

### Results Miss, Commentary and TCV comforting

- HCLT reported weak results with revenue growth of 2.5% in CC terms (DE 3.3%) and OPM at 16.6% (DE: 19.8%). Results performance was affected by weak revenues, impairment impact of \$16mn in P&P segment.
- Guided strong revenue growth for FY22 with base growth of double-digit, which along with strong TCV data (Net New TCV at \$7.3bn in FY21 – up 18% growth) implies potential for much wider growth print for the year.
- OPM guidance stood at 19%-21% is bit disappointing. Management has factored in some bit normalisation of discretionary cost savings and need for investments in new Geos and Mode 2 Digital offerings in the Engg Services as reason for the wider/lower band.
- We believe strong double digit organic growth guidance backed by strong TCV/Pipeline, along with much improved FCF profile makes a strong case of re-rating of the stock and thus we maintain HCLT as our Top Pick with TP of Rs1,140 valued at 20x on FY23E earnings.

### Growth drivers in place, Outlook encouraging

Despite weak results in Q3, the commentary and TCV data points continue to reflect encouraging signs. The Q4 New Deal TCV stood at \$3.1Bn (all time high) with new 19 large deals (most with F500). The pipeline (all-time high) and TCV was largely broad based across Verticals & Geos. The IT & Business Services (72% of Revenue) although down -0.6% on YoY basis is witnessing continued traction led by Digital Transformation demand. The ERS (15% of Revenue) was flat in Q4 due to weakness in aerospace and manufacturing and has bottomed out and HCL expects growth ahead. P&P business (13% of Revenue) just witnessed seasonality in Q4 with 4.9% decline QoQ but pipeline (cross-sell led) continues to be strong. HCL highlighted that 75% of P&P Product Portfolio is expected to witness double digit growth while remaining 25% is expected to decline (higher decline in FY22) over the medium to long term. HCL is continuing its investments in geographies in Developed Markets and Emerging markets – Brazil, Mexico, South Korea (Country Heads already hired) and investments in Sales for and Product Engineering in P&P Segment. HCL is also launching a SaaS platform “HCL Now” for SaaS version of HCL Software Products.

### Q4FY21 Result (Rs Mn)

Particulars	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Revenue	1,96,420	1,85,900	5.7	1,93,020	1.8
Total Expense	1,52,730	1,38,700	10.1	1,38,600	10.2
EBITDA	43,690	47,200	(7.4)	54,420	(19.7)
Depreciation	11,170	8,390	33.1	10,270	8.8
EBIT	32,520	38,810	(16.2)	44,150	(26.3)
Other Income	1,900	(130)	(1561.5)	1,260	50.8
Interest	0	0		0	
EBT	34,420	38,680	(11.0)	45,410	(24.2)
Tax	10,380	7,070	46.8	5,440	90.8
RPAT	23,870	31,530	(24.3)	39,810	(40.0)
APAT	23,870	31,530	(24.3)	39,810	(40.0)
			(bps)		(bps)
Gross Margin (%)	34.8	38.3	(343)	40.2	(534)
EBITDA Margin (%)	22.2	25.4	(315)	28.2	(595)
NPM (%)	12.2	17.0	(481)	20.6	(847)
Tax Rate (%)	30.2	18.3	1188	12.0	1818
EBIT Margin (%)	16.6	20.9	(432)	22.9	(632)

CMP	Rs 956
Target / Upside	Rs 1,140 / 19%
NIFTY	14,341

### Scrip Details

Equity / FV	Rs 5,430mn / Rs 2
Market Cap	Rs 2,593bn
	USD 35bn
52-week High/Low	Rs 1,067/ 465
Avg. Volume (no)	60,03,220
Bloom Code	HCLT IN

Price Performance	1M	3M	12M
Absolute (%)	(3)	(3)	100
Rel to NIFTY (%)	2	(1)	50

### Shareholding Pattern

	Sep'20	Dec'20	Mar'21
Promoters	60.3	60.3	60.3
MF/Banks/FIs	10.6	10.2	10.5
FIIIs	24.9	24.9	24.1
Public / Others	4.1	4.5	5.0

### Valuation (x)

	FY21A	FY22E	FY23E
P/E	20.9	19.2	16.8
EV/EBITDA	12.8	11.2	9.7
ROE (%)	22.4	21.4	21.9
RoACE (%)	21.4	20.5	21.1

### Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	7,53,790	8,52,176	9,50,820
EBITDA	1,93,280	2,15,313	2,39,840
PAT	1,24,330	1,34,984	1,54,140
EPS (Rs.)	45.8	49.7	56.8

VP - Research: Rahul Jain

Tel: +9122 40969771

E-mail: rahulj@datcapital.com

Associate: Divyesh Mehta

Tel: +91 22 40969768

E-mail: divyesh.mehta@datcapital.com

**Exhibit 1: Quarterly performance versus estimates**

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	2,696	2,721	2,728	(0.9)	(1.2)	Revenue miss due to higher seasonality in P&P Biz. (4.9% QoQ decline)
INR Revenue	1,96,420	1,98,543	1,99,590	(1.1)	(1.6)	
EBIT	32,520	39,363	41,569	(17.4)	(21.8)	EBIT Margin miss due to higher than expected impact of one-time bonus
EBIT, margin	16.6	19.8	20.8	(330 bps)	(430 bps)	
PAT	23,870	31,696	30,941	(24.2)	(22.3)	PAT miss extended due to higher ETR from Change in Indian Tax Laws.

Source: DART, Company

**Change in Estimates**

Taking into account its growth guidance and TCV data we have largely retained our revenue growth estimates that factors in 12.4%/9.4% growth in Revenue for FY22/23E respectively. However, given its modest performance on profitability in Q4 and wide OPM band guidance of 19-21%, we have curtailed our OPM estimates by 70/17bps for FY22/23E building in OPM of 20.2%/20.6% respectively. Thus, on an overall basis resulting into earnings cut of about 3.5% for FY22 (unchanged for 23E).

**Exhibit 2: Change in Estimates**

(All fig in Rs mn)	FY21A			FY22E			FY23E		
	Old	Actual	% chg	Old	New	% chg	Old	New	% chg
USD Revenue	10,199	10,174	(0.2)	11,465	11,437	(0.2)	12,498	12,511	0.1
YoY growth, %	2.6	2.4	(25 bps)	12.4	12.4	(1 bps)	9.0	9.4	38 bps
INR Revenue	7,55,913	7,53,790	(0.3)	8,54,257	8,52,176	(0.2)	9,49,854	9,50,820	0.1
YoY growth, %	7.0	6.7	(30 bps)	13.0	13.1	4 bps	11.2	11.6	38 bps
EBIT	1,60,273	1,53,430	(4.3)	1,78,459	1,72,077	(3.6)	1,97,721	1,96,315	(0.7)
EBIT Margin, %	21.2	20.4	(85 bps)	20.9	20.2	(70 bps)	20.8	20.6	(17 bps)
Net Profit	1,32,026	1,24,330	(5.8)	1,39,897	1,34,984	(3.5)	1,53,968	1,54,140	0.1
EPS (Rs. Abs)	48.7	45.8	(5.8)	52.3	49.7	(4.9)	57.6	56.8	(1.4)

Source: DART, Company

**Exhibit 3: Dolat v/s Consensus**

Particulars	FY22			FY23		
	Dolat	Consensus	Diff (%)	Dolat	Consensus	Diff (%)
USD Revenue	11,437	11,399	(0.3)	12,511	12,684	1.4
INR Revenue	8,52,176	8,51,856	0.0	9,50,820	9,47,947	(0.3)
EBIT Margin	20.2	21.3	106 bps	20.6	21.2	53 bps
Net Profit	1,34,984	1,45,109	7.5	1,54,140	1,61,269	4.6
EBIT	1,72,077	1,81,039	5.2	1,96,315	2,00,720	2.2

Source: DART, Company

**Exhibit 4: Key Assumptions in our estimates**

Assumptions Table	FY20A	FY21A	FY22E	FY23E
USD revenue growth (%)	15.1	2.4	12.4	9.4
INR revenue growth (%)	17.0	6.7	13.1	11.6
EBIT margins (% of sales)	19.6	20.4	20.2	20.6
EPS growth (%)	10.8	12.4	8.6	14.2
USD/INR	71.1	74.1	74.5	76.0

Source: Company, DART

**Exhibit 5: Key Revenue Matrix**

YoY Growth	FY21	Q1FY21	Q2FY21	Q3FY21	Q4FY21
CC Growth	1.1	1.0	(0.4)	1.1	2.6
USD Growth	2.4	(0.3)	0.9	2.9	6.0
INR Growth	6.7	8.6	6.1	6.4	5.7

Source: DART, Company

**Exhibit 6: Quarterly & YTD Trend**

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY (%)	QoQ (%)	FY20	FY21	YoY (%)
USD Revenue	2,544	2,356	2,507	2,617	2,696	6.0	3.0	9,936.0	10,174.6	2.4
INR Revenue	1,85,900	1,78,410	1,85,940	1,93,020	1,96,420	5.7	1.8	7,06,780	7,53,790	6.7
Operating Expense	1,38,700	1,32,750	1,36,430	1,38,600	1,52,730	10.1	10.2	5,39,850	5,60,510	3.8
Cost of revenues	1,14,790	1,10,700	1,12,790	1,15,510	1,28,030	11.5	10.8	4,52,950	4,67,030	3.1
as % of sales	61.7	62.0	60.7	59.8	65.2	534 bps	343 bps	64.1	62.0	-213 bps
SG&A expenses	23,910	22,050	23,640	23,090	24,700	3.3	7.0	86,900	93,480	7.6
as % of sales	12.9	12.4	12.7	12.0	12.6	61 bps	-29 bps	12.3	12.4	11 bps
EBITDA	47,200	45,660	49,510	54,420	43,690	(7.4)	(19.7)	1,66,930	1,93,280	15.8
Depreciation	8,390	9,060	9,350	10,270	11,170	33.1	8.8	28,400	39,850	40.3
EBIT	38,810	36,600	40,160	44,150	32,520	(16.2)	(26.3)	1,38,530	1,53,430	10.8
Other Income	-130	2,050	1,360	1,260	1,900	(1,561.5)	50.8	1,790	6,570	267.0
PBT	38,680	38,650	41,520	45,410	34,420	(11.0)	(24.2)	1,40,320	1,60,000	14.0
Total Tax	7,070	9,290	9,990	5,440	10,380	46.8	90.8	29,380	35,100	19.5
PAT before MI	31,610	29,360	31,530	39,970	24,040	(23.9)	(39.9)	1,10,940	1,24,900	12.6
Minority Interest	80	130	110	160	170	112.5	6.3	320	570	78.1
PAT after MI	31,530	29,230	31,420	39,810	23,870	(24.3)	(40.0)	1,10,620	1,24,330	12.4
Reported EPS	11.6	10.8	11.6	14.7	8.8	(24.3)	(40.0)	40.8	45.8	12.4
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			
EBIDTA	25.4	25.6	26.6	28.2	22.2	-315	-595	23.6	25.6	202
EBIT	20.9	20.5	21.6	22.9	16.6	-432	-632	19.6	20.4	75
EBT	20.8	21.7	22.3	23.5	17.5	-328	-600	19.9	21.2	137
PAT	17.0	16.4	16.9	20.6	12.2	-481	-847	15.7	16.5	84
Effective Tax rate	18.3	24.0	24.1	12.0	30.2	1,188	1,818	20.9	21.9	100

Source: DART, Company

**What to expect next quarter**

We are factoring in revenue growth of 2.3% on sequential basis led by strong Net new TCV wins of \$3.1bn in Q4. Also, on expectation of normalization of revenues in P&P segment we expect sharp recovery in profitability to 19%.

**Exhibit 7: What to Expect Next Quarter**

HCL Tech	Q1FY22E	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
USD Revenue	2,758	2,696	2,356	2.3	17.1
INR Revenue	2,04,094	1,96,420	1,78,410	3.9	14.4
EBIT	38,837	32,520	36,600	19.4	6.1
PAT	30,424	23,870	29,230	27.5	4.1
EPS	11.2	8.8	10.8	27.5	4.1
EBIT margin (%)	19.0	16.6	20.5	247 bps	(149 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 2.5x on PEG basis. We currently value HCLT at 20x (from 20times) on FY23E Earnings of Rs. 56.8 (earlier Rs. 57) with TP of Rs. 1,140 per share (from Rs. 1,140) and maintain our Rating at **Buy**.

## Key Highlights from the earnings call

**Revenue:** Revenue stood at \$2,696mn after growing at 2.5% QoQ in CC terms. The USD and INR Revenue growth stood at 3.0% and 1.8% implying 50bps favorable CC impact and 120 negative USD/INR impact. IT and Business services grew well at 4.4% QoQ. The Engineering and R&D Services grew by 0.7% but down 2.7% YoY due to COVID impact in Automobile & Aerospace industries. P&P business de-grew 4.9% (due to seasonality) but is up 3.3% on YoY basis.

### Exhibit 8: Segment Breakup

Segment Breakup	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
<b>Segment Amount (\$ mn)</b>								
IT and Business services	1,780	1,775	1,785	1,796	1,653	1,774	1,843	1,937
Engineering and R&D services	399	420	425	415	378	394	405	408
Products & Platforms	184	291	333	333	325	338	368	350
<b>Segment Growth CC YoY (%)</b>								
IT and Business services	18.1	17.4	10.4	6.2	(5.6)	(1.6)	1.1	3.7
Engineering and R&D services	13.3	15.0	12.8	10.2	(5.1)	(6.8)	(5.1)	(2.7)
Products & Platforms	15.2	57.9	72.8	94.0	77.7	16.2	9.3	3.3
<b>Segment Growth CC QoQ (%)</b>								
IT and Business services	3.6	0.9	0.1	1.6	(7.8)	4.9	2.7	4.4
Engineering and R&D services	5.6	5.4	0.7	(1.8)	(9.0)	3.6	2.5	0.7
Products & Platforms	7.0	56.8	16.8	(0.1)	(2.1)	3.1	8.3	(4.9)
<b>Segmental OPM (%)</b>								
IT and Business services					18.8	19.8	21.0	20.3
Engineering and R&D services					18.7	22.2	24.5	20.1
Products & Platforms					31.6	30.5	30.6	20.8

Source: DART, Company

- **OPM:** EBIT Margins stood at 16.6% with a decline of 632bps QoQ. This was largely led by one-time wage hike impact of 7,280Mn (370bps). The remaining impact was led by wage impact of 60bps, P&P seasonal decline impact of 73bps benefit, 61bps impact of Fresher Hiring & Other Investments and 21bps Fx impact. HCL expects another wage hike cycle in July.
- **Outlook:** HCL won 19 transformation deals during the quarter and 49% increase in TCV on YoY basis. It also did one of the largest deal with Global tech Co as preferred partner. The Pipeline is at Pipeline all-time high (driven by Mode 2) and P&P pipeline is also strong led by cross-sell initiatives with HCL services Channel. HCL expects double digit growth in FY22 and EBIT Margin to remain at 19%-21% given investments in the business and some return of expenses saved during COVID (Expects travel to come back). Within P&P, HCL plans to investment in growth products (75% of Portfolio) and in Sales Teams. HCL Tech has increased focus on some developed goes (Australia, Canada, France, Germany and Japan) and Emerging Geos (Brazil, Mexico, South Korea and Spain). It is making pro-active investments for sales in these geos. It also plans to hire 15,000 entry level people in FY22.

- **Vertical Commentary:** BFSI (22% of Revenue) grew 4.0% QoQ and contributed 29% to incremental growth. 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. Large part of remaining growth was contributed by Lifesciences & healthcare and Public Services Vertical (Combined ~25% of Revenue) which grew 6.6% and 9.9% QoQ and contribution 71% of Incremental Revenue.

**Exhibit 9: Vertical Trend for Q4FY21**

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	582	22	3.3	3.6	22	29
Manufacturing	477	18	0.3	(12.8)	4	5
Technology and services	464	17	(0.6)	11.4	(2)	(3)
Retail & CPG	272	10	(0.9)	1.3	(2)	(3)
Telecommunication, Media, Publishing & Entertainment	218	8	(0.1)	0.5	1	2
Lifesciences & Healthcare	380	14	6.6	18.1	24	32
Public Services	302	11	9.9	2.2	30	39
<b>Total</b>	<b>2,696</b>	<b>100</b>	<b>2.5</b>	<b>2.6</b>	<b>79</b>	<b>100</b>

Source: DART, Company

- **Tax Rate:** The Tax rate for IND-AS accounting books stood at ~67% due to Change in Tax Law in India on Goodwill Amortization which was applied retrospectively~120mn charge on DTL as Tax basis for Goodwill was reduced to 0. (payable to no one). The US GAAP books saw no change in tax base and no additional accounting for deferred tax.
- **Geographic Commentary:** Americas (62% of Revenue) grew 2.0% QoQ and contributed 46% of incremental revenue. Europe (29% of Revenue) performed weaker and contributed 16% of incremental revenue. Rest of World witnessed strong growth at 13.3% QoQ and contributed 39% to incremental growth.

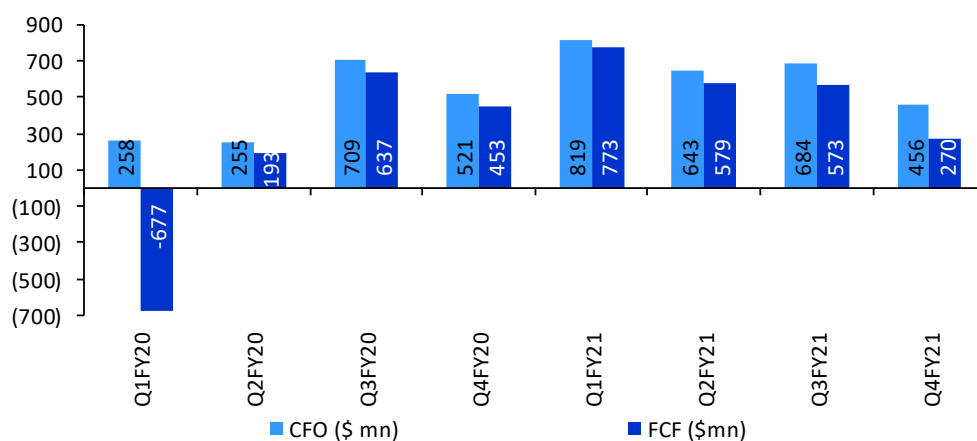
**Exhibit 10: Geography Trend for Q4FY21**

Geography	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Americas	1,671	62	2.0	2.9	36	46
Europe	785	29	0.7	-0.3	13	16
ROW	240	9	13.3	11.0	31	39
<b>Total</b>	<b>2,696</b>	<b>100</b>	<b>2.5</b>	<b>2.6</b>	<b>79</b>	<b>100</b>

Source: DART, Company

- **Cash Flow:** The OCF stood at \$456mn and FCF stood at \$270mn (due to DWS acq impact). DSO increased by 1 day QoQ to 62 Days.

**Exhibit 11: OCF and FCF Trend**

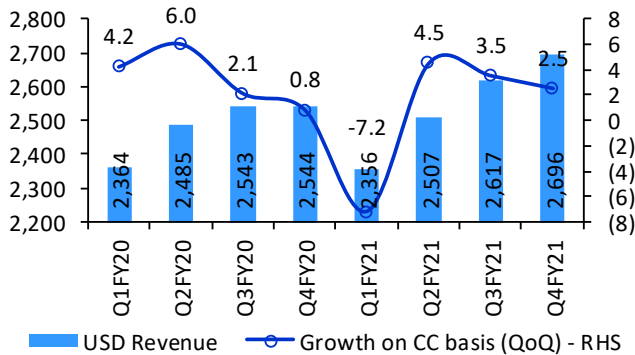


Source: DART, Company



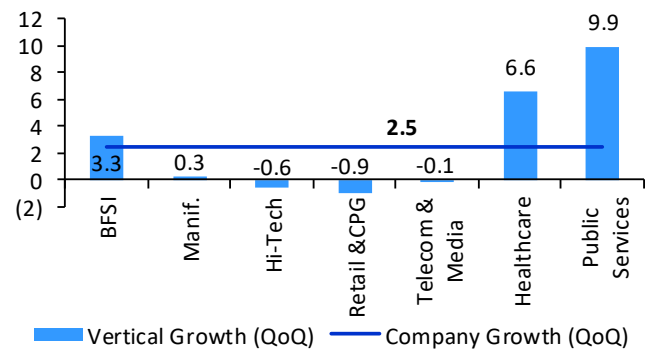
## Key Trends in Charts

**Exhibit 12: Revenue grew 2.5% QoQ led by ..**



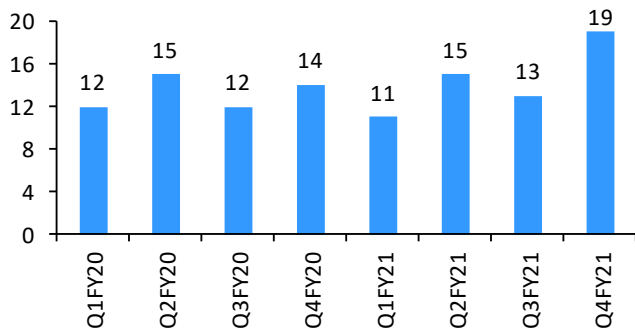
Source: Company, DART

**Exhibit 13: ... traction from select verticals**



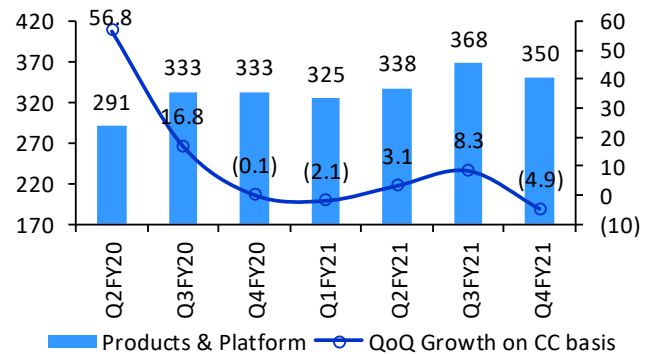
Source: Company, DART

**Exhibit 14: Transformational Deal wins at 19, TTM TCV at \$7.3Bn**



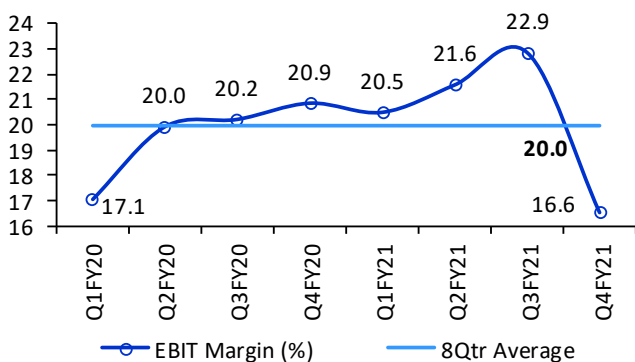
Source: Company, DART

**Exhibit 15: P&P biz witnessed seasonality, down 4.9% QoQ**



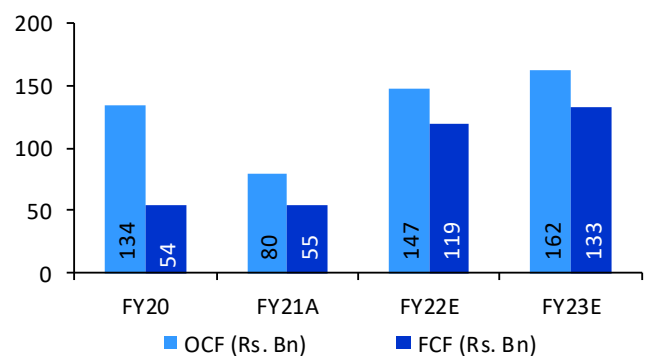
Source: Company, DART

**Exhibit 16: EBIT Margin down by 632bps led by one-time bonus.**



Source: Company, DART

**Exhibit 17: FCF Generation is expected to improve over FY21 to FY23.**



Source: Company, DART

**Exhibit 18: Operating Metrics 1**

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Revenue Growth in CC (QoQ)	5.6	3.3	4.2	6.0	2.1	0.8	(7.2)	4.5	3.5	2.5
Revenue Growth in CC (YoY)	13.0	15.3	17.0	20.5	16.4	13.5	1.0	(0.4)	1.1	2.6
OPM Margin (%)	19.7	19.0	17.1	20.0	20.2	20.9	20.5	21.6	22.9	16.6
<b>Segment Amount (\$ mn)</b>										
IT and Business Services	na	na	1,779	1,775	1,785	1,796	1,653	1,774	1,843	1,937
Engineering and R&D Services	na	na	400	421	425	415	378	394	405	408
Products & Platforms	na	na	184	290	333	333	325	338	368	350
<b>Segment Growth CC QoQ (%)</b>										
IT and Business Services			3.6	0.9	0.1	1.6	(7.8)	4.9	2.7	4.4
Engineering and R&D Services			5.6	5.4	0.7	(1.6)	(9.0)	3.6	2.5	0.7
Products & Platforms			7.0	56.8	16.8	(0.1)	(2.1)	3.1	8.3	(4.9)
<b>Segmental OPM (%)</b>										
IT and Business Services	17.2	17.5	16.7	17.5	17.8	19.0	18.8	19.8	21.0	20.3
Engineering and R&D Services	23.3	23.4	16.3	21.4	20.7	18.9	18.7	22.2	24.5	20.1
Products & Platforms	33.1	25.5	25.0	33.5	33.5	33.2	31.6	30.5	30.6	20.8
<b>Vertical Amount (\$ mn)</b>										
BFSI	476	481	480	557	549	537	528	554	560	582
Manufacturing	390	399	470	492	531	527	426	444	474	477
Telecom	412	426	447	383	384	412	405	434	466	464
Retail & CPG	225	228	225	249	262	259	236	261	275	272
Hi-Tech	203	196	189	209	229	211	179	193	217	218
Healthcare	286	296	303	321	310	318	323	353	356	380
Energy-Utilities-Travel-Govt	214	253	248	273	277	280	259	268	272	302
<b>Vertical Growth YoY (%)</b>										
BFSI	0.1	(1.4)	0.9	19.0	16.8	14.1	11.7	(2.5)	(0.5)	3.6
Manufacturing	1.5	6.7	28.3	33.0	38.1	34.3	(8.3)	(11.5)	(13.1)	(12.8)
Telecom	24.4	25.9	20.0	0.5	(6.1)	(3.0)	(8.8)	12.8	20.2	11.4
Retail & CPG	21.5	20.9	22.1	21.3	16.9	15.3	6.7	3.3	3.0	1.3
Hi-Tech	40.3	33.4	28.2	40.1	13.6	10.8	(4.4)	(8.8)	(7.0)	0.5
Healthcare	23.4	28.2	16.0	19.9	8.9	7.6	7.1	9.2	13.3	18.1
Energy-Utilities-Travel-Govt	8.1	21.8	18.0	23.7	31.3	14.6	7.0	(3.0)	(3.4)	2.2
<b>Geography Amount (\$ mn)</b>										
Americas	1,418	1,433	1,600	1,601	1,597	1,613	1,500	1,582	1,635	1,671
Europe	621	677	612	701	743	730	667	712	772	785
ROW	161	169	149	184	203	198	188	213	209	240
<b>Geography Growth YoY (%)</b>										
Americas	12.9	15.1	21.3	16.3	12.9	13.1	(5.8)	(1.3)	2.2	2.9
Europe	14.5	18.7	11.3	30.9	21.4	11.9	11.4	(2.6)	(1.0)	(0.3)
ROW	8.4	4.7	1.6	20.8	27.3	23.3	31.2	15.4	0.1	11.0
<b>Client Amount (\$ mn)</b>										
Top 5 Clients	383	387	392	388	387	384	327	343	353	356
Top 6-10 Clients	163	162	173	186	183	176	165	180	196	208
Top 11-20 Clients	205	212	243	263	270	257	233	243	259	267
Non-Top 20 Clients	1,451	1,517	1,555	1,648	1,704	1,727	1,630	1,740	1,808	1,866
<b>Client Growth YoY (%)</b>										
Top 5 Clients	22.0	16.6	12.3	6.8	0.9	(0.8)	(16.6)	(11.4)	(8.6)	(7.4)
Top 6-10 Clients	6.4	5.8	10.5	18.4	12.4	8.5	(4.4)	(3.2)	7.2	18.3
Top 11-20 Clients	3.0	5.0	23.4	33.5	31.7	21.3	(4.2)	(7.7)	(3.9)	3.9
Non-Top 20 Clients	9.7	12.3	15.0	19.3	17.4	13.9	4.8	5.6	6.1	8.0

Source: DART, Company



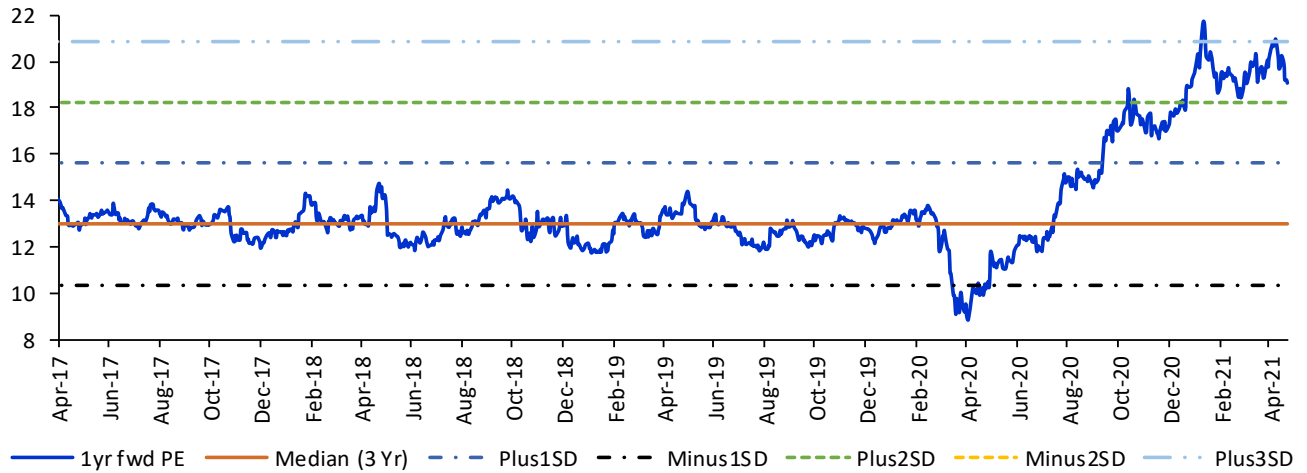
**Exhibit 19: Operating Metrics 2**

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
<b>Client Data</b>										
1mn \$ +	597	623	633	667	712	791	848	865	814	809
5mn \$ +	276	283	293	299	302	308	320	317	312	319
10mn \$ +	164	166	172	171	167	171	173	172	173	178
20mn \$ +	95	95	93	93	94	96	93	91	97	96
50mn \$ +	29	29	29	30	32	30	29	29	31	35
100mn \$ +	10	10	12	13	15	15	15	14	15	15
<b>Total Employees</b>										
	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	1,68,977
Gross Additions	13,191	14,249	16,332	13,430	11,502	10,278	7,005	8,390	12,422	16,878
Net Addition	4,453	5,637	5,935	3,223	2,050	1,250	-136	2,798	6,597	9,295
Attrition (LTM) (%)	17.8	17.7	17.3	16.9	16.8	16.3	14.6	12.2	10.2	9.9
<b>DSO</b>										
	64	66	67	68	70	66	66	65	61	62
<b>Revenue by Contract</b>										
T&M	808	827	863	833	819	806	784	817	827	871
FP	1,394	1,451	1,501	1,653	1,724	1,738	1,571	1,689	1,790	1,825
<b>Revenue by Contract (YoY)</b>										
T&M	3.7	5.7	10.5	3.9	1.3	-2.5	-9.1	-1.9	1.0	8.0
FP	15.3	17.1	17.8	27.4	23.7	19.8	4.7	2.2	3.8	5.0
<b>TCV</b>										
Transformational deals	17	17	12	15	12	14	11	11	13	19
<b>Old Biz Segment Amount</b>										
Mode 1	1,562	1,606	1,662	1,665	1,679	1,656	1,494	1,587	1,596	1,656
Mode 2	377	431	444	455	462	488	479	524	594	630
Mode 3	263	241	258	365	402	400	382	396	427	410

Source: DART, Company

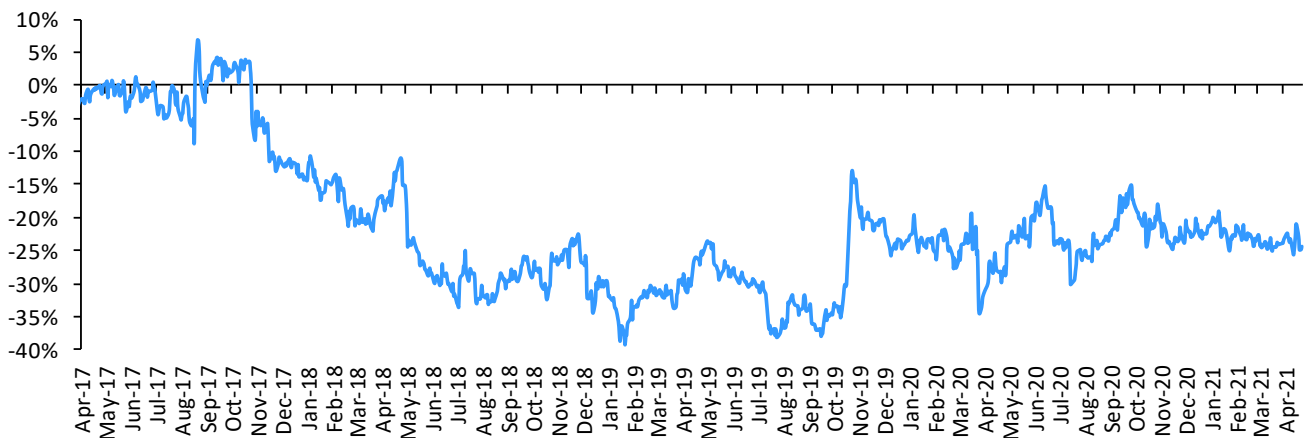
## Band Chart

**Exhibit 20: HCLT is trading at multiple of ~19.1x below its Plus3SD Mean as stock re-rates after multi-year consolidation**



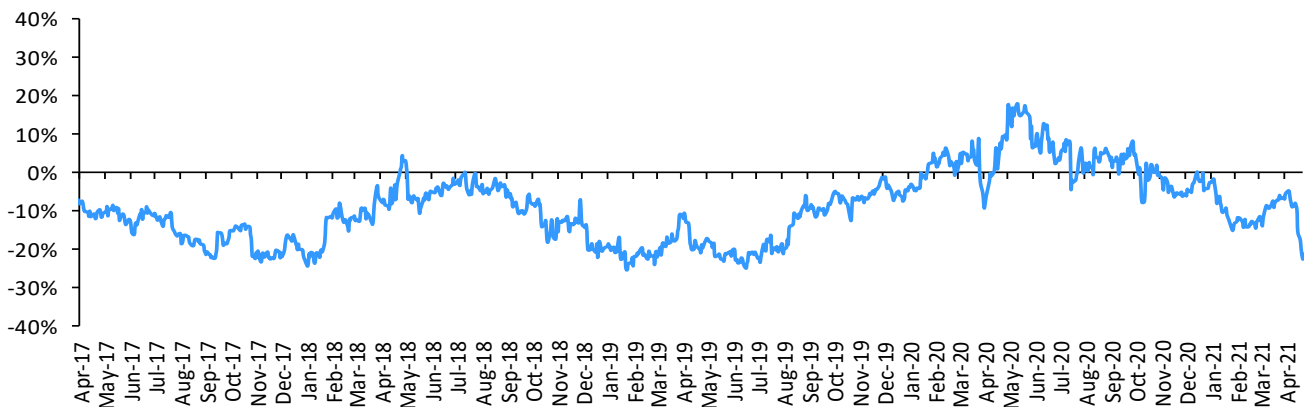
Source: DART, Company

## Exhibit 21: HCLT Trades at 24.4% discount over INFY



Source: DART, Company

## Exhibit 22: HCLT trades at 21% discount to WIPRO



Source: DART, Company

### Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>7,06,780</b>	<b>7,53,790</b>	<b>8,52,176</b>	<b>9,50,820</b>
<b>Total Expense</b>	<b>5,39,850</b>	<b>5,60,510</b>	<b>6,36,863</b>	<b>7,10,980</b>
COGS	4,52,950	4,67,030	5,33,572	5,93,880
Employees Cost	0	0	0	0
Other expenses	86,900	93,480	1,03,291	1,17,101
<b>EBIDTA</b>	<b>1,66,930</b>	<b>1,93,280</b>	<b>2,15,313</b>	<b>2,39,840</b>
Depreciation	28,400	39,850	43,237	43,524
<b>EBIT</b>	<b>1,38,530</b>	<b>1,53,430</b>	<b>1,72,077</b>	<b>1,96,315</b>
Interest	0	0	0	0
Other Income	1,790	6,570	6,924	8,348
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>1,40,320</b>	<b>1,60,000</b>	<b>1,79,001</b>	<b>2,04,663</b>
Tax	29,380	35,100	43,507	50,142
RPAT	1,10,620	1,24,330	1,34,984	1,54,140
Minority Interest	320	570	510	380
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>1,10,620</b>	<b>1,24,330</b>	<b>1,34,984</b>	<b>1,54,140</b>

### Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	5,430	5,430	5,430	5,430
Minority Interest	1,540	1,690	2,200	2,580
Reserves & Surplus	5,07,240	5,93,700	6,58,129	7,36,287
<b>Net Worth</b>	<b>5,12,670</b>	<b>5,99,130</b>	<b>6,63,559</b>	<b>7,41,717</b>
Total Debt	46,930	38,280	38,280	38,280
Net Deferred Tax Liability	(22,300)	(10,340)	(10,348)	(10,372)
<b>Total Capital Employed</b>	<b>5,38,840</b>	<b>6,28,760</b>	<b>6,93,691</b>	<b>7,72,205</b>

### Applications of Funds

Net Block	3,74,900	3,71,450	3,48,713	3,26,809
CWIP	4,000	3,120	2,770	2,270
Investments	770	890	990	1,090
<b>Current Assets, Loans &amp; Advances</b>	<b>4,26,220</b>	<b>4,74,670</b>	<b>5,79,248</b>	<b>6,93,910</b>
Inventories	910	940	1,068	1,192
Receivables	1,41,310	1,36,630	1,58,762	1,79,744
Cash and Bank Balances	48,480	65,210	1,34,512	2,15,079
Loans and Advances	34,220	48,410	48,904	49,408
Other Current Assets	1,30,130	1,32,080	1,44,553	1,56,336
<b>Less: Current Liabilities &amp; Provisions</b>	<b>2,67,050</b>	<b>2,21,370</b>	<b>2,38,031</b>	<b>2,51,874</b>
Payables	11,660	17,260	15,703	17,531
Other Current Liabilities	2,55,390	2,04,110	2,22,328	2,34,343
<i>sub total</i>				
Net Current Assets	1,59,170	2,53,300	3,41,217	4,42,035
<b>Total Assets</b>	<b>5,38,840</b>	<b>6,28,760</b>	<b>6,93,691</b>	<b>7,72,205</b>

E – Estimates

### Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	35.9	38.0	37.4	37.5
EBIDTA Margin	23.6	25.6	25.3	25.2
EBIT Margin	19.6	20.4	20.2	20.6
Tax rate	20.9	21.9	24.3	24.5
Net Profit Margin	15.7	16.5	15.8	16.2
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	64.1	62.0	62.6	62.5
Employee	0.0	0.0	0.0	0.0
Other	12.3	12.4	12.1	12.3
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	73	66	68	69
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	6	8	7	7
Working Capital days	82	123	146	170
FA T/O	1.9	2.0	2.4	2.9
<b>(D) Measures of Investment</b>				
AEPS (Rs)	40.8	45.8	49.7	56.8
CEPS (Rs)	51.2	60.5	65.7	72.8
DPS (Rs)	6.0	31.3	26.0	26.0
Dividend Payout (%)	14.8	68.4	52.3	45.8
BVPS (Rs)	188.9	220.8	244.5	273.3
RoANW (%)	23.9	22.4	21.4	21.9
RoACE (%)	22.9	21.4	20.5	21.1
RoAIC (%)	32.2	29.1	30.7	35.2
<b>(E) Valuation Ratios</b>				
CMP (Rs)	956	956	956	956
P/E	23.4	20.9	19.2	16.8
Mcap (Rs Mn)	25,93,314	25,93,314	25,93,314	25,93,314
MCap/ Sales	3.7	3.4	3.0	2.7
EV	25,20,594	24,74,984	24,05,633	23,24,365
EV/Sales	3.6	3.3	2.8	2.4
EV/EBITDA	15.1	12.8	11.2	9.7
P/BV	5.1	4.3	3.9	3.5
Dividend Yield (%)	0.6	3.3	2.7	2.7
<b>(F) Growth Rate (%)</b>				
Revenue	17.0	6.7	13.1	11.6
EBITDA	19.5	15.8	11.4	11.4
EBIT	17.2	10.8	12.2	14.1
PBT	11.1	14.0	11.9	14.3
APAT	9.3	12.4	8.6	14.2
EPS	10.8	12.4	8.6	14.2

### Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	1,33,590	1,96,180	1,53,233	1,70,122
CFI	(1,23,740)	(57,420)	(20,300)	(21,920)
CFF	(31,680)	(1,11,800)	(63,631)	(67,635)
FCFF	54,370	1,66,380	1,33,083	1,49,002
Opening Cash	61,360	39,530	66,490	1,35,792
Closing Cash	39,530	66,490	1,35,792	2,16,359

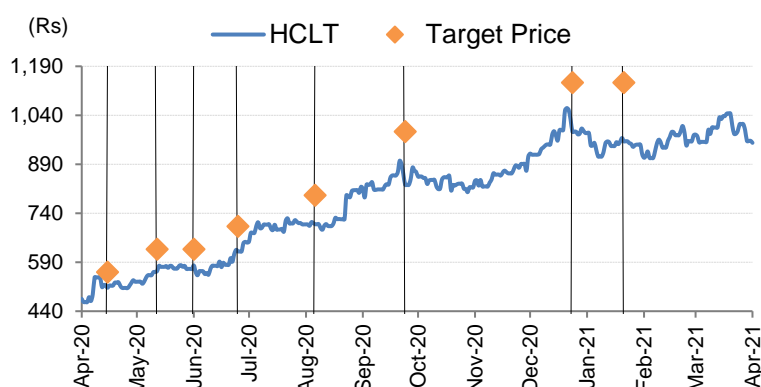
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
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
Jan-21	Buy	1,140	990
Feb-21	Buy	1,140	960

\*Price as on recommendation date

### DART Team

<b>Purvag Shah</b>	<b>Managing Director</b>	<b>purvag@dolatcapital.com</b>	<b>+9122 4096 9747</b>
--------------------	--------------------------	--------------------------------	------------------------

<b>Amit Khurana, CFA</b>	<b>Head of Equities</b>	<b>amit@dolatcapital.com</b>	<b>+9122 4096 9745</b>
--------------------------	-------------------------	------------------------------	------------------------

#### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat Capital Market Private Limited.**

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

---

**Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

---

**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**

---

**II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**For U.S. Entity/ persons only:** "This Report is considered independent third-party research and was prepared by Dolat Capital Market Private Limited, with headquarters in India. The distribution of this Research is provided pursuant to the exemption under Rule 15a-6(a) (2) and is only intended for an audience of Major U.S. Institutional Investors (MUSIIs) as defined by Rule 15a-6(b)(4). This research is not a product of StoneX Financial Inc. Dolat Capital Market Private Limited has sole control over the contents of this research report. StoneX Financial Inc. does not exercise any control over the contents of, or the views expressed in, any research reports prepared by Dolat Capital Market Private Limited and under Rule 15a-6(a) (3), any U.S. recipient of this research report wishing to affect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through StoneX Financial Inc. Please contact Paul Karrlsson-Willis at +1 (407) 741-5310 or email Paul.Karrlsson-Willis@stonex.com and/or Igor Chernomorskiy at +1 (212)379-5463 or email Igor.Chernomorskiy@stonex.com. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through the Dolat Capital Market Private Limited."



---

**Dolat Capital Market Private Limited.**

---

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Unit no PO6-02A - PO6-02D, Tower A, WTC, Block 51, Zone-5, Road 5E, Gift City, Gandhinagar, Gujarat – 382355

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com

---