

HSIE Results Daily

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Results Reviews

- **HCL Technologies:** HCL Tech (HCLT) delivered revenue growth ahead of expectations at +2.4% QoQ CC, with margins in line with estimates. The revenue growth was driven by strong IT Services (+2.6% QoQ CC) and ER&D (+2.2% QoQ CC), while the Software segment was muted with +0.5% QoQ CC growth. Deal bookings were robust at USD 2.6bn (+42% QoQ / +16% YoY), despite no mega deals, supported by two large deals signed in Q2 that were deferred from Q1. The pipeline remains strong, bolstered by advanced AI offerings. HCLT advanced AI revenue crossed USD 100mn in Q2 accounting for 3% of total revenue. Reflecting the strong Q2 performance and positive outlook, HCLT has raised its FY26E Services revenue growth guidance to 4-5% CC (up from 3-5%), while maintaining overall company revenue guidance at 3-5% CC. EBIT margin guidance remains at 17-18%, factoring in wage hikes and restructuring costs in H2. Despite near-term margin pressures, HCLT remains optimistic, supported by strong deal momentum and strategic focus on advanced AI. We increase revenue estimate by ~1% but moderate our margin expansion trajectory, leading to an EPS cut of ~2-3%. We maintain BUY with a target price of INR 1,700, based on 21x Sep-27E EPS.

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HCL Technologies

Revenue uptick; deal bookings encouraging

HCL Tech (HCLT) delivered revenue growth ahead of expectations at +2.4% QoQ CC, with margins in line with estimates. The revenue growth was driven by strong IT Services (+2.6% QoQ CC) and ER&D (+2.2% QoQ CC), while the Software segment was muted with +0.5% QoQ CC growth. Deal bookings were robust at USD 2.6bn (+42% QoQ / +16% YoY), despite no mega deals, supported by two large deals signed in Q2 that were deferred from Q1. The pipeline remains strong, bolstered by advanced AI offerings. HCLT advanced AI revenue crossed USD 100mn in Q2 accounting for 3% of total revenue. Reflecting the strong Q2 performance and positive outlook, HCLT has raised its FY26E Services revenue growth guidance to 4-5% CC (up from 3-5%), while maintaining overall company revenue guidance at 3-5% CC. EBIT margin guidance remains at 17-18%, factoring in wage hikes and restructuring costs in H2. Despite near-term margin pressures, HCLT remains optimistic, supported by strong deal momentum and strategic focus on advanced AI. We increase revenue estimate by ~1% but moderate our margin expansion trajectory, leading to an EPS cut of ~2-3%. We maintain BUY with a target price of INR 1,700, based on 21x Sep-27E EPS.

- **Q2FY26 highlights:** (1) HCL Tech reported revenue of USD 3,644mn (+2.4/4.6% QoQ/YoY CC), above our estimate of USD 3,603mn. The services revenue was up 2.5/5.5% QoQ/YoY CC, driven by Technology, TMP&E, and financial services. (2) IT & Business services (74% of revenue) grew 2.6% QoQ in CC term, ER&D services (17% of revenue) grew 2.2% QoQ CC while Software (9% of revenue) grew 0.5% QoQ CC. (3) EBITM came in at 17.4%, up +109bps QoQ, driven by forex (+56bps), improved utilization - Project Ascend benefits (+50bps), and improved profitability in software segment (+35bps), which was partially offset by the restructuring expenses -55bps QoQ. (4) Deal wins in Q2 stood at USD 2,560mn, having won two large deals which were delayed in Q1. (5) On LTM basis, OCF was USD 6.78bn, FCF stood at USD 6.32bn, and FCF/PAT improved sequentially to 133%, which is healthy. (6) Wage hikes are expected to impact margins by 70-80 bps in Q3, and an additional 40-50bps in Q4.
- **Outlook:** We have factored in 6.1% growth in IT & BS and 10.9% growth in ER&D services for FY26E and a 2.4% decline in the Software segment. The overall USD revenue growth is estimated at 6.0%/7.9%/7.3% respectively in FY26/27/28E. We expect EBITM at 17.4% in FY26E (mid-point of the guidance) and then improve to 18.5/18.8% by FY27/28E, translating into an EPS CAGR of 10.8% over FY25-28E.

Quarterly Financial summary

YE March (INR bn)	Q2 FY26	Q2 FY25	YoY (%)	Q1 FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	3,644	3,445	5.8	3,545	2.8	13,270	13,840	14,674	15,832	16,988
Net Sales	319.42	288.62	10.7	303.49	5.2	1,099.13	1,170.55	1,277.85	1,393.25	1,511.93
EBIT	55.50	53.62	3.5	49.42	12.3	200.27	214.21	222.44	257.42	284.18
APAT	42.35	42.35	0.0	38.43	10.2	157.02	169.61	178.85	207.34	230.58
Diluted EPS (INR)	15.6	15.6	0.0	14.2	10.2	57.9	62.5	65.9	76.4	85.0
P/E (x)	3,644	3,445	5.8	3,545	2.8	25.8	23.9	22.7	19.6	17.6
EV / EBITDA (x)						15.7	14.9	13.9	12.2	10.9
RoE (%)						23.5	24.6	25.4	28.3	29.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %
Revenue (USD mn)	14,575	14,674	0.7	15,766	15,832	0.4	16,918	16,988	0.4
Revenue	1,267.50	1,277.85	0.8	1,387.41	1,393.25	0.4	1,505.68	1,511.93	0.4
EBIT	226.54	222.44	(1.8)	261.34	257.42	(1.5)	289.87	284.18	(2.0)
EBIT margin (%)	17.9	17.4	-47bps	18.8	18.5	-36bps	19.3	18.8	-46bps
APAT	183.79	178.85	(2.7)	212.28	207.34	(2.3)	236.92	230.58	(2.7)
EPS (INR)	67.7	65.9	(2.7)	78.2	76.4	(2.3)	87.3	85.0	(2.7)

Source: Company, HSIE Research

BUY

CMP (as on 13 Oct 2025) INR 1,495

Target Price INR 1,700

NIFTY 25,227

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,740	INR 1,700
EPS %	FY26E	FY27E
	-2.7	-2.3

KEY STOCK DATA

Bloomberg code	HCLT IN
No. of Shares (mn)	2,714
MCap (INR bn) / (\$ mn)	4,056/45,740
6m avg traded value (INR mn)	4,803
52 Week high / low	INR 2,005/1,303

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.2)	8.3	(17.1)
Relative (%)	(9.1)	(3.2)	(18.0)

SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	60.81	60.81
FIs & Local MFs	15.48	16.21
FPIs	19.14	18.56
Public & Others	4.57	4.42
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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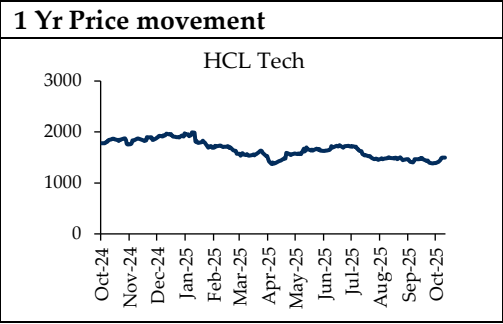
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Rating Criteria

- 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
Amit Chandra	HCL Technologies	MBA	NO
Vinesh Vala	HCL Technologies	MBA	NO
Maitreyee Vaishampayan	HCL Technologies	MSc	YES



Disclosure:

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