

HCL TECHNOLOGIES LIMITED

Resilient performance backed by healthy deal flow

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HCL Technologies Ltd (HCL) sustained its strong growth momentum into Q3FY26, as reflected in robust revenue performance and healthy deal wins. HCL reported revenue growth of 4.2%/4.8% QoQ/YoY in CC (Constant Currency) terms to Rs.338bn, driven by a revival in the software segment which posted 28%/3.1%, QoQ/YoY CC growth. The services segment, meanwhile, maintained steady performance with growth of 1.8%/5%, QoQ/YoY CC, despite seasonal softness arising from furloughs and lower utilization levels. Growth in services segment was supported by the Advanced AI portfolio, which generated revenues of USD 146mn, up 19.9% QoQ in CC terms, reflecting benefits from sustained capex in AI-led initiatives. New deal TCv stood at a strong USD 3bn (+43.5%/17% YoY/QoQ), including a USD 473mn, five-year strategic engagement with a global apparel retailer. Booking momentum was primarily driven by Applications and ER&D services, which together contributed 62% of total bookings.

On the margins front, HCL reported an EBIT margin of 18.6% (+120 bps/-90 bps QoQ/YoY), excluding the one-time impact of new labour laws which amounted to Rs.9.6bn. Headcount declined marginally by 0.1% QoQ to 226k, with restructuring costs impacting EBIT margins by 81 bps. Services segment EBIT margin declined 109 bps YoY to 16.4%, driven by sharper pressure in ER&D (-225 bps YoY) and continued softness in IT & Business Services (-84 bps YoY). In contrast, Software segment margins rebounded to 35%, supporting overall margins despite services compression.

We expect continued traction in the Advanced AI segment to support services growth, aided by strong deal wins. Accordingly, we estimate CC revenue growth of 6.6%/7.7% in FY27E/FY28E, with margins expanding to the 18%–19% range from FY27E/28E, as the restructuring strategy concludes. We assign a BUY rating on HCL, supported by its superior performance versus Tier-1 peers despite the absence of a broad-based recovery in discretionary client spending, with a TP of Rs.1,900, valuing the stock at 22x FY28E EPS.

Key Financials (₹ bn)	FY24	FY25	FY26E	FY27E	FY28E
Sales	1,099	1,171	1,302	1,416	1,562
EBIT Margin (%)	18.2	18.3	17.6	18.2	19.2
PAT	199	215	220	245	283
EPS (INR)	57.9	64.1	68.8	74.1	86.1
EPS Gr.(%)	5.6	10.8	7.3	7.7	16.3
BV/Sh.(INR)	252	257	273	291	317
RoE (%)	23.5	25.2	24.6	26.3	28.4
RoCE (%)	25.1	25.1	25.3	26.1	28.1
Payout (%)	89.7	93.5	65.0	65.0	60.0
P/E (x)	28.6	25.8	24.1	22.4	19.2
P/BV (x)	6.6	6.4	6.1	5.7	5.2
EV/EBITDA (x)	15.8	15.2	14.2	13.0	11.3
Div. Yield (%)	3.1	3.6	2.6	2.9	3.1

BUY

Current Market Price (₹)	1,664
12M Price Target (₹)	1,900
Potential Return (%)	14

Stock Data

Sector	: Information Technology
Face Value (₹)	: 2
Total MCap (₹ bn)	: 4,536
Free Float MCap (₹ bn)	: 1,759
52-Week High / Low (₹)	: 2,012 / 1,303
BSE Code / NSE Symbol	: 532281 / HCLTECH
Bloomberg	: HCLT IN
Sensex / Nifty	: 83,797 / 25,790

Shareholding Pattern

(%)	Sep-25	Jun-25	Mar-25	Dec-24
Promoter	60.81	60.81	60.81	60.81
FPIs	16.64	18.56	19.14	19.38
MFs	9.20	8.44	8.35	8.19
Insurance	7.52	6.75	6.03	5.90
Others	5.83	5.44	5.67	5.72

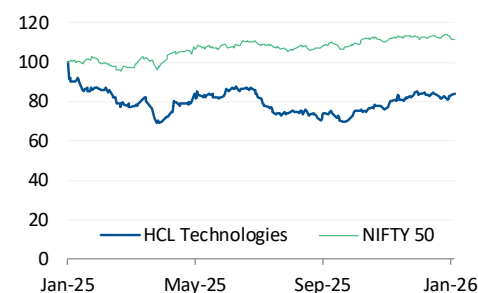
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
HCL Tech	-0.3	11.5	1.8	-16.2
Nifty 50	-1.0	2.0	2.5	11.7

* To date / current date : January 12, 2026

HCL Tech vs Nifty 50



Guidance

Management revised FY26 guidance, with company revenue growth now expected at 4.0%–4.5% YoY in CC terms (earlier: 3%–5%), services revenue growth at 4.75%–5.25% YoY in CC (earlier: 4%–5%), and EBIT margins maintained at 17%–18%. Despite near-term pressure, HCL is ramping up for rising demand in AI factory engagements and AI data center services, while acquisitions may influence headcount during integration. With discretionary spending subdued, growth is being driven by targeted investments in AI infrastructure and AI factories, supported by a strong, broad-based pipeline led by advanced AI capabilities.

Healthy performance across regions & verticals

RoW and India emerged as the fastest-growing geographies for HCL Tech in Q3FY26, materially outperforming core Western markets. RoW reported strong 22.1% YoY CC growth, driven by a deliberate expansion into high-scale and high-growth markets, while India grew 5.8% YoY CC, supported by a strategic focus on domestic, non-GCC opportunities and reinforced by leadership strengthening. In comparison, growth in Europe (4.6% YoY) and the Americas (1.5% YoY) remained subdued, highlighting a clear shift in incremental growth contribution toward emerging and underpenetrated regions.

Services segment delivered broad-based growth in Q3FY26, with five of seven verticals reporting YoY growth, led by Technology (+14.1% YoY CC) and Financial Services (+8.1% YoY CC), reflecting strong AI-first offerings and rising adoption of agentic and cloud-led solutions. Retail and CPG drove sequential growth (+5.8% QoQ), supported by execution of earlier deal wins, while Manufacturing (+4.1% QoQ) and Public Services (+3.7% QoQ) posted moderate momentum amid a muted demand backdrop. Telecom, Life Sciences, and other verticals continue to see increasing traction in AI-led application engineering and migration, with the HPE telco acquisition expected to unlock incremental engineering spend.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q3FY26	Q3FY25	QoQ	Q3FY25	YoY
QoQ CC	4.2%	2.4%	-	3.8%	-
Revenue (USD M)	3,793	3,644	4.1%	3,533	7.4%
USD/INR	89.34	87.63	2.0%	84.66	5.5%
Sales	339	319	6.0%	299	13.3%
EBITDA	74	66	12.4%	69	8.0%
EBITDA margin (%)	21.9%	20.6%	+130 bps	23.0%	-110 bps
EBIT	63	56	13.2%	58	8.0%
EBIT margin (%)	18.6%	17.4%	+120 bps	19.5%	-90 bps
APAT	48	42	13.2%	46	4.4%
EPS (₹)	17.7	15.6	13.4%	16.9	-

Source: Company, LKP Research

Outlook & valuation

We expect HCL to sustain its relative outperformance, with AI-led services, Advanced AI portfolio traction, and strong deal conversions driving a gradual acceleration in growth despite subdued discretionary spending. As restructuring costs taper off, margins are likely to expand toward the 18–19% range over FY27E–28E, supporting earnings visibility. We assign a BUY rating with a TP of ₹1,900, valuing HCL at 22x FY28E EPS, underpinned by superior execution versus Tier-1 peers and improving growth–margin balance.

Highlights from Earnings Call for Q3FY26

Key Financial Highlights

- Revenue: US\$3.79bn; +4.2% QoQ / +4.8% YoY (CC)
- Milestone: Crossed US\$15bn annualized revenue, highlighting scale and resilience
- EBIT Margin: 18.6% (ex one-time labor code impact); ~19.4% normalized after adjusting for restructuring costs

Deal Wins & Bookings

- Net New TCV: US\$3.0bn (+43.5% YoY / +17.0% QoQ)
- Mega Deal: US\$473mn, five-year strategic engagement with a global apparel retailer (AI-led app & data modernization)
- Booking Mix: Applications + ER&D accounted for ~62% of total bookings, reflecting strong demand for transformation-led deals

AI Strategy & Advanced AI Momentum

- Advanced AI revenue: +19.9% QoQ (CC)
- Focus on “Day Minus One” AI services—custom silicon, edge inferencing, and AI factory / data center build-outs
- Management targeting AI infrastructure spend rather than waiting for discretionary IT recovery

AI-First Delivery & Talent Transformation

- AI Force platform deployed across 60 priority accounts
- 38,000+ employees trained in Generative AI
- HCL claims highest number of OpenAI-badged experts among global system integrators

Geographic Performance

- RoW: +22.1% YoY CC (expansion into high-growth, underpenetrated markets)
- India: +5.8% YoY CC, supported by focus on domestic non-GCC opportunities
- Americas: +1.5% YoY CC; Europe: +4.6% YoY CC (macro-impacted)
- Appointment of Shivkumar Sakena to lead India business to strengthen execution

Vertical Performance

- Technology: +14.1% YoY CC
- Financial Services: +8.1% YoY CC
- Retail & CPG: +5.8% QoQ, driven by execution of prior large wins
- Manufacturing: Muted overall, though defense and mobility sub-segments remain stable

Software Segment & Inorganic Growth

- HCLSoftware: +28.1% QoQ CC, driven by seasonal strength and data intelligence demand
- Acquisitions of Jaspersoft and Wobby to build an AI-powered data analytics platform
- HPE telecom solutions acquisition strengthens positioning in global telecom engineering spend

Margin Drivers & Cost Actions

- Utilization benefit: ~104 bps QoQ
- Restructuring impact: ~80 bps
- One-time labor code impact absorbed; recurring impact limited to 10–20 bps

Guidance & Outlook

- FY26 services revenue growth (CC): 4.75%–5.25% (revised upward)
- EBIT margin guidance maintained at 17.0%–18.0%
- Growth expected to be driven by AI factories, AI infrastructure services, and strong deal pipeline, despite subdued discretionary spending

Income Statement

(₹ bn)	FY24	FY25	FY26E	FY27E	FY28E
Sales	1,099	1,171	1,302	1,416	1,562
Change (%)	8.3	6.5	11.2	8.8	10.3
EBITDA	284	296	316	345	398
% of Net Sales	25.8	25.3	24.3	24.3	25.5
Depreciation	42	41	44	44	49
EBIT	200	214	229	257	300
% of Net Sales	18.2	18.3	17.6	18.2	19.2
Other Income	9	18	9	14	16
PBT	251	273	282	315	365
Tax	53	59	62	70	82
Rate (%)	20.9	21.4	21.8	22.3	22.4
Minority Interest	0	0	0	0	0
Adjusted PAT	199	215	220	245	283
Extraordinary Items	0	0	-10	0	0
Reported PAT	199	215	230	245	283
Change (%)	4.6	8.0	7.1	6.4	15.5

Key Ratios

YE Mar	FY24	FY25	FY26E	FY27E	FY28E
Basic (₹)					
EPS	57.9	64.1	68.8	74.1	86.1
Cash EPS	88.6	94.2	100.9	106.5	122.5
Book Value	252.1	256.9	273.0	291.0	316.8
DPS	52.0	60.0	42.3	48.1	51.7
Payout %	89.7	93.5	65.0	65.0	60.0
Valuation (x)					
P/E	28.7	26.0	24.2	22.5	19.3
Cash P/E	18.8	17.7	16.5	15.6	13.6
EV/EBITDA	15.9	15.2	14.2	13.1	11.3
EV/Sales	4.1	3.9	3.5	3.2	2.9
Price/Book Value	6.6	6.5	6.1	5.7	5.3
Dividend Yield (%)	3.1	3.6	2.5	2.9	3.1
Profitability Ratios (%)					
RoE	23.5	25.2	24.6	26.3	28.4
RoCE	25.1	25.1	25.3	26.1	28.1
Turnover Ratios					
Debtors (Days)	85	81	83	84	84
Fixed Asset Turnover (x)	3.1	3.2	3.9	4.7	5.8

Balance Sheet

(₹ bn)	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	5	5	5	5	5
Reserves	677	691	734	782	852
Net Worth	683	697	739	787	857
Capital Employed	748	774	826	881	961
Net Block	352	362	332	302	269
Invest & Other Assets	53	72	78	83	90
Curr. Assets	593	621	723	823	959
Debtors	255	258	297	326	359
Cash & Bank Balance	94	82	133	200	294
Investments	185	215	215	215	215
Other Current Assets	58	65	78	82	91
Current Liab. & Prov	249	281	307	327	356
Net Current Assets	344	340	416	496	603
Application of Funds	748	774	826	881	961

Cash Flow

(₹ bn)	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	244	255	220	245	283
Cash for Working Capital	-19	-32	-25	-12	-15
Net Operating CF	224	223	195	232	267
Net Purchase of FA	-10	-11	-13	-14	-16
Free Cash Flow	214	212	182	218	252
Net Purchase of Invest.	-57	-38	0	0	0
Net Cash from Invest.	-67	-49	-13	-14	-16
Proceeds from Equity	0	0	0	0	0
Others	-14	-23	3	1	6
Dividend Payments	-141	-163	-134	-152	-164
Buyback of shares	0	0	0	0	0
Cash Flow from Fin.	-155	-186	-131	-152	-158
Net Cash Flow	3	-12	51	67	94
Effect of forex on cash flow	1	0	0	0	0
Opening Cash Bal.	91	94	82	133	200
Add: Net Cash	4	-12	51	67	94
Closing Cash Bal.	94	82	133	200	294

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