.1	29.6	29.6	32.3
<b>W.C &amp; Liquidity</b>					
Receivables (days)	70.4	64.7	60.9	60.6	60.4
Inventory (days)	4.9	4.1	2.8	2.7	2.6
Payables (days)	138.4	130.5	132.2	133.4	134.1
Current ratio (x)	2.5	2.6	2.2	2.2	2.2
Quick ratio (x)	1.9	2.1	1.7	1.6	1.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	6.5	6.7	6.9	6.8	6.1
Total asset T.O (x)	1.1	1.1	1.1	1.2	1.2
Int. covge. ratio (x)	52.4	36.2	33.3	32.9	30.9
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	2.8	3.8	3.6	3.1	2.9
EV/EBITDA (x)	12.7	17.0	16.7	15.5	13.9
P/E (x)	19.8	26.7	24.8	22.7	20.3
P/BV (x)	4.5	6.1	6.2	5.8	5.6



## Recommendation Summary (Last 3 years)



Dates	Rating	Target
25-Apr-23	HOLD	1,130
17-Jul-23	HOLD	1,262
01-Nov-23	HOLD	1,386
17-Jan-24	BUY	1,760
18-Oct-24	HOLD	2,001
30-Jan-25	HOLD	1,868
13-May-25	HOLD	1,737
29-Oct-25	HOLD	1,700

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

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

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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