HCL Technologies Ltd.
Q3FY26

Result update

13th Jan 2026

HCL Technologies Ltd.

Q3FY26 – Strong growth, solid deal wins, margins impacted by investments.

CMP*	Target	Potential Upside	Market Cap (INR Bn.)	Recommendation	Sector
INR 1,664	**INR 1,682**	**1.1%**	**INR 4,516**	**HOLD**	**Internet Software & Services**

Revenue: Q3FY26 revenue came in at INR 3,38,720 Mn. (+6.0% QoQ /+13.3% YoY), ahead of our estimates (+2.4%), driven by steady demand across core services, supported by improved execution momentum and continued traction in large transformation and engineering-led programs. USD Revenue stood at 3,793 Mn. (4.2% QoQ CC/ +4.8% YoY CC), performed better than our expectations.

Margins and Profitability: EBIT rose 13.2% QoQ and 8.0% YoY to INR 62,850 Mn, with EBIT margin +118 bps QoQ to 18.6%, reflecting cost pressures and incremental investments, partly offset by revenue scale benefits.

Net profit stood at INR 40,760 Mn, declining 3.8% QoQ and 11.2% YoY, impacted by higher finance costs, exceptional items amounting to INR 9,560 Mn. Consequently, net margin contracted 122 bps QoQ to 12.0%.

Vertical/Segments: Growth was led by Technology & Services (+14.4% YoY CC) and Financial Services (+8.1% YoY CC), while Telecommunications, Media, Publishing & Entertainment posted a +7.1% YoY CC increase. Public Services reported a steady +8.0% YoY CC rise. Growth was partly offset by softness in Retail & CPG (-2.0% YoY CC) and Life Sciences & Healthcare (-1.4% YoY CC), which remained under pressure.

Geographically, momentum was driven by the Rest of the World (+22.1% YoY CC) and India (+15.8% YoY CC), while the US posted modest growth of +1.5% YoY CC, and Europe at +4.6% YoY CC.

Deal Wins: Demonstrated significant deal momentum during Q3 FY26, with the TCV for New Deal Wins reaching USD 3,006 mn. This volume represents robust growth, soaring 43.5% YoY and 17.0% QoQ, with new bookings surpassing USD 2.5 bn. Key wins focused heavily on large-scale modernization and AI adoption, and deals leveraging the AI Force platform for companies like a US-based Insurance company and Euro- based global food major company.

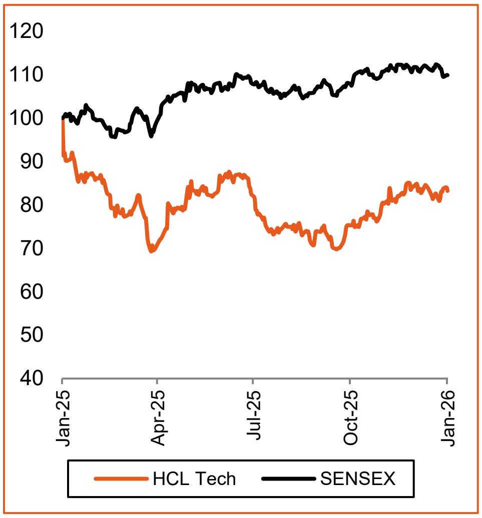
Clients: The Company added 78 new clients (YoY) taking the total count to 1,887. Further, it added 20 clients in the USD 10Mn+ band, 15 clients in the USD 20Mn+ band and 3 clients in the USD 50Mn+ band. The company's client mining efforts remained strong, supported by cross-vertical traction and increased adoption of AI-driven solutions across key accounts.

Outlook and Valuation:

HCL Tech posted a strong Q3 FY26 with broad-based growth, solid deal wins, and margin expansion. The company reaffirmed its Services growth guidance to 4–5% YoY CC, maintaining overall guidance at 3–5% YoY CC, and EBIT margin at 17–18% despite near-term wage headwinds.

We estimate revenue/earnings CAGR of 3.6%/5.9% over FY25-FY27E. We value HCL Tech at a P/E multiple of 22x to Dec'27 EPS. At current levels, the stock trades at a premium to its long-term average, factoring in strong execution, sustained deal momentum, and leadership in AI-led transformation. Accordingly, We downgrade our "ACCUMULATE" rating to "**HOLD**" on the stock.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	2,714
Mkt Cap (INR Bn)	4,516
52 Wk H/L (INR)	2,012/1,303

*Based on today's closing
Note: All the market data is as of today's closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-25	Jun-25	Mar-25
Promoters	60.8	60.8	60.8
FIIs	16.6	18.6	19.2
DIIs	17.8	16.2	15.4
Others	4.8	4.4	4.6
Total	100.0	100.0	100.0

3.6%

Revenue CAGR between FY25-27E

5.9%

Adj. PAT CAGR between FY25-27E

KEY FINANCIALS

INR Millions	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,99,130	11,70,550	12,68,825	12,55,262	13,44,823
EBIT	2,00,270	2,14,210	2,28,398	2,48,384	2,70,858
EBIT Margin	18%	18%	18%	20%	20%
PAT	1,57,020	1,73,910	1,76,738	1,95,208	2,12,813
EPS	57.8	63.9	65.0	71.8	78.2

Source: Company, DevenChoksey Research

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Key Concall Highlights:

Quarterly Performance Overview:

- Management maintained a confident and assertive tone, repeatedly referring to the quarter as “standout” and emphasizing that growth is being driven by structural portfolio choices rather than a cyclical rebound in IT spending. The narrative was deliberately repositioned away from macro recovery expectations and toward capturing emerging demand in AI infrastructure, engineering services, and foundational AI enablement. Management framed traditional discretionary IT spending as constrained, but highlighted that spending is actively shifting toward AI factories, physical AI, custom silicon, and platform-led transformation.
- There was a clear attempt to reset expectations by suggesting that waiting for discretionary recovery is strategically inferior to proactively targeting where capital is already moving, particularly hyperscaler capex and enterprise modernization programs.

Financial Performance and Guidance

- Revenue for the quarter was USD 3.79 Bn, up 4.2% sequentially and 4.8% YoY in constant currency. Services grew 1.8% sequentially and 5.0% YoY, with Engineering and R&D services again leading at 10.8% YoY growth, while IT and business services grew 3.8%. Software grew 28.1% sequentially due to seasonality and 3.1% YoY, driven by data intelligence and workload automation.
- Geographically, growth was strongest in India and Rest of World, while the US remained muted. Vertically, technology and financial services were the strongest, while traditional manufacturing and auto remained soft.
- EBIT margin stood at 18.6% including restructuring but excluding the one-time labor code impact. Excluding restructuring, underlying margins were 19.4%, broadly stable YoY. Utilization and FX supported margins, partially offset by wage hikes, furlough seasonality, and restructuring charges.
- Management upgraded full-year services growth guidance to 4.75–5.25% constant currency and overall company growth to 4.0–4.5%, while maintaining margin guidance of 17–18%. Guidance excludes recently announced acquisitions and the one-time labor law impact.

Demand, Bookings, and Conversion

- Net bookings were strong at USD 3 Bn, up 17% sequentially and 43% YoY, with applications and engineering contributing 62% of bookings. Management described bookings as broad-based, supported by strong pipeline visibility.
- A notable large win included a five-year, USD 473 million strategic engagement with a global apparel and consumer brand, widely understood to be Magnum Ice Cream, under which HCLTech will modernize the client’s applications and data landscape using its AI Force 2.0 platform, support brand experience transformation, and realign the client’s technology operating model around outcome-based domains. Management emphasized that this engagement is designed to improve engineering productivity, accelerate modernization, and embed AI across the software and data lifecycle, with revenue ramp expected from Q4 onward.
- Additional large wins included consolidation mandates with a US-based insurer and a greenfield digital foundation build for a Europe-based global food major.

Strategic Priorities and Disruptions

- HCLTech continues to prioritize AI-led service transformation, vertical IP, advanced AI services such as physical AI and AI factory, and ecosystem partnerships. Management acknowledged that AI-driven productivity can cannibalize traditional labor-based revenues but views this as a strategic necessity to remain relevant and defend long-term growth.
- Enterprise AI adoption remains slower than infrastructure-led AI spend due to the need for foundational work and process reengineering.

AI and Technology Monetization

- Advanced AI revenue grew nearly 20% YoY and is monetized primarily through engineering services, infrastructure build-and-operate engagements, and transformation-led projects rather than pure software licensing. Management stressed that current monetization is driven more by enabling AI at scale than by embedding AI deeply within enterprise processes.

Vertical and Geographic Commentary

- Technology, financial services, retail, and defense showed strong momentum, while manufacturing and auto remain under pressure from tariffs, EV transition challenges, and macro uncertainty. Management does not expect a near-term cyclical recovery here.

Talent, Productivity, and Cost Structure

- Headcount declined marginally sequentially, attrition moderated to 12.4%, and significant investments continue in AI training. Restructuring charges are expected to continue into Q4 before normalizing.

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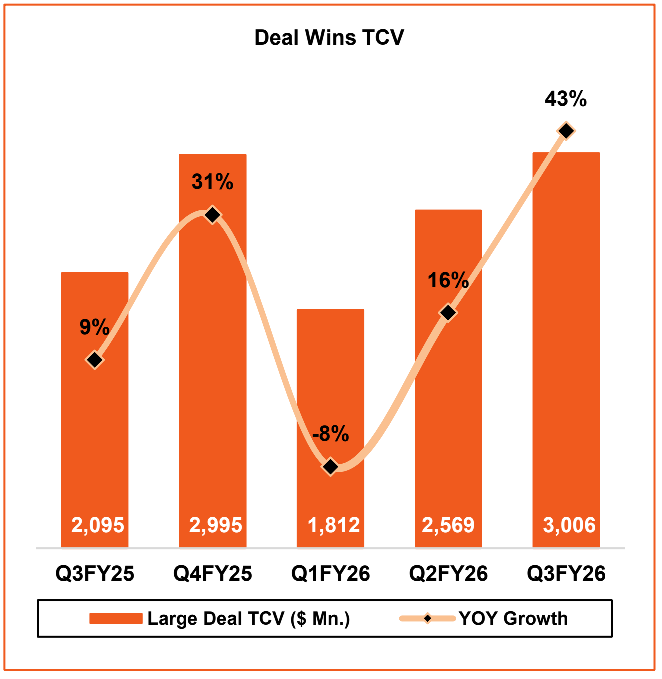
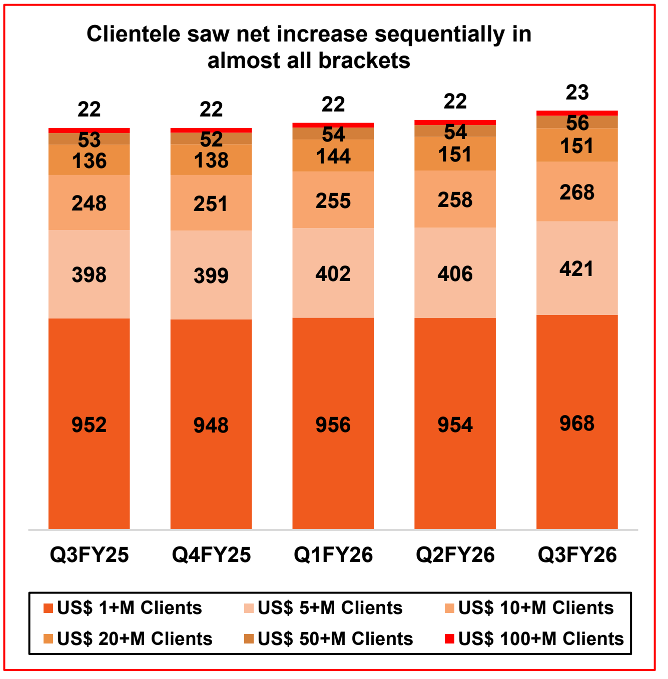
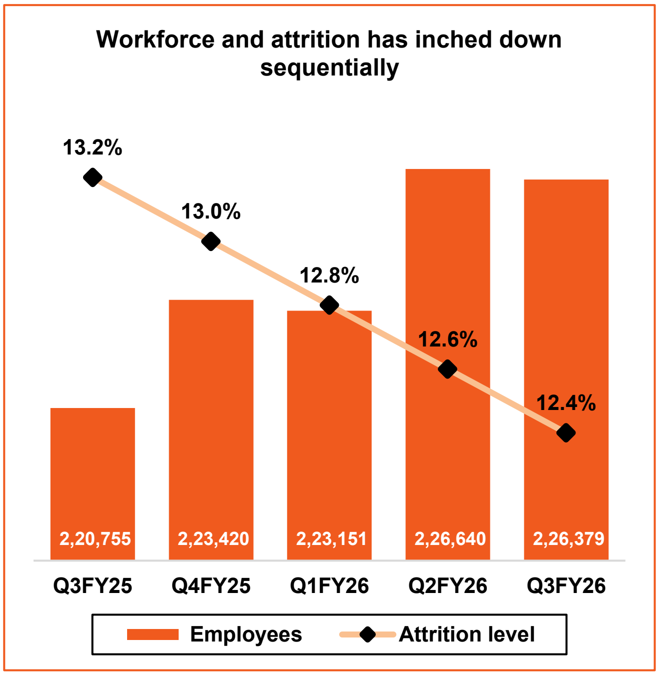
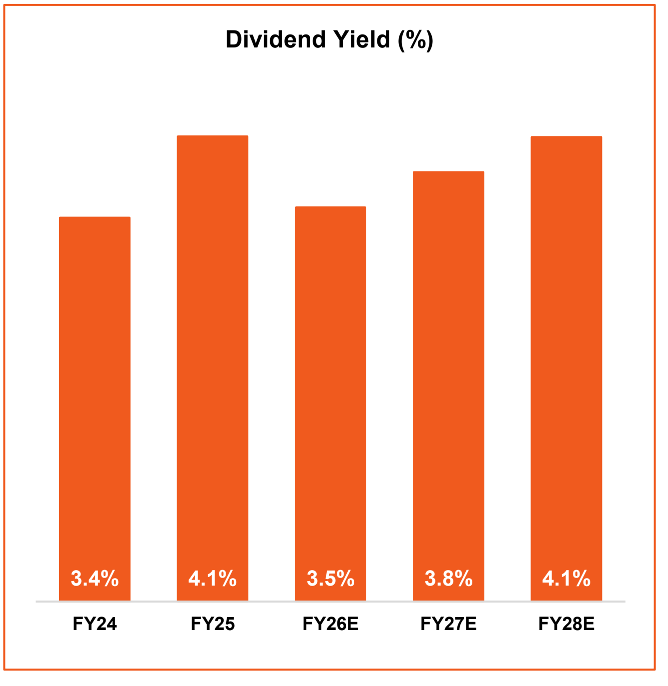
Story in Charts









Source: Company, DevenChoksey Research

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RESULT SNAPSHOT

Particulars (Mn)	Q3FY26	Q2FY26	Q3FY25	QoQ	YoY
Revenue	**3,38,720**	**3,19,420**	**2,98,900**	**6.0%**	**13.3%**
Cost of revenue	2,21,020	2,10,440	1,92,620	5.0%	14.7%
Selling, General & Admin. Expenses	38,370	38,110	33,690	0.7%	13.9%
R & D Expenses	5,210	4,940	3,990	5.5%	30.6%
Total expenses	**2,64,600**	**2,53,490**	**2,30,300**	**4.4%**	**14.9%**
EBITDA	**74,120**	**65,930**	**68,600**	**12.4%**	**8.0%**
EBITDA margin (%)	**21.9%**	**20.6%**	**23.0%**	**124bps**	**-107bps**
Depreciation and amortization expense	11,270	10,430	10,390	8.1%	8.5%
EBIT	**62,850**	**55,500**	**58,210**	**13.2%**	**8.0%**
EBIT margin (%)	**18.6%**	**17.4%**	**19.5%**	**118bps**	**-92bps**
Finance Cost	2,700	2,100	1,730	28.6%	56.1%
Other Income (Adj. Forex gain/loss)	4,500	3,620	4,840	24.3%	(7.0%)
Exceptional items	9,560	0	0	NA	NA
Profit before tax	**55,090**	**57,020**	**61,320**	**(3.4%)**	**(10.2%)**
Tax expense	14,270	14,660	15,380	(2.7%)	(7.2%)
Minority Interest	60	10	30	**500.0%**	**100.0%**
Net profit	**40,760**	**42,350**	**45,910**	**(3.8%)**	**(11.2%)**
Net profit (%)	**12.0%**	**13.3%**	**15.4%**	**-122bps**	**-333bps**
Adj net profit	**50,320**	**42,350**	**45,910**	**18.8%**	**9.6%**
Adj Net profit (%)	**14.9%**	**13.3%**	**15.4%**	**160bps**	**-50bps**
Diluted EPS (INR)	**15.1**	**15.6**	**16.9**	**(3.8%)**	**(11.2%)**

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	12,68,825	12,55,262	13,44,823
Employee Cost	7,61,570	8,55,428	9,43,699	10,04,764
EBITDA	**2,55,050**	**2,72,354**	**2,94,259**	**3,17,657**
Depreciation	40,840	43,956	45,875	46,799
EBIT	**2,14,210**	**2,28,398**	**2,48,384**	**2,70,858**
Other income	24,850	17,060	19,000	20,000
Finance costs	7,300	8,690	7,000	7,000
Pre-tax Income	**2,32,620**	**2,35,638**	**2,60,384**	**2,83,858**
Income tax expense	58,620	58,795	65,096	70,964
PAT before MI	**1,74,000**	**1,76,843**	**1,95,288**	**2,12,893**
Minority Interest	**90**	**105**	**80**	**80**
PAT after MI	**1,73,910**	**1,76,738**	**1,95,208**	**2,12,813**
Diluted EPS	63.9	65.0	71.8	78.2

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	7,10,465	7,29,285	7,52,142
Non controlling interest	180	285	365	445
Total Equity	**6,96,730**	**7,16,180**	**7,35,080**	**7,58,017**
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 Paybles	62,250	70,309	77,564	82,583
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**	**2,86,449**	**2,91,704**	**2,94,723**
Total Liabilities	**10,55,440**	**10,80,249**	**11,04,404**	**11,30,360**
Non-Current Assets				
Property Plants and Equipments	45,010	39,118	30,902	24,447
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**	**4,28,458**	**4,20,242**	**4,13,787**
Current Assets				
Investments	74,730	74,730	74,730	74,730
Trade Receivables	1,95,230	2,08,574	2,06,344	2,21,067
Cash and Bank	2,12,890	2,23,792	2,59,087	2,71,767
Oher current assets	1,38,240	1,44,695	1,44,001	1,49,009
Total Current Assets	**6,21,090**	**6,51,791**	**6,84,163**	**7,16,573**
Total Assets	**10,55,440**	**10,80,249**	**11,04,404**	**11,30,360**

Exhibit 3: Cash Flow Statement

Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
CFO	2,22,610	2,06,955	2,49,260	2,42,901
CFI	-49,140	-38,065	-37,658	-40,345
CFF	-1,85,610	-1,57,988	-1,76,308	-1,89,877
Net Inc/Dec in cash equivalents	-12,140	10,902	35,294	12,680
Closing Balance	82,450	93,352	1,28,647	1,41,327

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
EBIT Margin (%)	18%	18%	20%	20%
RoE (%)	22%	22%	22%	22%
RoCE (%)	21%	21%	21%	21%
Diluted EPS	63.9	65.0	71.8	78.2
P/E	23.0x	25.6x	23.2x	21.3x

Source: Company, DevenChoksey Research

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Date	CMP (INR)	TP (INR)	Recommendation
13-Jan-26	1,664	1,682	HOLD
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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