

### Q3-FY22 Result Update

- ❑ The company reported good results for the quarter under review. Revenue from operations improved by 15.7% year-on-year to ₹223,310 million on consolidated basis. In constant currency (CC) terms the revenue grew by 15.0% YoY and 7.6% QoQ being the highest growth rate in the last 12 years. The company reported healthy revenue growth led by better performance across all regions - Americas, Europe & RoW.
- ❑ Mode-2 & Mode-3 business grew by 30.2% & 6.2% YoY respectively in constant currency terms. Segment wise – IT business services, Engineering services and Product platforms led growth during for the quarter by 15.3%, 19.7% & 12.7% YoY respectively. All verticals led growth – Financial Services, Manufacturing, Technology, Retail, Telecommunications, Life sciences and Public Services grew by 13.5%, 12.2%, 18.1%, 11.5%, 12.4%, 21.3% and 14.8% YoY respectively.
- ❑ On profitability front, the EBITDA from operations for the quarter decreased by 4.1% year-on-year at ₹53,930 million with a margin of 24.2%. The company achieved the reported PAT of ₹34,480 million, a decline of 13.3% year-on-year with a net margin of 15.4% translating into EPS of ₹12.69 per share for the quarter.
- ❑ HCL won 16 new large deals in Q3-FY22 wins worth \$2.1 billion registering growth of 64% YoY. The company reported employee attrition rate of 19.8% during Q3-FY22. However, the company added net 10,143 employees this quarter and plans to add 6,000 to 8,000 employees in Q4-FY22.
- ❑ The management declared an interim dividend of ₹10 per share for the quarter.
- ❑ The management has maintained a revenue growth guidance of double digits in constant currency for FY22. EBIT margin guidance expected between 19% to 21% for FY22.
- ❑ With continuity of robust growth across Mode-2 and Mode-3 business (40.5% of revenue combined), we expect the growth momentum to continue supported by strong products, deal pipeline and ramp up of large deals. We maintain our **BUY** rating on the stock with a revised target price of **₹1550 per share**.

## Financials:

(In ₹ mn)	Q3-FY22	Q3-FY21	Chg	9M-FY22	9M-FY21	Chg
Net Sales	2,23,310	1,93,020	15.7%	6,30,540	5,57,380	13.1%
Operating Expense	1,69,380	1,36,780	23.8%	4,75,770	4,02,390	18.2%
EBITDA	53,930	56,240	-4.1%	1,54,770	1,54,990	-0.1%
Other Income	2,550	1,890		7,500	6,830	
Depreciation	11,360	11,870		33,420	33,440	
EBIT	45,120	46,260	-2.5%	1,28,850	1,28,380	0.4%
Interest	820	1,470		2,540	3,520	
PBT	44,300	44,790	-1.1%	1,26,310	1,24,860	1.2%
Tax	9,820	5,020		27,070	24,280	
Exceptional Items	-	-		-	-	
PAT	34,480	39,770	-13.3%	99,240	1,00,580	-1.3%
Minority /Other Adj.	(60)	(80)		(180)	(150)	
Consolidated PAT	34,420	39,690	-13.3%	99,060	1,00,430	-1.4%

Margins	Q3-FY22	Q3-FY21	Chg BPS	9M-FY22	9M-FY21	Chg BPS
Operating Margin %	24.2%	29.1%	-499	24.5%	27.8%	-326
Net Margin %	15.4%	20.6%	-515	15.7%	18.0%	-231

## Consolidated Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	7,06,760	7,53,790	8,81,934	9,87,766
Operating Expense	5,33,900	5,53,540	6,47,642	7,25,359
EBITDA	1,72,860	2,00,250	2,34,293	2,62,408
Other Income	6,190	9,500	11,115	12,449
Depreciation	34,200	46,110	52,451	58,745
EBIT	1,44,850	1,63,640	1,92,957	2,16,111
Interest	5,050	5,110	5,110	5,110
Misc. items	-	-	-	-
PBT	1,39,800	1,58,530	1,87,847	2,11,001
Tax	29,230	46,840	55,502	62,343
Minority Interest	-	(240)	-	-
PAT	1,10,570	1,11,450	1,32,345	1,48,658

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	17.0%	6.7%	17.0%	12.0%
Operating Margin %	24.5%	26.6%	26.6%	26.6%
Net Margin %	15.6%	14.8%	15.0%	15.0%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<b><u>Liabilities</u></b>				
Equity Share Capital	5,430	5,430	5,430	5,430
Reserves & Surplus	5,07,240	5,93,700	7,26,045	8,74,703
Total Shareholder's Funds	5,12,670	5,99,130	7,31,475	8,80,133
Minority Interest	1,540	1,690	1,690	1,690
Long-Term Liabilities	28,480	38,280	38,280	38,280
Other Long-term Liabilities	48,200	47,540	47,540	47,540
Deferred Tax Liability	(22,300)	(10,340)	(10,340)	(10,340)
Short-term Liabilities	2,37,300	1,73,830	2,03,381	2,27,787
<b>Total</b>	<b>8,05,890</b>	<b>8,50,130</b>	<b>10,12,026</b>	<b>11,85,090</b>
<b><u>Assets</u></b>				
Net Fixed Assets	3,78,900	3,74,570	3,90,889	4,00,408
Long-Term L&A	15,060	13,900	13,900	13,900
Non Current Investments	770	890	890	890
Other Non-Current Assets	26,960	30,260	30,260	30,260
Current Asset	3,84,200	4,30,510	5,76,087	7,39,632
<b>Total</b>	<b>8,05,890</b>	<b>8,50,130</b>	<b>10,12,026</b>	<b>11,85,090</b>

Key Ratios	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	40.7	41.1	48.8	54.8
P/E (x)	32.8	32.6	27.4	24.4
P/B (x)	7.1	6.1	5.0	4.1
ROE	21.6%	18.6%	18.1%	16.9%

Source: Company, Anand Rathi Research

## Key Risks:

- ☐ US H1-B Visa regulations.
- ☐ Foreign currency fluctuations.
- ☐ Employee attrition.



Rating and Target Price history:

HCLTECH’s rating history & price chart



HCLTECH’s rating details

Date	Rating	Target Price (₹)	Share Price (₹)
15-Apr-20	Buy	540	458
18-Sep-20	Buy	931	807
21-Jan-21	Buy	1125	994
28-Apr-21	Buy	1075	924
23-Jul-21	Buy	1150	994
26-Oct-21	Buy	1350	1167
16-Jan-21	Buy	1550	1337

Source: Bloomberg, Anand Rathi Research  
NOTE: Prices are as on 16 January 2022 close.

Source: Bloomberg, Anand Rathi Research



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