



HCL Technologies Ltd.

Q2FY26



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Q2FY26 – Strong quarter with broad-based growth, margin uptick, and record deal wins.

CMP*	Target	Potential Upside	Market Cap (INR Bn.)	Recommendation	Sector
INR 1,495	INR 1,628	8.9%	INR 4,057	ACCUMULATE	Internet Software & Services

Revenue: Q2FY26 revenue came in at INR 3,19,420 Mn. (+5.2% QoQ /+10.7% YoY), ahead of our estimates (+4.2%), driven by broad-based growth across IT & Business Services and ER&D, software segment grew 0.5 % QoQ but declined 3.7 % YoY CC as the company continues its shift toward subscription and support revenues. USD Revenue stood at 3,644 Mn. (2.4% QoQ CC/ +4.6% YoY CC), performed better than our expectations of -0.1% QoQ CC growth.

Margins and Profitability: EBIT stood at INR 55,500 Mn (+12.3% QoQ / +3.5% YoY), exceeding our estimate by 5.9%. EBIT margin expanded 109 bps sequentially to 17.4%, 27 bps above expectations, driven by strong revenue growth, higher utilization under Project Ascent, and the absence of one-time costs from the previous quarter, partially offset by restructuring charges.

Net profit stood at INR 40,730 Mn. (+6.0% QoQ / -3.8% YoY), below our estimates (-1.5%), led by the significant recovery in EBIT and improved capital efficiency. Net margin expanded sequentially by 9bps to 12.8%, below our estimates by 74bps.

Vertical/Segments: Growth was led by Technology & Services (+13.9% YoY CC) and Financial Services (+11.4% YoY CC), while Retail & CPG posted a +5.5% YoY CC increase, supported by AI-led modernization deals in the retail segment. Public Services reported a steady +2.2% YoY CC rise. Growth was partly offset by softness in Manufacturing (-1.0% YoY CC) and Life Sciences & Healthcare (-1.0% YoY CC), which remained under pressure.

Geographically, momentum was driven by the Rest of the World (+17.9% YoY CC) and Europe (+7.6% YoY CC), while the US posted modest growth of +2.4% YoY CC, and India remained largely stable at +0.6% YoY CC.

Deal Wins: Demonstrated significant deal momentum during Q2 FY26, with the TCV for New Deal Wins reaching USD 2,559 mn. This volume represents robust growth, soaring 41.8% YoY and 5.2% QoQ, with new bookings surpassing USD 2.5 bn. Key wins focused heavily on large-scale modernization and AI adoption, including major partnerships with Marriott Vacations Worldwide for AI-powered transformation and deals leveraging the AI Force platform for companies like a US-based FinTech and payments company and a commercial vehicle manufacturer

Clients: The Company added 29 new clients (YoY) taking the total count to 1,845. Further, it added 7 clients in the USD 10Mn+ band, 14 clients in the USD 20Mn+ band and 2 clients in the USD 50Mn+ band. The company's client mining efforts remained strong, supported by cross-vertical traction and increased adoption of AI-driven solutions across key accounts.

Outlook: HCL Tech posted a strong Q2 FY26 with broad-based growth, solid deal wins, and margin expansion. The company raised its Services growth guidance to 4–5% YoY CC, maintaining overall guidance at 3–5% YoY CC, while reaffirming EBIT margin at 17–18% despite near-term wage headwinds. A robust pipeline in digital engineering and AI-led transformation underpins demand visibility.

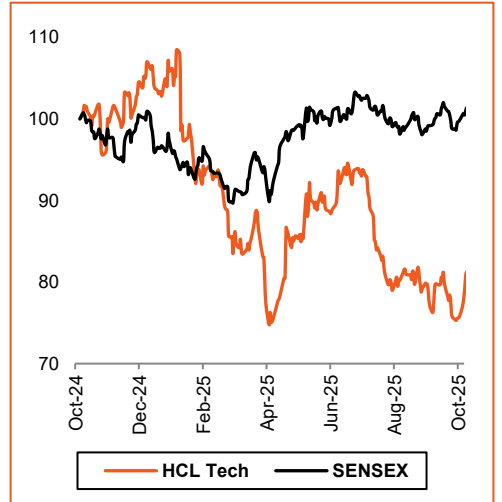
We estimate revenue/earnings CAGR of 8.8%/5.4% over FY25-FY27E. The stock is currently trading at 22.3x FY27E. We value HCL Tech at a P/E multiple of 22x to Sep'27 EPS. Accordingly, We upgrade our "HOLD" rating to **"ACCUMULATE"** on the stock.

KEY FINANCIALS

INR Millions	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,99,130	11,70,550	12,86,454	13,85,059	14,83,402
EBIT	2,00,270	2,14,210	2,22,375	2,45,900	2,70,815
EBIT Margin	18%	18%	17%	18%	18%
PAT	1,57,020	1,73,910	1,71,346	1,93,345	2,12,781
EPS	57.8	63.9	63.0	71.1	78.2

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	2,714
Mkt Cap (INR Bn)	4,057
52 Wk H/L (INR)	2,012/1,303

*Based on previous closing
Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Jun-25	Mar-25	Dec-24
Promoters	60.8	60.8	60.8
FIIIs	18.6	19.2	19.4
DIIIs	16.2	15.4	15.2
Others	4.4	4.6	4.6
Total	100.0	100.0	100.0

8.8%

Revenue CAGR
between FY25-27E

5.4%

Adj. PAT CAGR
between FY25-27E

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Key Concall Highlights:

Margin Performance and levers

- Operating margin improved 116 bps QoQ to 17.5%, in line with the planned recovery trajectory. The expansion was driven by higher software profitability (+35 bps) and an 81 bps increase in services margin from the absence of Q1 one-offs (+30 bps), better utilization through Project Ascent (+50 bps), and forex gains (+56 bps), partly offset by restructuring costs (-55 bps).
- Management reiterated its FY26 margin guidance of 17–18%, with the upcoming wage revision cycle expected to impact margins by 70–80 bps in Q3 and 40–50 bps in Q4.

Vertical Performance

- Growth remained broad-based across verticals. On a YoY CC basis, Technology Services (+13.9%), Financial Services (+11.4%), and ER&D (+13.4%) were key drivers.
- Sequentially, Life Sciences & Healthcare and Public Services led performance. Manufacturing remained steady but continued to face headwinds from the auto sector slowdown.
- Early traction in Retail and CPG from AI-driven SDLC and M&A transformation projects is expected to support diversification.

Demand Drivers

- The deal pipeline reached a record high, supported by robust traction in advanced AI propositions. AI and GenAI are now integrated into nearly every deal as productivity and innovation enablers.
- Strong demand was seen in legacy modernization, with multiple USD 100 mn+ programs initiated, and in Retail and CPG, where clients are scaling AI for integration, carve-outs, and large SDLC modernization. Business indicators—bookings, revenue, and pipeline—remain healthy across core verticals.

Clientele

- The Company added 29 new clients (YoY) taking the total count to 1,845. Further, it added 7 clients in the USD 10Mn+ band, 14 clients in the USD 20Mn+ band and 2 clients in the USD 50Mn+ band.

Employee Headcount and Hiring

- Headcount increased in line with demand, while revenue per employee rose 1.8% YoY on higher AI-enabled productivity.
- The company identified 14 core AI skill areas and trained 820 Black Belts in H1FY26 to scale capability. Visa reliance reduced to a few hundred annually, with a continued focus on local hiring and reskilling.

Notable Deal Wins/ AI Transformation Projects

- Total new deal bookings reached USD 2.6 bn, the highest-ever quarter without a mega deal, up 41.8% YoY. Advanced AI revenue crossed USD 100 mn, contributing ~3% of total revenue.
- The AI Force platform expanded to 47 accounts (vs. 35 in Q1), becoming a key differentiator in client wins.

Accolades

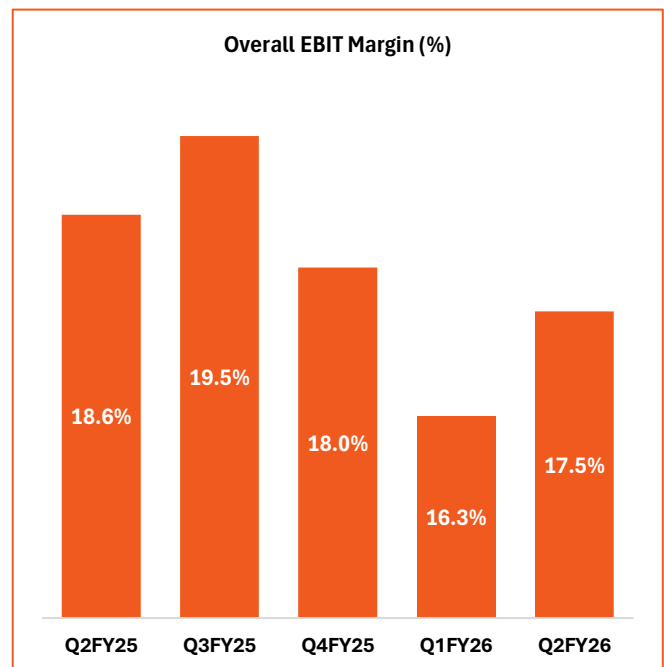
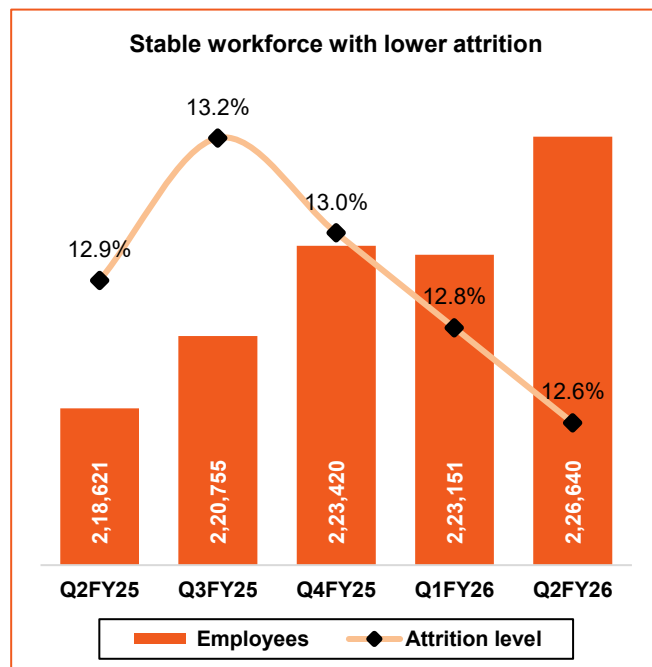
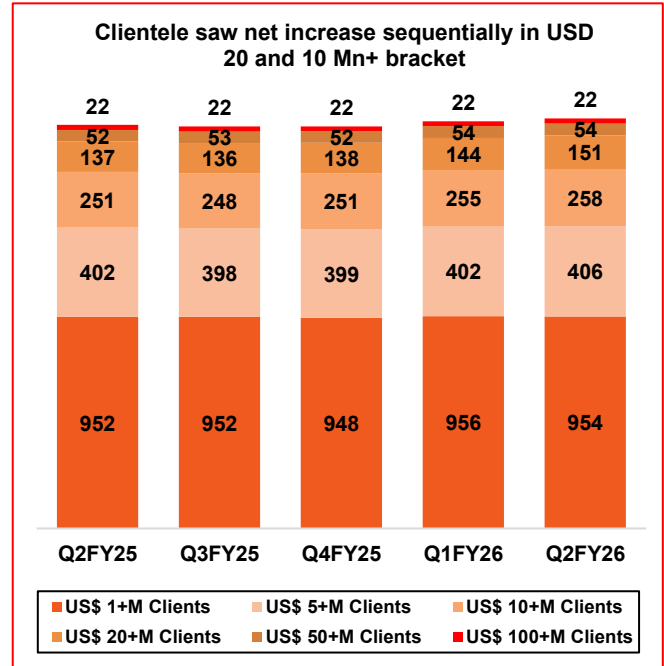
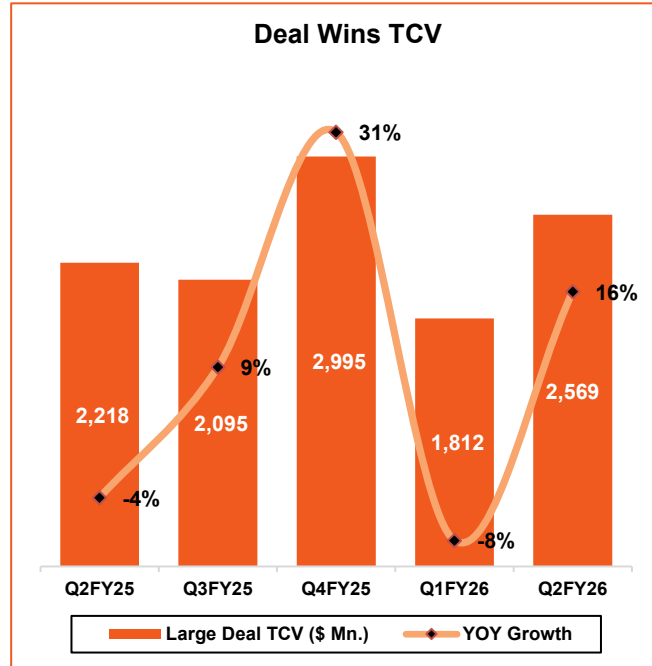
- Recognized by TIME Magazine as the highest-ranked India-headquartered tech company in the World's Best Companies 2025 for the second year.
- Received Dell's AI Partner of the Year for Vision X, while HCL Software was named Leader in Gartner's 2025 Magic Quadrant for both Application Security Testing and Service Orchestration & Application Platform, driven by its HCL UNO agentic delivery platform.

Other Announcements

- Guidance:** Raised services revenue growth guidance to 4–5% CC while maintaining overall growth at 3–5% CC, citing software softness from lower perpetual license sales. Margin guidance for FY26 remains 17–18%, supported by utilization gains and cost discipline.
- Dividend:** Board has recommended for an interim dividend of INR 12 per share.

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Story in Charts



Source: Company, DevenChoksey Research

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RESULT SNAPSHOT

Particulars (Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Revenue	3,19,420	3,03,490	2,88,620	5.2%	10.7%
Cost of revenue	2,10,440	2,01,280	1,87,890	4.6%	12.0%
Selling, General & Admin. Expenses	38,110	37,310	33,090	2.1%	15.2%
R & D Expenses	4,940	4,550	3,950	8.6%	25.1%
Total expenses	2,53,490	2,43,140	2,24,930	4.3%	12.7%
EBITDA	65,930	60,350	63,690	9.2%	3.5%
EBITDA margin (%)	20.6%	19.9%	22.1%	76bps	-143bps
Depreciation and amortization expense	10,430	10,930	10,070	(4.6%)	3.6%
EBIT	55,500	49,420	53,620	12.3%	3.5%
EBIT margin (%)	17.4%	16.3%	18.6%	109bps	-120bps
Finance Cost	1,620	2,140	1,340	(24.3%)	20.9%
Other Income (Adj. Forex gain/loss)	1,520	4,610	4,590	(67.0%)	(66.9%)
Profit before tax	55,400	51,890	56,870	6.8%	(2.6%)
Tax expense	14,660	13,450	14,500	9.0%	1.1%
Minority Interest	10	10	20	0.0%	(50.0%)
Net profit	40,730	38,430	42,350	6.0%	(3.8%)
Net profit (%)	12.8%	12.7%	14.7%	9bps	-192bps
Diluted EPS (INR)	15.0	14.1	15.6	6.0%	(3.8%)

Source: Company, DevenChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY25	FY26E	FY27E	FY28E
Revenue	11,70,550	12,86,454	13,85,059	14,83,402
Employee Cost	7,61,570	8,50,325	9,14,850	9,77,493
EBITDA	2,55,050	2,64,751	2,88,567	3,14,342
Depreciation	40,840	42,377	42,668	43,527
EBIT	2,14,210	2,22,375	2,45,900	2,70,815
Other income	24,850	15,610	19,000	20,000
Finance costs	7,300	7,260	7,000	7,000
Pre-tax Income	2,32,620	2,30,245	2,57,900	2,83,815
Income tax expense	58,620	58,849	64,475	70,954
PAT before MI	1,74,000	1,71,396	1,93,425	2,12,861
Minority Interest	90	50	80	80
PAT after MI	1,73,910	1,71,346	1,93,345	2,12,781
Diluted EPS	63.9	63.0	71.1	78.2

Exhibit 3: Cash Flow Statement

Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
CFO	2,22,610	1,95,700	2,17,654	2,37,803
Capex	-30,900	-38,594	-41,552	-44,502
Dividend	-1,62,500	-1,54,679	-1,73,675	-1,89,957
Change in capital	-8,070	-700	0	0
Closing Balance	82,450	84,227	86,735	90,159
FCF	1,91,710	1,57,106	1,76,102	1,93,301

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
EBIT Margin (%)	18%	17%	18%	18%
RoE (%)	22%	22%	22%	22%
RoCE (%)	21%	21%	21%	21%
Diluted EPS	63.9	63.0	71.1	78.2
P/E	23.0x	25.7x	22.8x	20.7x

Exhibit 2: Balance Sheet

INR Millions	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	5,430	5,430	5,430	5,430
Other Equity	6,91,120	7,07,787	7,27,457	7,50,282
Non controlling interest	180	230	310	390
Total Equity	6,96,730	7,13,447	7,33,197	7,56,102
Non-Current Liabilities				
Borrowings	700	0	0	0
Other Financial Liabilities	51,240	51,240	51,240	51,240
Operating Lease Liability	26,380	26,380	26,380	26,380
Total Non-Current Liabilities	78,320	77,620	77,620	77,620
Current Liabilities				
Borrowings	35,680	33,680	31,680	29,680
Trade Payables	62,250	69,890	75,193	80,342
Income Tax Liabilities	28,150	28,150	28,150	28,150
Other current liabilities	1,54,310	1,54,310	1,54,310	1,54,310
Total Current Liabilities	2,80,390	2,86,030	2,89,333	2,92,482
Total Liabilities	10,55,440	10,77,097	11,00,150	11,26,204
Non-Current Assets				
Property Plants and Equipments	45,010	41,227	40,111	41,086
Right of use of Assets	30,160	30,160	30,160	30,160
Goodwill	2,17,560	2,17,560	2,17,560	2,17,560
Intangible Assets	68,990	68,990	68,990	68,990
Other current assets	72,630	72,630	72,630	72,630
Total Non-Current Assets	4,34,350	4,30,567	4,29,451	4,30,426
Current Assets				
Investments	74,730	74,730	74,730	74,730
Trade Receivables	1,95,230	2,11,472	2,27,681	2,43,847
Cash and Bank	2,12,890	2,14,667	2,17,175	2,20,599
Other current assets	1,38,240	1,45,661	1,51,114	1,56,602
Total Current Assets	6,21,090	6,46,530	6,70,699	6,95,778
Total Assets	10,55,440	10,77,097	11,00,150	11,26,204

Source: Company, DevenChoksey Research

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Date	CMP (INR)	TP (INR)	Recommendation
14-Oct-25	1,495	1,628	ACCUMULATE
15-Jul-25	1,620	1,693	HOLD
14-Jan-25	1,814	1,894	HOLD
15-Oct-24	1,870	1,887	HOLD
15-Jul-24	1,570	1,668	ACCUMULATE
29-Apr-24	1,387	1,546	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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