

HSIE Results Daily

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Results Reviews

- **HCL Technologies:** HCLT delivered an in-line revenue/margin performance. Revenue growth of 3.8% QoQ CC was supported by growth in services, CTG acquisition and software business seasonality. On expected lines, the company raised the lower-end of the guidance – revenue guidance at 4.5 to 5% CC for FY25E (vs 3.5 to 5% earlier). The guidance implied a soft exit in Q4 impacted by completion of large program (Retail & CPG vertical), planned reduction in Verizon deal, and lag impact of discretionary ramp-up. While the new deal TCW remains soft at 2.1bn (-5% QoQ and +9% YoY) and at a lower than targeted level of USD 2.3-2.5bn, the shorter deal duration may support near-term growth (annual contract value up >20% YoY). We maintain ADD on HCLT with a TP of INR 2,010, based on 24x FY27E.

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HCL Technologies

On expected lines

HCLT delivered an in-line revenue/margin performance. Revenue growth of 3.8% QoQ CC was supported by growth in services, CTG acquisition and software business seasonality. On expected lines, the company raised the lower-end of the guidance – revenue guidance at 4.5 to 5% CC for FY25E (vs 3.5 to 5% earlier). The guidance implied a soft exit in Q4 impacted by completion of large program (Retail & CPG vertical), planned reduction in Verizon deal, and lag impact of discretionary ramp-up. While the new deal TCV remains soft at 2.1bn (-5% QoQ and +9% YoY) and at a lower than targeted level of USD 2.3-2.5bn, the shorter deal duration may support near-term growth (annual contract value up >20% YoY). We maintain ADD on HCLT with a TP of INR 2,010, based on 24x FY27E.

- **Q3FY25 highlights:** (1) HCL Tech posted revenue of USD 3,533mn, 3.8% QoQ CC and 4.1% YoY CC (HSIE at USD 3,561mn) with services revenue growth at 2.2% QoQ CC and 4.9% YoY CC, led by Retail & CPG (large program), Technology & Services and Telecom, MP&E verticals (including CTG consolidation). (2) IT & Business services (73% of revenue) grew 1.5% QoQ CC, ER&D services (16% of revenue) grew 5.4% QoQ CC and Software (11% of revenue) grew 18.7% QoQ CC and -2.1% YoY CC. (3) EBITM came in at 19.5%, expanding 90bps QoQ with IT & Business services margin down 40bps to 17.2% and ER&D services margin up 40bps QoQ to 18.9%. Margin was impacted by -85bps from wage increase (-50bps impact in Q4 on senior management wage increase), offset by +100bps from project ascend margin program. EBITM guidance for FY25E was unchanged at 18-19%. (4) Deal wins in Q3 was USD 2,095mn and has remained in the current range for the last two years, barring the Verizon mega deal. (5) Headcount increased by 2,134, following two successive quarters of decline, taking the total count to 220k. HCLT plans to increase its fresher intake in FY26E (9MFY25 at 6k and 10k planned for FY25). US workforce constitutes 80% locals, which reduces the risk of adverse visa regulations.
- **Outlook:** We have factored 4.7% growth in IT & BS and 4.7% growth in ER&D services in FY25E and 5.2% growth in the Software segment – overall USD revenue growth at 4.8%, 8.8% and 8.5% in FY25E, FY26E and FY27E, implying CQGR of 1%, 2.3% and 1.9% respectively. Factored EBITM at 18.5% for FY25E and improvement to 19.5/20% in FY26/27E, translating into an EPS CAGR of 13% over FY24-27E. At CMP, HCLT is trading at 27x FY26E (5Y average at 19.6x).

Quarterly Financial summary

YE March (INR bn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	3,533	3,415	3.5	3,445	2.5	12,586	13,270	13,904	15,133	16,414
Net Sales	298.90	284.46	5.1	288.62	3.6	1,014.56	1,099.13	1,170.88	1,286.35	1,411.57
EBIT	58.21	56.15	3.7	53.62	8.6	184.84	200.27	216.57	250.63	282.42
APAT	45.91	43.50	5.5	42.35	8.4	148.52	157.02	170.18	201.31	227.23
Diluted EPS(INR)	16.9	16.0	5.5	15.6	8.4	54.7	57.9	62.7	74.2	83.7
P/E (x)						36.3	34.4	31.7	26.8	23.8
EV / EBITDA (x)						23.1	21.3	19.9	17.6	15.7
RoE (%)						23.3	23.5	24.4	27.6	29.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	13,954	13,904	(0.4)	15,197	15,133	(0.4)	16,476	16,414	(0.4)
Revenue	1174.73	1170.88	(0.3)	1291.77	1286.35	(0.4)	1416.94	1411.57	(0.4)
EBIT	217.53	216.57	(0.4)	251.56	250.63	(0.4)	282.73	282.42	(0.1)
EBIT margin (%)	18.5	18.5	-2bps	19.5	19.5	1bps	20.0	20.0	5bps
APAT	171.41	170.18	(0.7)	202.94	201.31	(0.8)	228.38	227.23	(0.5)
EPS (INR)	63.2	62.7	(0.7)	74.8	74.2	(0.8)	84.2	83.7	(0.5)

Source: Company, HSIE Research

ADD

CMP (as on 13 Jan 2025) INR 1,989

Target Price INR 2,010

NIFTY 23,086

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,960	INR 2,010
	FY25E	FY26E
EPS %	-0.7	-0.8

KEY STOCK DATA

Bloomberg code	HCLT IN
No. of Shares (mn)	2,714
MCap (INR bn) / (\$ mn)	5,399/62,353
6m avg traded value (INR mn)	4,980
52 Week high / low	INR 2,012/1,235

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.1	27.5	29.1
Relative (%)	14.3	32.7	23.9

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	60.81	60.81
FIs & Local MFs	15.80	15.80
FPIs	18.45	18.67
Public & Others	4.94	4.72
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

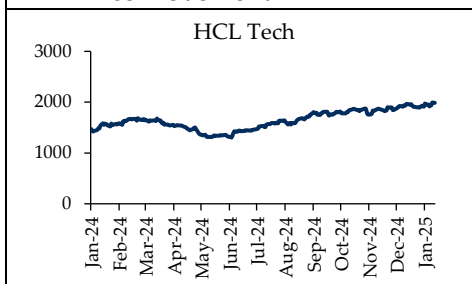
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	HCL Technologies	MBA	NO
Amit Chandra	HCL Technologies	MBA	NO
Vinesh Vala	HCL Technologies	MBA	NO

1 Yr Price movement

Disclosure:

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