

Buy

Results beat on all count, commentary comforting across biz

- HCLT reported 3.5% QoQ CC growth (DE: 2.4%) led by strong growth across segments with Product & Platforms leading the pack (8.9% QoQ). OPM improved by 127bps to 22.9% (DE 21.0%) helped by cost control and improved business mix. Announced Dividend of Rs. 4 per share.
- HCL has upped the EBIT guidance by 100bps/50bps to 21% to 21.5% despite upcoming wage hike in Q4 and sales investments in P&P biz. As it expects incremental off-shoring led tailwinds and sustenance of cost savings. Revenue Guidance for 4Q at 2-3% is intact on organic basis.
- Transformational deal wins were 13 in Q3 and Booking TCV was same LQ (13% up YoY). The growth indicators are still strong with pipeline (60% of these are large/mega deals), on-going traction in P&P (New licence wins jumped 250% YoY) and improved traction in ERD business.
- Better than expected performance in P&P business and improving FCF generation with strong outlook & commentary, would collectively tone down all the concerns in the stock and in turn drive further re-rating in the stock. We retain our Buy rating with TP of Rs1140 valued at 20x PER on FY23E EPS (2x on PEG basis).

Growth Drivers largely in place, Outlook encouraging

After a strong execution in Q3 with 3.5% QoQ CC growth, the commentary and guidance continue to reflect encouraging signs. The demand continues to look upbeat as Sectors (Groceries, Life Sciences) which benefited from transformation during the pandemic further invest in new capabilities (many renewals signed with expanded scope) and pent-up demand from impacted sectors (Manufacturing and Retail) returns. The P&P business (14% of Revenue) is also getting stronger as it delivered 8.3% QoQ growth and added Net New Licenses of \$91mn, a growth of 250%+ YoY. HCL highlighted that the P&P biz is witnessing strong up-sell, cross sell opportunities and increased deployments. Similar trends can also be observed in numbers as P&P biz did 6,000 unique transactions (v/s 5,000 in Q2) and total customers increased to 14,000 (12,000 in Q2). The ERS business (16% of Revenue) is improved although remain bit subdued on YoY basis and may perform when Aerospace vertical revives. However, ERS has witnessed EBIT Margin improvement of 230bps as the growth is off-shore based (also led to revenue compression).

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	1,93,020	1,81,350	6.4	1,85,940	3.8
Total Expense	1,38,600	1,36,650	1.4	1,36,430	1.6
EBITDA	54,420	44,700	21.7	49,510	9.9
Depreciation	10,270	8,000	28.4	9,350	9.8
EBIT	44,150	36,700	20.3	40,160	9.9
Other Income	1,260	670	88.1	1,360	(7.4)
Interest	0	0		0	
EBT	45,410	37,370	21.5	41,520	9.4
Tax	5,440	6,910	(21.3)	9,990	(45.5)
RPAT	39,810	30,380	31.0	31,420	26.7
APAT	39,810	30,380	31.0	31,420	26.7
			(bps)		(bps)
Gross Margin (%)	40.2	36.5	362	39.3	82
EBITDA Margin (%)	28.2	24.6	355	26.6	157
NPM (%)	20.6	16.8	387	16.9	373
Tax Rate (%)	12.0	18.5	(651)	24.1	(1208)
EBIT Margin (%)	22.9	20.2	264	21.6	127

CMP	Rs 990
Target / Upside	Rs 1,140 / 15%
NIFTY	14,434

Script Details

Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 2,686bn
	USD 37bn
52-week High/Low	Rs 1,067/ 375
Avg. Volume (no)	81,05,030
Bloom Code	HCLT IN

Price Performance	1M	3M	12M
Absolute (%)	12	15	66
Rel to NIFTY (%)	6	(8)	49

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	60.3	60.3	60.3
MF/Banks/FIs	10.0	10.6	10.6
FIIIs	25.6	24.9	24.9
Public / Others	4.1	4.1	4.1

Valuation (x)

	FY21E	FY22E	FY23E
P/E	20.0	19.1	17.4
EV/EBITDA	12.7	11.6	10.1
ROE (%)	24.1	22.1	21.7
RoACE (%)	23.1	21.3	21.0

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	7,55,441	8,46,153	9,40,841
EBITDA	2,02,277	2,17,381	2,36,755
PAT	1,34,299	1,38,307	1,52,314
EPS (Rs.)	49.5	51.7	57.0

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Exhibit 1: Quarterly performance versus estimates

(Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenues (in US\$ mn)	2,617	2,579	2,606	1.4	0.4	Rev beat led by strong growth in P&P biz of 8.3% QoQ
Sales	1,93,020	1,90,332	1,90,516	1.4	1.3	
EBIT	44,150	39,973	39,748	10.4	11.1	EBIT beat led by cost control in SG&A and stable wage cost
EBIT, margin	22.9	21.0	20.9	190 bps	200 bps	
PAT	39,970	31,373	30,916	27.4	29.3	PAT beat lead by one-off tax reversal in prior years.

Source: DART, Company

Change in Estimates

Given strong performance, encouraging commentary, we upgrade our revenue growth estimates by ~1-2% over FY21E-FY23E. We up our OPM estimates by ~80bps/16bps/10bps for FY21E/FY22E/FY23E given the guidance upgrade and some sustainable cost saving in margins. These factors have led to EPS upgrade of about 4% for FY22/23E. Bigger upgrade in FY21E is skewed by lower ETR (tax reversal led).

Exhibit 2: Change in Estimates

(Rs mn)	FY20A	FY21E			FY22E			FY23E		
	Actual	Old	New	% chg	Old	New	% chg	Old	New	% chg
USD Revenue	9,936	10,092	10,173	0.8	11,146	11,356	1.9	12,170	12,379	1.7
YoY growth, %	15.1	1.6	2.4	82	10.5	11.6	118	9.2	9.0	(18)
INR Revenue	7,06,780	7,50,227	7,55,441	0.7	8,35,972	8,46,153	1.2	9,24,948	9,40,841	1.7
EBIT	1,38,530	1,56,132	1,63,188	4.5	1,72,958	1,76,377	2.0	1,91,267	1,95,453	2.2
EBIT mgns, %	19.6	20.8	21.6	79	20.7	20.8	16	20.7	20.8	10
Net profits	1,10,620	1,22,702	1,34,299	9.5	1,35,037	1,38,307	2.4	1,48,417	1,52,314	2.6
EPS (Rs)	40.8	45.2	49.5	9.5	49.8	51.7	4.0	54.7	57.0	4.2

Source: DART, Company

Exhibit 3: Key Assumptions in our estimates

Assumptions Table	FY20A	FY21E	FY22E	FY23E
USD revenue growth (%)	15.1	2.4	11.6	9.0
INR revenue growth (%)	17.0	6.9	12.0	11.2
EBIT margins (% of sales)	19.6	21.6	20.8	20.8
EPS growth (%)	10.8	21.4	4.5	10.1
USD/INR	71.1	74.3	74.5	76.0

Source: Company, DART

Exhibit 4: Key Revenue Matrix

YoY Growth	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC Growth	17.0	20.5	16.4	13.5	1.0	(0.4)	0.1
USD Growth	15.0	18.4	15.5	11.7	(0.3)	0.9	1.4
INR Growth	18.4	17.9	15.5	16.3	8.6	6.1	5.0

Source: DART, Company

Exhibit 5: Quarterly & YTD Trend

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
USD Revenue	2,485	2,543	2,544	2,356	2,507	2,617	2.9	4.4	7,392.0	7,478.7	1.2
INR Revenue	1,75,280	1,81,350	1,85,900	1,78,410	1,85,940	1,93,020	6.4	3.8	5,20,880	5,57,370	7.0
Operating Expense	1,34,250	1,36,650	1,38,700	1,32,750	1,36,430	1,38,600	1.4	1.6	4,01,150	4,07,780	1.7
Cost of revenue	1,13,860	1,15,100	1,14,790	1,10,700	1,12,790	1,15,510	0.4	2.4	3,38,160	3,39,000	0.2
as % of sales	65.0	63.5	61.7	62.0	60.7	59.8			64.9	60.8	
SG&A expenses	20,390	21,550	23,910	22,050	23,640	23,090	7.1	(2.3)	62,990	68,780	9.2
as % of sales	11.6	11.9	12.9	12.4	12.7	12.0			12.1	12.3	
EBITDA	41,030	44,700	47,200	45,660	49,510	54,420	21.7	9.9	1,19,730	1,49,590	24.9
Depreciation	6,060	8,000	8,390	9,060	9,350	10,270	28.4	9.8	20,010	28,680	43.3
EBIT	34,970	36,700	38,810	36,600	40,160	44,150	20.3	9.9	99,720	1,20,910	21.2
Other Income	(30)	670	(130)	2,050	1,360	1,260	88.1	(7.4)	1,920	4,670	143.2
PBT	34,940	37,370	38,680	38,650	41,520	45,410	21.5	9.4	1,01,640	1,25,580	23.6
Total Tax	8,350	6,910	7,070	9,290	9,990	5,440	(21.3)	(45.5)	22,310	24,720	10.8
PAT before MI	26,590	30,460	31,610	29,360	31,530	39,970	31.2	26.8	79,330	1,00,860	27.1
Minority Interest	80	80	80	130	110	160	100.0	45.5	240	400	66.7
PAT after MI	26,510	30,380	31,530	29,230	31,420	39,810	31.0	26.7	79,090	1,00,460	27.0
Reported EPS	9.8	11.2	11.6	10.8	11.6	14.7	31.0	26.7	29.1	37.0	27.0
Margins (%)							(bps)	(bps)			
EBIDTA	23.4	24.6	25.4	25.6	26.6	28.2	355	157	23.0	26.8	385
EBIT	20.0	20.2	20.9	20.5	21.6	22.9	264	127	19.1	21.7	255
EBT	19.9	20.6	20.8	21.7	22.3	23.5	292	120	19.5	22.5	302
PAT	15.1	16.8	17.0	16.4	16.9	20.6	387	373	15.2	18.0	284
Effective Tax rate	23.9	18.5	18.3	24.0	24.1	12.0	-651	(1,208)	22.0	19.7	-227

Source: Company, DART

What to expect next quarter

We expect Revenue to grow by ~3.0% QoQ in CC terms on upper end of the guidance driven by traction in IT Biz and ERS biz, seasonal softness in P&P Biz and acquisition consolidation of DWS. Profitability is likely to decline QoQ by 153bps to 21.3% on account of salary hike and re-investment in sales and other business investment (current quarter also had one-time benefits of about 40bps).

Exhibit 6: What to Expect Next Quarter

HCL Tech	Q4FY21E	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
Sales (US\$ mn)	2,695	2,617	2,544	3.0	5.9
Sales	1,98,071	1,93,020	1,85,900	2.6	6.5
EBIT	42,278	44,150	38,810	(4.2)	8.9
PAT	33,839	39,810	31,530	(15.0)	7.3
EPS	12.5	14.7	11.6	(15.0)	7.3
EBIT margin (%)	21.3	22.9	20.9	(153 bps)	47 bps

Source: Company, DART

Valuation

We believe HCLT and other Tier I IT companies would continue to deliver strong revenue momentum over next 5-6 quarters (translating into double digit revenue growth in FY22E) and thus would sustain current valuations of 25x-30x which implies over 2x-3x on PEG basis. We currently value HCLT at 20x (from 18times) on FY23E Earnings of Rs. 57 (earlier Rs. 55) with TP of Rs. 1,140 per share (from Rs. 990) and maintain our **Buy** Rating on the stock.

Key Highlights from the earnings call

- Revenue:** Revenue stood at \$2,617mn after growing at 3.5% QoQ in CC terms. The growth was led by digital and cloud traction as companies are modernizing their core processes for speed, efficiency and cost savings. The USD terms growth was 4.4% QoQ after 90bps benefit of favorable Cross Currency. In terms of M1-M2-M3 business segments, the growth was led by Mode 2 (several large deals) and Mode 3 growing at 10.9% QoQ and 7.1% QoQ respectively while Mode 1 growth was subdued at 0.1% QoQ. On a YoY basis, HCLT has already reached Pre-COVID level with USD Revenue up 1.1% in CC terms (although ERS is ~5% down YoY on CC basis)
- OPM:** EBIT Margins stood at 22.9% with an increase of 127bps QoQ. This was led by 180bps positive gains which included incremental off-shoring gave 50bps benefit and 40bps revenue catch-up from Q2 in ERS segment and other benefits from cost saving, positive operating leverage and reversal of bad debt provisions which were negated by 50bps wage hike impact, 30bps depreciation impact and remaining saving from higher bonus payout last quarter. HCL expects the Q4 quarter to have wage hike impact of 80-90bps in Q4.
- Outlook:** HCL won 13 transformation deals during the quarter and 13% increase in TCV on YoY basis. The commentary remained encouraging with respect to overall demand (relates to IT & Biz Services largely) and P&P biz. The Pipeline also is strong and HCL expects acceleration of bookings. CVK (HCLT-CEO) also highlighted that he expects the next 5 years to be better in terms of growth compared to last 5 years for the industry and expects it not to be front loaded. CVK shared the example that hyperscalers cannot converted their high booking to revenue immediately as there is a lot of planning involved in implementation.
- Guidance:** HCL Tech shared the revenue guidance for Q4FY21 at 2% to 3% QoQ including the contribution of DWS acquisition (same on organic basis). The EBIT margin guidance for FY21 was increased by 100bps/50bps to 21% to 21.5% despite upcoming wage hike in Q4 and sales investments in P&P biz.
- Vertical Commentary:** BFSI (21% of Rev) declined 0.4% QoQ but commentary is encouraging as it expects its largest banking partnership (Retail Bank in North America) to invest in CX Value Chain, Modernize B2C and leverage UX and CX, API micro services, integrate acquired Banks. The Telecomm and Media vertical (18% of Revenue) growth of 12.1% CC QoQ was led by a one-time deal activity which is unlikely to persist in future. Retail & CPG (11% of Revenue) witnessed growth of 3.7% CC QoQ as some sub-verticals (Groceries) continue to invest in digital transformation as they gain benefit during the pandemic. Manufacturing (18% of Revenue) witnessed growth of 5.6% from attribute ramp-up.

Exhibit 7: Vertical Trend for Q3FY21

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	560	21	(0.4)	(0.5)	6	5
Manufacturing	474	18	5.6	(13.1)	30	27
Technology and services	466	18	6.8	20.2	32	29
Retail & CPG	275	11	3.7	3.0	14	13
Telecommunication, Media, Publishing & Entertainment	217	8	12.1	(7.0)	24	22
Lifesciences & Healthcare	356	14	0.0	13.3	2	2
Public Services	272	10	0.5	(3.4)	4	4
Total	2,617	100	3.5	1.1	110	100

Source: DART, Company

- Tax Rate:** The Q3FY21 quarter witnessed Tax rate of 12% as it had tax reversal of prior years (*reversal of reserve for an uncertain tax position set-up in prior years and reduction in tax liability attributable to change in the method of calculating a tax deduction under the law*). The Q4 tax rate is guided to be around 21.5% - 22% and FY22 tax rate would be around 23.5% as some benefit are lost. The Profit Before Tax increased by 9.4% QoQ v/s PAT increase of 26.7%.
- Geographic Commentary:** Americas (63% of Revenue) grew 3.2% QoQ and contributed 49% of incremental revenue. Europe (30% of Revenue) performed better and contributed 55% of incremental revenue. Rest of World (8% of Revenue) remained subdued.

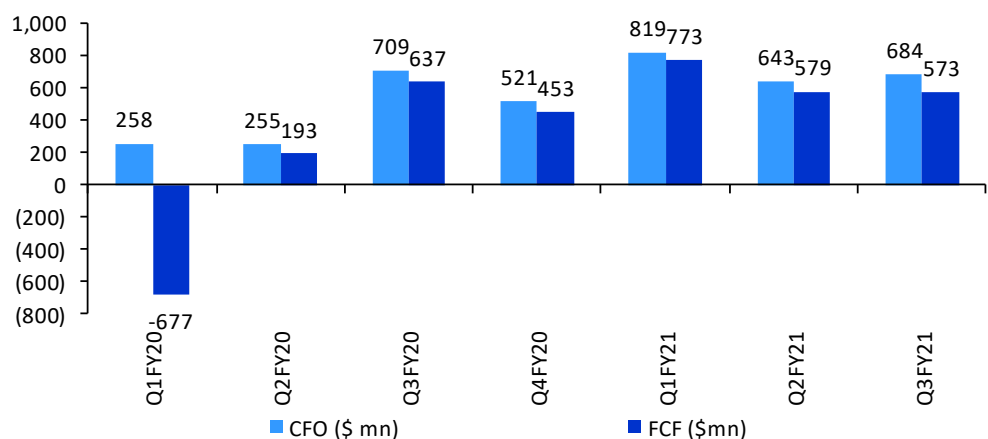
Exhibit 8: Geography Trend for Q3FY21

Geography	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Americas	1,635	63	3.2	2.2	54	49
Europe	772	30	6.3	(1.0)	60	55
ROW	209	8	(4.5)	0.1	(4)	(3)
Total	2,617	100	3.5	1.1	110	100

Source: DART, Company

- Human Resources:** The attrition rate stands at all-time low of 10.2%. HCLT expects gradual increase in attrition rate. It also highlighted that net hiring of 6,600 resources was 90% off-shore.
- Cash Flow:** The OCF stood at \$684mn and FCF stood at \$573mn. FCF to PAT ratio stood at 106%. DSO (including unbilled) declined by 1 day QoQ to 78 Days.

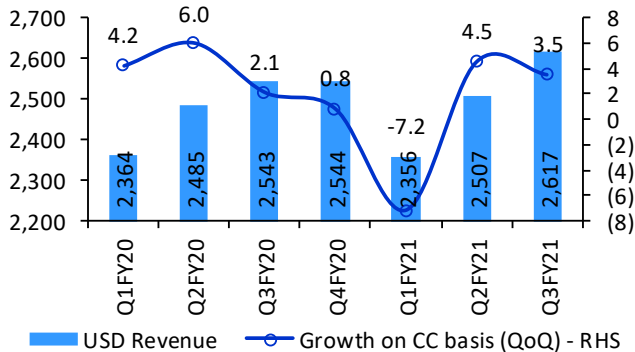
Exhibit 9: OCF and FCF Trend



Source: DART, Company

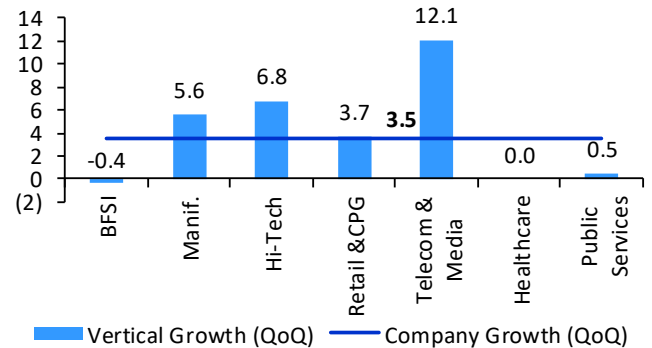
Key Trends in Charts

Exhibit 10: Revenue grew 3.5% QoQ led by ..



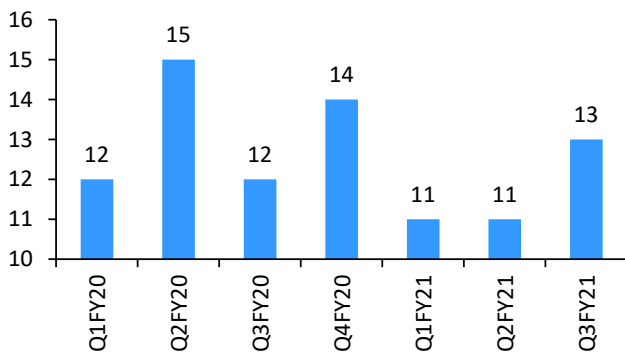
Source: Company, DART

Exhibit 11: ... traction from select verticals



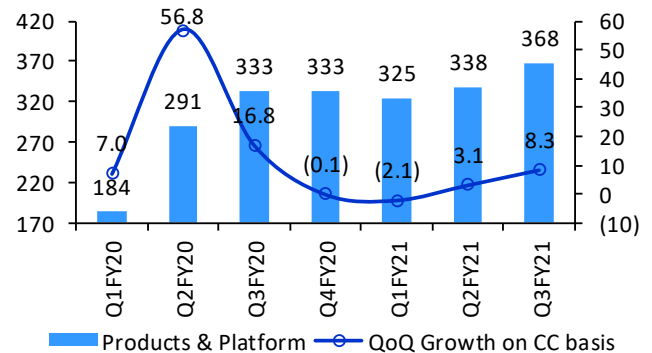
Source: Company, DART

Exhibit 12: Transformational Deal wins at 13, TCV up 13% YoY



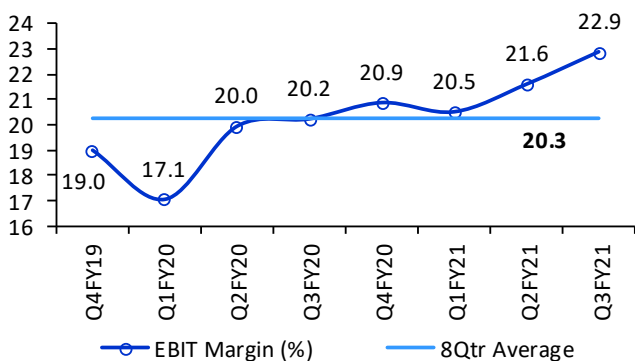
Source: Company, DART

Exhibit 13: P&P biz continues to outperform up 8.3% QoQ on CC basis



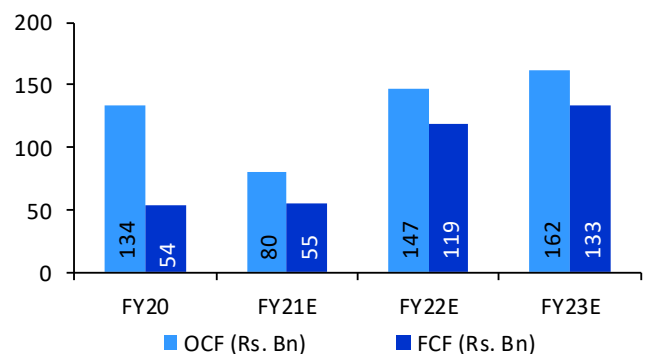
Source: Company, DART

Exhibit 14: EBIT Margin up by 127bps led by cost saving in SG&A and stable wage cost.



Source: Company, DART

Exhibit 15: FCF Generation is expected to improve further over FY21 to FY23.



Source: Company, DART

Exhibit 16: Operating Metrics 1

Particulars	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue Growth in CC (QoQ)	3.0	5.6	3.3	4.2	6.0	2.1	0.8	(7.2)	4.5	3.5
Revenue Growth in CC (YoY)	10.5	13.0	15.3	17.0	20.5	16.4	13.5	1.0	(0.4)	1.1
OPM Margin (%)	20.0	19.7	19.0	17.1	20.0	20.2	20.9	20.5	21.6	22.9
Segment Amount (\$ mn)										
IT and Business Services	NA	NA	NA	1,779	1,775	1,785	1,796	1,653	1,774	1,843
Engineering and R&D Services	NA	NA	NA	400	421	425	415	378	394	405
Products & Platforms	NA	NA	NA	184	290	333	333	325	338	368
Segment Growth CC QoQ (%)										
IT and Business Services				3.6	0.9	0.1	1.6	(7.8)	4.9	2.7
Engineering and R&D Services				5.6	5.4	0.7	(1.6)	(9.0)	3.6	2.5
Products & Platforms				7.0	56.8	16.8	(0.1)	(2.1)	3.1	8.3
Segmental OPM (%)										
IT and Business Services	18.3	17.2	17.5	16.7	17.5	17.8	19.0	18.8	19.8	21.0
Engineering and R&D Services	22.0	23.3	23.4	16.3	21.4	20.7	18.9	18.7	22.2	24.5
Products & Platforms	28.9	33.1	25.5	25.0	33.5	33.5	33.2	31.6	30.5	30.6
Vertical Amount (\$ mn)										
BFSI	483	476	481	480	557	549	537	528	554	560
Manufacturing	378	390	399	470	492	531	527	426	444	474
Telecom	382	412	426	447	383	384	412	405	434	466
Retail & CPG	210	225	228	225	249	262	259	236	261	275
Hi-Tech	151	203	196	189	209	229	211	179	193	217
Healthcare	271	286	296	303	321	310	318	323	353	356
Energy-Utilities-Travel-Govt	225	214	253	248	273	277	280	259	268	272
Vertical Growth YoY (%)										
BFSI	2.3	0.1	(1.4)	0.9	19.0	16.8	14.1	11.7	(2.5)	(0.5)
Manufacturing	(3.9)	1.5	6.7	28.3	33.0	38.1	34.3	(8.3)	(11.5)	(13.1)
Telecom	36.3	24.4	25.9	20.0	0.5	(6.1)	(3.0)	(8.8)	12.8	20.2
Retail & CPG	19.2	21.5	20.9	22.1	21.3	16.9	15.3	6.7	3.3	3.0
Hi-Tech	(0.8)	40.3	33.4	28.2	40.1	13.6	10.8	(4.4)	(8.8)	(7.0)
Healthcare	19.8	23.4	28.2	16.0	19.9	8.9	7.6	7.1	9.2	13.3
Energy-Utilities-Travel-Govt	13.3	8.1	21.8	18.0	23.7	31.3	14.6	7.0	(3.0)	(3.4)
Geography Amount (\$ mn)										
Americas	1,381	1,418	1,433	1,600	1,601	1,597	1,613	1,500	1,582	1,635
Europe	562	621	677	612	701	743	730	667	712	772
ROW	155	161	169	149	184	203	198	188	213	209
Geography Growth YoY (%)										
Americas	15.1	12.9	15.1	21.3	16.3	12.9	13.1	(5.8)	(1.3)	2.2
Europe	3.5	14.5	18.7	11.3	30.9	21.4	11.9	11.4	(2.6)	(1.0)
ROW	0.7	8.4	4.7	1.6	20.8	27.3	23.3	31.2	15.4	0.1
Client Amount (\$ mn)										
Top 5 Clients	363	383	387	392	388	387	384	327	343	353
Top 6-10 Clients	157	163	162	173	186	183	176	165	180	196
Top 11-20 Clients	197	205	212	243	263	270	257	233	243	259
Non-Top 20 Clients	1,381	1,451	1,517	1,555	1,648	1,704	1,727	1,630	1,740	1,808
Client Growth YoY (%)										
Top 5 Clients	24.7	22.0	16.6	12.3	6.8	0.9	(0.8)	(16.6)	(11.4)	(8.6)
Top 6-10 Clients	4.7	6.4	5.8	10.5	18.4	12.4	8.5	(4.4)	(3.2)	7.2
Top 11-20 Clients	(0.7)	3.0	5.0	23.4	33.5	31.7	21.3	(4.2)	(7.7)	(3.9)
Non-Top 20 Clients	7.2	9.7	12.3	15.0	19.3	17.4	13.9	4.8	5.6	6.1

Source: DART, Company

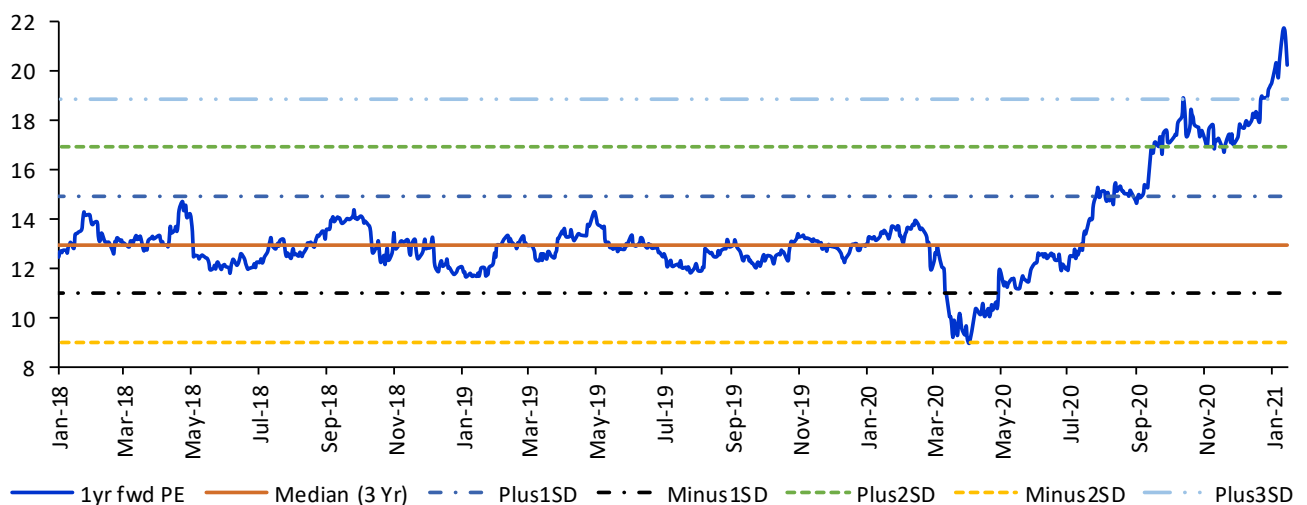
Exhibit 17: Operating Metrics 2

Particulars	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Client Data										
1mn \$ +	575	597	623	633	667	712	791	848	865	814
5mn \$ +	269	276	283	293	299	302	308	320	317	312
10mn \$ +	165	164	166	172	171	167	171	173	172	173
20mn \$ +	90	95	95	93	93	94	96	93	91	97
50mn \$ +	31	29	29	29	30	32	30	29	29	31
100mn \$ +	9	10	10	12	13	15	15	15	14	15
Total Employees										
Total Employees	1,27,875	1,32,328	1,37,965	1,43,900	1,47,123	1,49,173	1,50,423	1,50,287	1,53,085	1,59,682
Gross Additions										
Gross Additions	11,683	13,191	14,249	16,332	13,430	11,502	10,278	7,005	8,390	12,422
Net Addition										
Net Addition	3,754	4,453	5,637	5,935	3,223	2,050	1,250	-136	2,798	6,597
Attrition (LTM) (%)										
Attrition (LTM) (%)	17.1	17.8	17.7	17.3	16.9	16.8	16.3	14.6	12.2	10.2
DSO										
DSO	66	64	66	67	68	70	66	66	65	61
Revenue by Contract										
T&M	802	808	827	863	833	819	806	784	817	827
FP	1,297	1,394	1,451	1,501	1,653	1,724	1,738	1,571	1,689	1,790
Revenue by Contract (YoY)										
T&M	5.0	3.7	5.7	10.5	3.9	1.3	-2.5	-9.1	-1.9	1.0
FP	11.4	15.3	17.1	17.8	27.4	23.7	19.8	4.7	2.2	3.8
TCV										
Transformational deals	17	17	17	12	15	12	14	11	11	13
Old Biz Segment Amount										
Mode 1	1,511	1,562	1,606	1,662	1,665	1,679	1,656	1,494	1,587	1,596
Mode 2	336	377	431	444	455	462	488	479	524	594
Mode 3	250	263	241	258	365	402	400	382	396	427

Source: DART, Company

Band Chart

Exhibit 18: HCLT is trading at ~20.3x on TTM basis, above its Plus3SD Mean as stock is getting re-rated after multi-year consolidation



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	7,06,780	7,55,441	8,46,153	9,40,841
Total Expense	5,39,850	5,53,164	6,28,771	7,04,087
COGS	4,52,950	4,60,220	5,24,261	5,86,482
Employees Cost	0	0	0	0
Other expenses	86,900	92,945	1,04,511	1,17,605
EBIDTA	1,66,930	2,02,277	2,17,381	2,36,755
Depreciation	28,400	39,089	41,004	41,301
EBIT	1,38,530	1,63,188	1,76,377	1,95,453
Interest	0	0	0	0
Other Income	1,790	5,942	5,298	6,750
Exc. / E.O. items	0	0	0	0
EBT	1,40,320	1,69,131	1,81,675	2,02,204
Tax	29,380	34,301	42,909	49,509
RPAT	1,10,620	1,34,299	1,38,307	1,52,314
Minority Interest	320	530	460	380
Profit/Loss share of associates	0	0	0	0
APAT	1,10,620	1,34,299	1,38,307	1,52,314

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	5,430	5,430	5,350	5,350
Minority Interest	1,540	2,070	2,530	2,910
Reserves & Surplus	5,07,240	5,95,760	6,43,288	7,47,476
Net Worth	5,12,670	6,01,190	6,48,638	7,52,826
Total Debt	46,930	46,630	46,410	46,210
Net Deferred Tax Liability	(22,300)	(22,263)	(22,263)	(22,297)
Total Capital Employed	5,38,840	6,27,627	6,75,315	7,79,649

Applications of Funds

Net Block	3,74,900	3,61,061	3,42,707	3,23,025
CWIP	4,000	3,300	2,700	2,200
Investments	770	970	1,070	1,170
Current Assets, Loans & Advances	4,26,220	4,81,571	5,61,439	6,99,423
Inventories	910	932	1,060	1,187
Receivables	1,41,310	1,51,039	1,66,912	1,83,013
Cash and Bank Balances	48,480	87,778	1,45,002	2,59,036
Loans and Advances	34,220	34,567	34,923	35,287
Other Current Assets	1,30,130	1,35,284	1,41,523	1,48,180
Less: Current Liabilities & Provisions	2,67,050	2,19,275	2,32,601	2,46,169
Payables	11,660	11,948	12,059	13,503
Other Current Liabilities	2,55,390	2,07,328	2,20,543	2,32,666
	<i>sub total</i>			
Net Current Assets	1,59,170	2,62,295	3,28,838	4,53,254
Total Assets	5,38,840	6,27,627	6,75,315	7,79,649

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	35.9	39.1	38.0	37.7
EBIDTA Margin	23.6	26.8	25.7	25.2
EBIT Margin	19.6	21.6	20.8	20.8
Tax rate	20.9	20.3	23.6	24.5
Net Profit Margin	15.7	17.8	16.3	16.2
(B) As Percentage of Net Sales (%)				
COGS	64.1	60.9	62.0	62.3
Employee	0.0	0.0	0.0	0.0
Other	12.3	12.3	12.4	12.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	73	73	72	71
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	6	6	5	5
Working Capital days	82	127	142	176
FA T/O	1.9	2.1	2.5	2.9
(D) Measures of Investment				
AEPS (Rs)	40.8	49.5	51.7	57.0
CEPS (Rs)	51.2	63.9	67.1	72.4
DPS (Rs)	6.0	16.9	16.0	16.0
Dividend Payout (%)	14.8	34.1	30.9	28.1
BVPS (Rs)	188.9	221.5	242.6	281.6
RoANW (%)	23.9	24.1	22.1	21.7
RoACE (%)	22.9	23.1	21.3	21.0
RoAIC (%)	32.2	31.7	33.0	37.2
(E) Valuation Ratios				
CMP (Rs)	990	990	990	990
P/E	24.3	20.0	19.1	17.4
Mcap (Rs Mn)	26,85,986	26,85,986	26,85,986	26,85,986
Mcap/ Sales	3.8	3.6	3.2	2.9
EV	26,13,266	25,72,867	25,15,374	24,00,440
EV/Sales	3.7	3.4	3.0	2.6
EV/EBITDA	15.7	12.7	11.6	10.1
P/BV	5.2	4.5	4.1	3.5
Dividend Yield (%)	0.6	1.7	1.6	1.6
(F) Growth Rate (%)				
Revenue	17.0	6.9	12.0	11.2
EBITDA	19.5	21.2	7.5	8.9
EBIT	17.2	17.8	8.1	10.8
PBT	11.1	20.5	7.4	11.3
APAT	9.3	21.4	3.0	10.1
EPS	10.8	21.4	4.5	10.1

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	1,33,590	1,04,986	1,65,203	1,77,530
CFI	(1,23,740)	(25,550)	(22,200)	(21,920)
CFF	(31,680)	(40,137)	(85,780)	(41,576)
FCFF	54,370	80,436	1,43,153	1,56,410
Opening Cash	61,360	39,530	78,828	1,36,052
Closing Cash	39,530	78,828	1,36,052	2,50,086

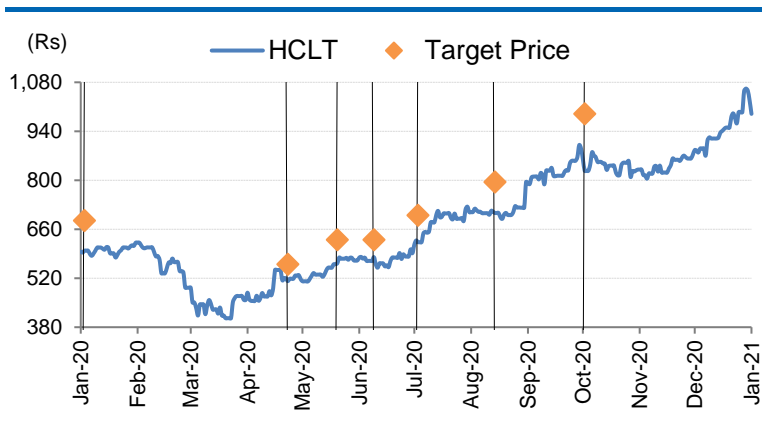
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-20	Accumulate	685	599
May-20	Buy	560	512
Jun-20	Accumulate	630	563
Jun-20	Accumulate	630	580
Jul-20	Accumulate	700	623
Aug-20	Accumulate	795	706
Oct-20	Buy	990	827

*Price as on recommendation date

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