equirus SECURITIES

HCL Technologies Ltd

Healthy execution despite challenges; upgrade to ADD

CMP	Target Price
Rs 1,221	Rs 1,290
	Sep 2027
Rating	Upside
ADD	6% (↑)

- HCLT's 1Q show was better than expected both on US$ Sales and EBITM.
- HCLT's 1Q performance implies healthy execution despite seasonal challenges and many client/portfolio specific issues highlighted by HCLT in 4QFY26 earnings call. Besides this, 1Q TCV for new business was one of the highest for 1Q despite general seasonal weakness for TCV in 1Q (came at US$ 2.41bn vs. US$1.94bn qoq/US$1.812bn yoy; this excludes mega deal win worth US$1.14bn for new business announced by HCLT in early July 2026). HCLT, like many of its peers, remain cautious on discretionary IT spend which is adversely impacted by macro/geo-political concerns. Also, mega deal win of July 2026 is likely to transition from 2Q itself but will contribute to sales only starting 1QFY28E as per HCLT. Hence, despite strong wins and better than expected 1Q, HCLT has reiterated its FY27E CC US$ Services growth guidance at 1.5-4.5% which implies 0.5-2.5% CC cqoq growth from 2Q-4QFY27E. HCLT's advanced AI Sales (5% of Sales) was up 10.6% qoq/62.1% yoy in CC terms in 1Q. HCLT reiterated its FY27E EBITM guidance at 17.5-18.5% which factors continuing restructuring cost worth 40-50bps for FY27E vs. 62bps in 1QFY27/65bps in FY26).
- Considering material stock price correction (c.15% since 4QFY26 results) and HCLT's healthy execution on Sales, margins & TCV wins in 1Q despite challenges, we upgrade HCLT to ADD rating from REDUCE rating earlier with Sep'27 TP of Rs.1,290 (Jun'26; Rs.1,415 earlier) set at 1-yr fwd. PE of 16x wgt. avg. dil. EPS of Rs.80.4 (earlier 18x EPS of Rs.78.5).

1Q US$ Sales higher than expectations: HCLT reported CC US$ Sales dip of 0.5% qoq (+2.6% yoy) vs. EE: 1.1% qoq dip. Services Sales were down 0.7% qoq (EE:1.3% qoq dip) including IT& BS reported flattish growth, while ER&D Services declined by 3.7% qoq in CC terms. Software business reported 2.2% qoq increase (5.3% dip yoy) in CC terms.

…with beat on EBITM as well: HCLT reported EBITM of 16.9% in 1Q (recurring at 17.5%), up qoq by 32bps vs. EE:16.7%. IT&BS Services EBITM came at 17.0% vs. 16.3% qoq with ER&D EBITM came at 15.6% vs. 15.5% qoq. Software EBITM came at 17.6% vs. 19.3% qoq/22.4% yoy. Margin expansion on qoq basis was driven by lower restructuring costs (70bps), lower PDD (20bps), and Fx gains (60bps) partially offset by a 110bps headwind from annual productivity benefits passed on to clients and soft growth in ER&D sales.

Unchanged FY27E Sales growth guidance; foray into the AI-Data Centre business: For FY27E, HCLT reiterated its i) Consol. CC US$ Sales growth guidance of 1-4% (does not factor Jaspersoft M&A in Software unit despite its closure in early July'26) and ii) US$ CC Services Sales growth guidance of 1.5-4.5%. It also announced its foray into AI-led data center business (vs. TCS earlier announced its foray into co-location type data center business) with HCLT's plans to invest up to INR 35bn for same to fund fraction of its 50MW capacity plan. HCLT also clarified that its funding plans include mix debt and equity through mix of partners on largely committed client capacity basis – we remain watchful of the same but does not expect any major impact of this investment on its capital allocation policies and return ratios as of now.

Valuation: Our 1-year fwd. target PE of 16x is 25-30% discount to HCLT's 3-Year & 5-year mean and c.10% discount to its 10-year mean to factor volatile macro and increasing cannibalisation risks in medium to long term from AI.

Financial Summary

YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS* (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY26A	13,01,440	2,67,520	1,73,610	64.0	19.1	4.4	11.1	23.0	36.7	20.6
FY27E	14,26,600	2,99,920	2,00,306	73.8	16.5	4.3	9.9	26.2	39.4	21.0
FY28E	14,82,425	3,11,829	2,11,109	77.8	15.7	4.2	9.4	26.8	41.5	21.0
FY29E	15,55,963	3,27,220	2,25,188	83.0	14.7	4.1	8.8	28.1	47.8	21.0

*Source: Company data, Equirus; *Recurring and on diluted equity*

Estimate Revision

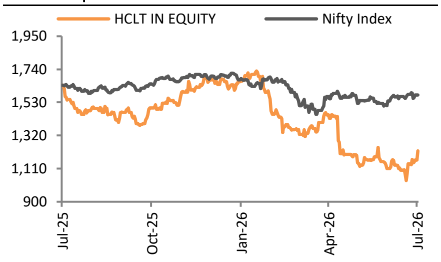
	Forecasts		% Change	
(Rs mn)	FY27E	FY28E	FY27E	FY28E
Sales	14,26,600	14,82,425	1.7%	0.5%
EBITDA	2,99,920	3,11,829	2.0%	1.1%
PAT	2,00,306	2,11,109	2.9%	0.8%
EPS	73.8	77.8	2.9%	0.8%

Stock Information

Market Cap (Rs Mn)	33,13,928
52 Wk H/L (Rs)	1,780/1,030
Avg Daily Volume (1yr)	36,01,879
Avg Daily Value (Rs Mn)	5,056.8
Equity Cap (Rs Mn)	5,427
Face Value (Rs)	2
Share Outstanding (Mn)	2,713.7
Bloomberg Code	HCLT IN
Ind Benchmark	BSE IT

Ownership (%)	Recent	3M	12M
Promoters	60.9	0.1	0.1
DII	19.0	0.6	3.5
FII	15.5	(0.7)	(3.7)
Public	4.7	0.1	0.1

Relative price chart



Source: Bloomberg

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Exhibit 1: Quarterly performance

Rs Mn	Q1FY27	Q1FY27E	Q4FY26	Q1FY26	% Change			Comments
					Q1FY27E	Q4FY26	Q1FY26	
Net Sales ($ Mn)	3,650	3,640	3,682	3,545	0.3%	-0.9%	3.0%	Higher than expectations.
Net Sales (Rs Mn)	3,45,790	3,45,279	3,39,810	3,03,490	0.1%	1.8%	13.9%	
Direct cost	2,35,710	2,33,754	2,30,670	2,05,830	0.8%	2.2%	14.5%	
SG&A	41,380	43,042	42,020	37,310	-3.9%	-1.5%	10.9%	
Total Expenditures	**2,77,090**	**2,76,795**	**2,72,690**	**2,43,140**	**0.1%**	**1.6%**	**14.0%**	
EBITDA	**68,700**	**68,484**	**67,120**	**60,350**	**0.3%**	**2.4%**	**13.8%**	
Depreciation	10,390	10,933	10,920	10,930	-5.0%	-4.9%	-4.9%	
EBIT	**58,310**	**57,551**	**56,200**	**49,420**	**1.3%**	**3.8%**	**18.0%**	Marginally better on EBITM.
Other Income	2,770	1,500	820	2,470	84.7%	237.8%	12.1%	
PBT	**61,080**	**59,051**	**57,020**	**51,890**	**3.4%**	**7.1%**	**17.7%**	
Tax	14,820	14,763	12,120	13,450	0.4%	22.3%	10.2%	
Profit from JV/Asso and MI	-20	-11	-20	-10				
Recurring PAT	**46,240**	**44,278**	**44,880**	**38,430**	**4.4%**	**3.0%**	**20.3%**	
Extraordinaries	0	0	0	0				
Reported PAT	**46,240**	**44,278**	**44,880**	**38,430**	**4.4%**	**3.0%**	**20.3%**	Above expectations.
EPS (Rs)	17.0	16.3	16.5	14.2	4.4%	3.0%	20.3%	
EBITDA Margin	19.9%	19.8%	19.8%	19.9%	3 bps	12 bps	-2 bps	
EBIT Margin	16.9%	16.7%	16.5%	16.3%	19 bps	32 bps	58 bps	
PBT Margin	17.7%	17.1%	16.8%	17.1%	56 bps	88 bps	57 bps	
PAT Margin	13.4%	12.8%	13.2%	12.7%	55 bps	16 bps	71 bps	
Tax Rate	24.3%	25.0%	21.3%	25.9%	-74 bps	301 bps	-166 bps	

Source: Company data, Equirus.

1QFY27 Earnings call takeaways

Guidance FY27E:

- Revenue Growth Guidance:
  - For FY27E HCLT reiterated its, organic US$ Sales growth guidance of 1-4% in CC terms with organic services revenue growth of 1.5% - 4.5% YoY in CC terms.
  - This implies CC qoq growth rates of 0.5 to 2.5% qoq growth in CC terms from 2Q-4QFY27E for Services business.
  - The FY27 guidance does not include the impact of acquisitions, the Telecom Solutions Group from HPE (pending closure) and Jaspersoft (Closed on 2 July 2026. we estimate same to contribute around 0.3-0.5% incremental contribution).
- EBITM Guidance: For FY27E HCLT reiterated its organic EBITM guidance of 17.5%-18.5% (factoring 40-50bps impact of restructuring costs) (vs. reported FY26/FY25/FY24 EBIT margins of 17.2% %/18.3%/18.2% respectively).

Other updates:

- 1Q Revenue: HCLT reported CC US$ Sales dip of 0.5% qoq (+2.6% yoy). Services Sales were down 0.7% qoq in CC terms (incl. IT&BS remained flat, while ER&D Services declined by 3.7% qoq in CC terms). Software business also reported a growth of 2.2% qoq (5.3% dip yoy) in CC terms. Advanced AI led sales grew by 10.6% qoq (+62.1% yoy) in CC terms and came at US$171mn in 1Q.
- Margin movement:
  - HCLT reported EBITM of 16.9% in 1Q (recurring at 17.5%), up qoq by 32bps vs. EE:16.7%. IT&BS Services EBITM came at 17.0% vs. 16.3% qoq with ER&D EBITM came at 15.6% vs. 15.5% qoq. Software EBITM came at 17.6% vs. 19.3% qoq/22.4% yoy. Margin expansion on qoq basis was driven by lower restructuring costs (70bps), lower PDD (20bps), and Fx gains (60bps) partially offset by a 110bps headwind from annual productivity benefits pass on to clients and soft growth in ER&D sales.
  - Looking ahead, HCLT is retaining its margin guidance of 17.5% to 18.5% for FY27E (which includes restructuring costs but excludes margin impacts from acquisitions).
- Macro Environment and demand outlook: The macro-related situation remains unchanged. The broader market shows a clear divergence in AI segments, with strong growth in AI native and AI-amplified services, while AI-disrupted services face further optimization due to AI-enabled automation. The healthcare segment, particularly in the US, is heavily stressed.
- Geography-wise Revenue: Within markets growth was diverse across regions. For the services business, America/Europe/India/ROW grew +2.9% / +0.1% / +16.9% / +10.8% respectively yoy in CC terms.
- Vertical wise Revenue: Within verticals for Services business, BFSI/ Mfg./ Tech & Services/ Retail & CPG/ Telecom, media & publishing/ Life sciences & healthcare/ Public services grew +5.3%/+3.7%/+7.3%/+10.1%/-10.9%/+0.4%/+12.0% respectively yoy in CC terms.
  - In BFSI, it has maintained strong momentum driven by i) AI-native approach which resonated well with large clients, ii) Proactive AI adoption, iii) Broad-based traction in the data and analytics space.
  - Healthcare and Life Sciences has experienced recent declines due to two primary headwinds: i) The conclusion of a major wave of regulatory compliance work for medical device companies, ii) Financial stress within the US healthcare segment, which disproportionately impacts HCLT since the majority of its healthcare revenue originates in the US.
  - Tech, Telecom, Media & Entertainment experienced a decline, particularly impacting the ER&D services segment largely driven by sharp cuts in discretionary spending from two large US Telcos, which is expected to impact in subsequent quarters as well.
- Deal wins: HCLT reported new business TCV of US$2,407mn in 1Q (excl. 1.14bn deal announced in July'26) (vs. US$1,936mn qoq / US$1,812 mn yoy;).

- **GenAI capabilities:**
    - HCLT laid 4 components strategy: (i) Proactive Service Transformation (ii) Building Differentiated IP (iii) New AI-led Services (AI Factory) (iv) Partnership Ecosystem.
    - It observed a market divergence with strong growth in AI-native and AI amplified services, contrasting with AI-disrupted services where AI-enabled automation optimizes traditional work.
    - HCLT inaugurated AI innovation zones with Google Cloud and Intel in Santa Clara and Chennai.
    - HCLT's new AI data center business will offer full-stack solutions, including sovereign cloud, to address the convergence of AI-led demand, supply constraints, and sovereignty needs in India.
- **Growth within client bucket:** HCLTech reported a mixed performance across its client segments, with US$100M+/ US$50M+/ US$20M+/ US$10M+/US$5M+ stood at 23 (flat qoq)/ 60 (flat qoq)/ 155 (up by 6 qoq)/ 286 (up by 9 qoq)/ 431 (up by 2 qoq) respectively.
- **Headcount movement:** Net employee count decreased by 3,292 in 1Q and stood at 223,889. Attrition (on LTM basis) stood at 12.7% vs 12.5% qoq and 12.8% yoy.
  the decline in headcount is tied to a broader business shift where traditional, commoditized work is being optimized through AI-enabled automation. Additionally, the 1Q is typically impacted by planned revenue declines resulting from annual productivity commitments in large managed services contracts, which influences staffing needs. Management also noted that specific declines in the Engineering and R&D (ERS) segment were driven by sharp discretionary spending cuts from large telecom clients.
- **Dividend and Capital allocation:** HCLT announced an interim dividend of INR 12/share vs. FY26 total divided at INR 60/Share (reported 97.6% payout) and vs. FY25 total dividend came at INR 60/Share.
- **Jaspersoft Acquisition:** HCLT completed the acquisition of Jaspersoft on 2nd July which was announced on Dec'25 and will add a critical "visualization layer" to its existing data management portfolio as per HCLT. HCLT expects this acquisition to contribute approximately US$ 10-15mn/quarter revenues starting from 2Q onwards, though it might fluctuate due to seasonality. Also, the anticipated revenue and margin impacts from the Jaspersoft acquisition are not included in the current guidance.
- **Sovereign Cloud and AI Strategy:**
    - HCLT is entering into AI data center business, moving away from a traditional colocation business. Its strategy involves zero-trust architectures and deploying private, SLMs fine-tuned on enterprise data rather than relying on rented massive frontier models. It also announced an initial strategic investment of up to INR 35bn (funded through a mix of partners, committed client capacity, and a balanced equity-debt structure) to get started on a smaller capacity for its long-term vision of 50mw capacity. Also, HCLT is already in advanced discussions with clients to secure a certain level of committed consumption. Additionally, HCLT plans to consume a portion of this data centre capacity internally. They will bundle this capacity into their outcome-based pricing and managed services contracts for global clients.
    - **Sarvam AI Partnership:** HCLT made a strategic US$ 150mn investment in Sarvam to co-develop a full-stack platform combining Sarvam's multilingual, India-focused AI models with its engineering expertise.

Exhibit 2: US$ Services revenue growth by industry segment (% chg qoq/yoy)

Industry segment (Services US$ sales - mn)	1QFY26	4QFY26	1QFY27	% chg qoq	% chg yoy
Financial Services	697	724	736	1.6%	5.6%
Manufacturing	600	630	623	-1.0%	3.8%
Technology & Services	452	501	480	-4.2%	6.2%
Retail & CPG	313	328	343	4.5%	9.6%
Telecom, media, publishing and entertainment	423	410	373	-8.9%	-11.7%
Life Sciences & Healthcare	468	481	466	-3.0%	-0.3%
Public Services	274	311	310	-0.5%	13.0%

Source: Company data, Equirus

Exhibit 3: QoQ US$ Revenue growth by segment (% chg qoq)

US$ sales growth qoq (% qoq)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
IT and business services	1.8	4.1	-1.7	2.6	0.2	-0.4	2.2	3.1	1.4	0.6	-0.3
Engineering and R&D services	8.8	-1.6	-3.3	1.8	4.4	5.3	1.2	2.5	2.7	-1.6	-4.2
Product and Platforms	33.3	-19.3	-0.9	2.5	17.5	-13.9	-5.1	0.9	29.0	-28.3	1.0

Source: Company data, Equirus

Exhibit 4: US$ Services revenue growth by market segment (% chg qoq/yoy)

Markets (Services US$ Sales)	1QFY26	4QFY26	1QFY27	% chg qoq	% chg yoy
Americas	1,823	1,906	1,866	-2.1%	2.3%
Europe	913	917	920	0.2%	0.7%
Rest of the world	491	562	546	-2.8%	11.4%

Source: Company data, Equirus

Exhibit 5: Segmental EBIT margins (% chg qoq/yoy)

Particulars	1QFY26	4QFY26	1QFY27	% chg qoq	% chg yoy
IT and business services	15.1%	16.3%	17.0%	67 bps	185 bps
Engineering and R&D services	17.7%	15.5%	15.6%	15 bps	-207 bps
Product and Platforms	22.4%	20.2%	17.6%	-263 bps	-485 bps

Source: Company Data, Equirus

Exhibit 6: Employee addition and attrition rates

Employee addition and attrition rates	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Employees (beginning of quarter) - Nos.	2,21,139	2,24,756	2,27,481	2,19,401	2,18,621	2,20,755	2,23,420	2,23,151	2,26,640	2,26,379	2,27,181
Net employee addition - Nos.	3,617	2,725	(8,080)	(780)	2,134	2,665	(269)	3,489	(261)	802	(3,292)
Employees (end of quarter) - Nos.	2,24,756	2,27,481	2,19,401	2,18,621	2,20,755	2,23,420	2,23,151	2,26,640	2,26,379	2,27,181	2,23,889
Voluntary Attrition % (LTM) (excl. Digital Process Operations)	12.8%	12.4%	12.8%	12.9%	13.2%	13.0%	12.8%	12.6%	12.4%	12.5%	12.7%

Source: Company data, Equirus

Exhibit 7: Client-wise sales contribution (%) – LTM

Client wise sales contribution (%) - LTM	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Top 5 clients	9.8	10.4	11.4	12.1	12.6	12.7	12.6	12.4	12.2	11.9	11.6
Top 6-10 clients	7.9	8.4	8.2	8.0	7.7	7.5	7.6	7.5	7.5	7.2	7.1
Top 10 clients	17.7	18.8	19.6	20.1	20.3	20.2	20.2	19.9	19.7	19.1	18.7
Top 11-20 clients	10.3	10.2	10.5	10.7	10.6	10.2	9.7	9.6	9.4	9.4	9.3
Top 20 clients	28	29	30.1	30.8	30.9	30.4	29.9	29.5	29.1	28.5	28

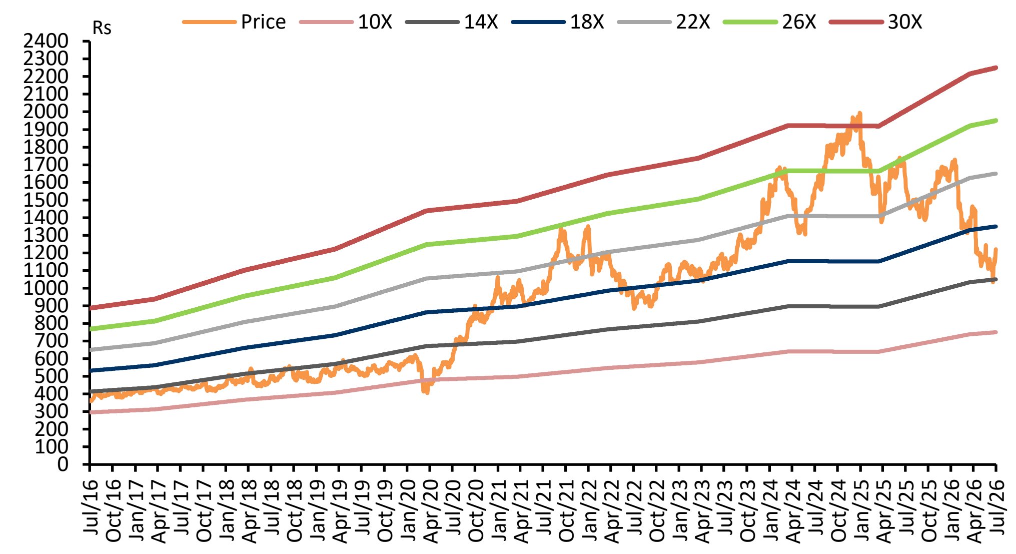
Source: Company data, Equirus

Exhibit 8: Number of clients by sales – LTM

Number of clients by sales - LTM	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
US$1m+	958	951	951	952	952	948	956	954	968	976	987
US$5m+	401	395	404	402	398	399	402	406	421	429	431
US$10m+	250	254	256	251	248	251	255	258	268	277	286
US$20m+	132	137	133	137	136	138	144	151	151	149	155
US$50m+	49	46	48	52	53	52	54	54	56	60	60
US$100m+	20	22	22	22	22	22	22	22	23	23	23

Source: Company data, Equirus

Exhibit 9: 1-year forward PE Chart



Source: Company data, Equirus, Bloomberg

Company Snapshot

How we differ from consensus

Particular (Rs Mn)		Equirus	Consensus	% Diff	Comment
EPS	FY27E	73.8	72.1	2.3%	
	FY28E	77.8	77.1	1.0%	
Sales	FY27E	14,26,600	14,13,120	1.0%	
	FY28E	14,82,425	14,89,247	-0.5%	
PAT	FY27E	2,00,306	1,96,510	1.9%	
	FY28E	2,11,109	2,09,395	0.8%	

Source: Company data, Equirus, Bloomberg; Equirus EPS based on weighted avg. dil. equity

Key Estimates

	Earlier estimates			Revised estimates			Difference		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue (US$ mn)	15,166	15,857	16,548	15,097	15,646	16,292	-0.5%	-1.3%	-1.5%
US$/INR	92.5	93.0	94.0	94.5	94.7	95.5	2.2%	1.9%	1.6%
Revenue (Rs mn)	14,02,777	14,74,779	15,55,531	14,26,600	14,82,425	15,55,963	1.7%	0.5%	0.0%
EBIT	2,46,445	2,59,966	2,75,526	2,52,595	2,63,460	2,78,471	2.5%	1.3%	1.1%
EBIT (%)	17.6%	17.6%	17.7%	17.7%	17.8%	17.9%	14 bps	14 bps	18 bps
PAT	1,94,589	2,09,527	2,24,194	2,00,306	2,11,109	2,25,188	2.9%	0.8%	0.4%
EPS	71.7	77.2	82.6	73.8	77.8	83.0	2.9%	0.8%	0.4%

Source: Company data, Equirus; EPS based on weighted average diluted equity

Our Key Investment arguments:

- HCLT's 1Q performance implies healthy execution despite seasonal challenges and many client/portfolio specific issues highlighted by HCLT in 4QFY26 earnings call. Besides this, 1Q TCV for new business was one of the highest for 1Q despite general seasonal weakness for TCV in 1Q (came at US$ 2.41bn vs. US$1.94bn qoq/US$1.812bn yoy; this excludes mega deal win worth US$1.14bn for new business announced by HCLT in early July 2026). HCLT, like many of its peers, remain cautious on discretionary IT spend which is adversely impacted by macro/geo-political concerns. Also, mega deal win of July 2026 is likely to transition from 2Q itself but will contribute to sales only starting 1QFY28E as per HCLT. Hence, despite strong wins and better than expected 1Q, HCLT has reiterated its FY27E CC US$ Services growth guidance at 1.5-4.5% which implies 0.5-2.5% CC cqoq growth from 2Q-4QFY27E. HCLT's advanced AI Sales (5% of Sales) was up 10.6% qoq/62.1% yoy in CC terms in 1Q. HCLT reiterated its FY27E EBITM guidance at 17.5-18.5% which factors continuing restructuring cost worth 40-50bps for FY27E vs. 62bps in 1QFY27/65bps in FY26).
- Considering material stock price correction (c.15% since 4QFY26 results) and HCLT's healthy execution on Sales, margins & TCV wins in 1Q despite challenges, we upgrade HCLT to ADD rating from REDUCE rating.

Risk to Our View:

- Any major integration related challenges for any future M&As and/or execution related issues in large deals which may impact deal ramp up and/or margins.
- Any major attrition in senior management / leaders and higher than expected supply side issues impacting project execution/delivery and margin management etc.
- Any sharp currency appreciation and/or any major adverse cross currency movements
- Any major adverse macro events in key markets (and any resulting client specific issues) and/or changes in outsourcing/visa regime/regulations.
- Any client specific issues (esp. in large clients)
- Higher than expected impact of generative AI on revenues in medium to long term.

Notes for our historic and future financial estimates:

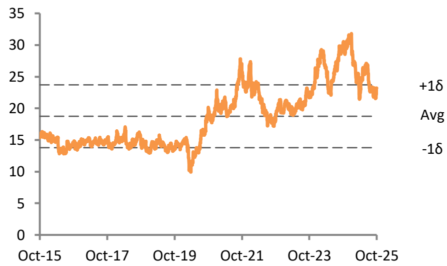
- HCLT starting 4QFY22 transitioned to IFRS vs. US GAAP followed earlier. With this change our financials/estimates for FY22 and beyond are based on IFRS while earlier years' financials are as per US GAAP.

Comparable valuation

Company	Reco.	CMP	Mkt Cap Rs. bn.	Price Target	Target Date	EPS			P/E (x)			P/B (x)			RoE (%)			Div Yield
						FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A
TCS	LONG	2,182	7,893	2,480	Sep 27	146.0	156.6	166.1	14.9	13.9	13.1	7.2	6.3	6.3	47%	48%	45%	5.0%
Infosys	LONG	1,103	4,462	1,460	Jun 27	73.8	77.3	82.0	14.9	14.3	13.4	4.8	4.5	4.5	31%	33%	33%	4.4%
HCL Tech	ADD	1,221	3,314	1,290	Sep 27	64.0	73.8	77.8	19.1	16.5	15.7	4.4	4.3	4.3	23%	26%	27%	4.9%
Wipro	REDUCE	178	1,871	208	Jun 27	12.9	14.1	14.7	13.9	12.7	12.2	2.1	2.1	2.1	15%	16%	16%	6.2%
Tech M	LONG	1,505	1,474	1,695	Jun 27	56.5	78.4	89.6	26.6	19.2	16.8	4.5	4.2	4.2	17%	23%	24%	3.4%
LTM	ADD	4,124	1,223	4,440	Sep 27	182.2	196.7	236.3	22.6	21.0	17.5	5.1	4.4	4.4	21%	23%	24%	1.8%
Cyient	LONG	867	96	1,105	Jun 27	46.3	52.1	74.2	18.7	16.7	11.7	1.7	1.7	1.7	8%	10%	14%	1.8%
LTTS	ADD	3,298	350	3,865	Jun 27	124.4	139.2	165.0	26.5	23.7	20.0	5.4	4.8	4.8	20%	22%	22%	1.8%
Mphasis	LONG	2,390	456	2,900	Jun 27	98.2	106.3	122.7	24.3	22.5	19.5	4.3	4.0	4.0	18%	18%	19%	2.6%
Coforge	LONG	1,541	517	1,410	Jun 27	46.0	55.6	64.5	33.5	27.7	23.9	5.4	2.3	2.3	20%	12%	10%	0.8%
Persistent	REDUCE	5,192	819	5,010	Jun 27	122.5	144.7	177.1	42.4	35.9	29.3	10.5	8.7	8.7	26%	26%	27%	0.8%
Birlasoft	LONG	299	84	434	Jun 27	23.4	23.1	25.9	12.8	13.0	11.5	2.1	1.9	1.9	14%	15%	15%	2.2%
Zensar	LONG	540	123	695	Jun 27	34.5	34.3	40.0	15.6	15.8	13.5	2.6	2.4	2.4	18%	16%	17%	2.8%
KPIT Tech	ADD	573	157	715	Jun 27	24.1	20.5	30.7	23.8	28.0	18.7	4.4	4.0	4.0	20%	15%	20%	1.3%
eClerx	LONG	1,663	156	2,040	Jun 27	72.0	81.6	99.3	23.1	20.4	16.7	6.3	5.4	5.4	29%	28%	30%	0.1%
R Systems	LONG	250	30	455	Jun 27	15.1	20.2	21.3	16.6	12.4	11.8	3.7	2.8	2.8	26%	26%	24%	2.4%

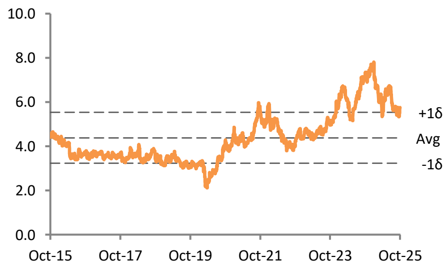
Source: Company data, Equirus, Bloomberg; Note: EPS are based on weighted average diluted shares. For R Systems year end is Dec and FY26-FY28E reflects CY25-CY27.

Price to earning chart



Source: Company data, Equirus

Price to book chart



Source: Company data, Equirus

Quarterly performance

Y/E Mar (Rs mn)	1QFY26A	2QFY26A	3QFY26A	4QFY26A	1QFY27A	2QFY27E	3QFY27E	4QFY27E
Revenue	**3,03,490**	**3,19,420**	**3,38,720**	**3,39,810**	**3,45,790**	**3,51,517**	**3,65,905**	**3,63,387**
Cost of revenue	2,05,830	2,15,380	2,26,230	2,30,670	2,35,710	2,36,574	2,42,662	2,44,461
SG&A	37,310	38,110	38,370	42,020	41,380	41,538	42,141	42,214
EBITDA	60,350	65,930	74,120	67,120	68,700	73,405	81,103	76,712
Depreciation	10,930	10,430	11,270	10,920	10,390	11,721	13,018	12,196
EBIT	49,420	55,500	62,850	56,200	58,310	61,684	68,085	64,516
Interest Exp.	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income	2,470	1,520	1,800	820	2,770	2,653	3,728	4,201
Profit before Tax	**51,890**	**57,020**	**64,650**	**57,020**	**61,080**	**64,337**	**71,813**	**68,717**
Tax Expenses	13,450	14,660	16,640	12,120	14,820	15,923	17,774	17,007
Profit After Tax	38,440	42,360	48,010	44,900	46,260	48,414	54,039	51,709
Minority Interest	**(10)**	**(10)**	**(60)**	**(20)**	**(20)**	**(11)**	**(65)**	**(22)**
Profit/(Loss) from Associates	0	0	0	0	0	0	0	0
Recurring PAT	**38,430**	**42,350**	**47,950**	**44,880**	**46,240**	**48,403**	**53,975**	**51,688**
Exceptional Items	0	0	7,190	0	0	0	0	0
Reported PAT	38,430	42,350	40,760	44,880	46,240	48,403	53,975	51,688
Other comprehensive income.	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PAT after comp. income.	38,430	42,350	40,760	44,880	46,240	48,403	53,975	51,688
FDEPS	**14.2**	**15.6**	**17.7**	**16.5**	**17.0**	**17.8**	**19.9**	**19.0**
Cost items as % of sales								
Cost of revenue	67.8	67.4	66.8	67.9	68.2	67.3	66.3	67.3
SG&A	12.3	11.9	11.3	12.4	12.0	11.8	11.5	11.6

Margin (%)								
Gross Margin	32.2	32.6	33.2	32.1	31.8	32.7	33.7	32.7
EBITDA Margin	19.9	20.6	21.9	19.8	19.9	20.9	22.2	21.1
PAT Margin	12.7	13.3	12.0	13.2	13.4	13.8	14.8	14.2
YoY Growth (%)								
Sales	8.2	10.7	13.3	12.3	13.9	10.0	8.0	6.9
EBITDA	4.2	3.5	8.0	3.5	13.8	11.3	9.4	14.3
EBIT	3.1	3.5	8.0	3.3	18.0	11.1	8.3	14.8
PAT	(9.7)	0.0	(11.2)	4.2	20.3	14.3	32.4	15.2

Key Financials (Consolidated)*

Income Statement

Y/E Mar (Rs mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	10,14,560	10,99,130	11,70,550	13,01,440	14,26,600	14,82,425	15,55,963
Cost of revenue	6,61,555	7,21,250	7,78,160	8,78,110	9,59,407	10,02,236	10,58,238
SG&A	1,26,725	1,35,880	1,37,350	1,55,810	1,67,273	1,68,360	1,70,506
EBITDA	2,26,280	2,42,000	2,55,040	2,67,520	2,99,920	3,11,829	3,27,220
Depreciation	41,450	41,730	40,840	43,550	47,325	48,368	48,748
EBIT	1,84,830	2,00,270	2,14,200	2,23,970	2,52,595	2,63,460	2,78,471
Interest Exp.	0	0	0	0	0	0	0
Other Income	10,050	9,400	18,410	6,610	13,352	17,251	21,960
Profit before Tax	1,94,880	2,09,670	2,32,610	2,30,580	2,65,947	2,80,711	3,00,431
Tax Expenses	46,420	52,570	58,620	56,870	65,525	69,476	75,108
Profit After Tax	1,48,460	1,57,100	1,73,990	1,73,710	2,00,422	2,11,235	2,25,323
Minority Interest	50	(80)	(90)	(100)	(117)	(126)	(135)
Profit/(Loss) from Associates	0	0	0	0	0	0	0
Recurring PAT	1,48,510	1,57,020	1,73,900	1,73,610	2,00,306	2,11,109	2,25,188
Exceptional Items	0	0	0	(7,190)	0	0	0
Reported PAT	1,48,510	1,57,020	1,73,900	1,66,420	2,00,306	2,11,109	2,25,188
Other comprehensive income.	0	0	0	0	0	0	0
PAT after comp. income.	1,48,510	1,57,020	1,73,900	1,66,420	2,00,306	2,11,109	2,25,188
FDEPS	54.7	57.9	64.1	64.0	73.8	77.8	83.0
DPS	48	52	60	60	68	73	79
BVPS	241	252	257	277	287	293	299

YoY Growth (%)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Sales	18.5	8.3	6.5	11.2	9.6	3.9	5.0
EBITDA	10.2	6.9	5.4	4.9	12.1	4.0	4.9
EBIT	14.1	8.4	7.0	4.6	12.8	4.3	5.7
PAT	10.0	5.7	10.8	(4.3)	20.4	5.4	6.7

Key Ratios

Profitability (%)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Gross Margin	34.8	34.4	33.5	32.5	32.7	32.4	32.0
EBITDA Margin	22.3	22.0	21.8	20.6	21.0	21.0	21.0
PAT Margin	14.6	14.3	14.9	12.8	14.0	14.2	14.5
ROE	23.3	23.5	25.2	23.0	26.2	26.8	28.1
ROIC	21.4	21.8	23.2	22.2	24.5	25.2	26.3
Core ROIC	30.2	32.3	35.3	36.7	39.4	41.5	47.8
Dividend Payout	87.7	89.9	93.6	97.8	92.1	93.8	95.2

CAGR (%)	1 year	2 years	3 years	5 years	7 years	10 years
Revenue	11.2	8.8	8.7	11.5	11.6	13.4
EBITDA	4.9	5.1	5.7	5.9	9.7	11.9
PAT	(4.3)	2.9	3.9	6.0	7.4	8.7

Valuation (x)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
P/E	22.3	21.1	19.1	19.1	16.5	15.7	14.7
P/B	5.1	4.9	4.8	4.4	4.3	4.2	4.1
P/FCFF	21.9	17.0	18.1	18.5	16.0	13.2	12.4
EV/EBITDA	13.7	12.6	11.9	11.1	9.9	9.4	8.8
EV/Sales	3.1	2.8	2.6	2.3	2.1	2.0	1.8
Dividend Yield (%)	3.9	4.3	4.9	4.9	5.6	6.0	6.5

Balance Sheet*

Y/E Mar (Rs mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Equity Capital	5,427	5,427	5,427	5,427	5,427	5,427	5,427
Reserves	6,48,874	6,77,243	6,90,921	7,46,405	7,73,036	7,88,761	8,04,998
Net Worth	**6,54,301**	**6,82,670**	**6,96,348**	**7,51,832**	**7,78,463**	**7,94,189**	**8,10,425**
Total Debt	22,517	23,353	22,904	1,612	1,612	1,612	1,612
Other long term liabilities	53,416	76,649	91,188	1,10,764	88,792	1,23,834	1,01,986
Minority Interest	(82)	83	171	284	401	527	662
Account Payables	67,879	75,315	88,966	1,05,074	1,15,179	1,19,687	1,25,624
Other Current Liabilities	1,36,346	1,40,050	1,55,726	1,93,187	2,21,838	2,43,160	2,68,591
Total Liabilities	**9,34,377**	**9,98,121**	**10,55,305**	**11,62,755**	**12,06,286**	**12,83,009**	**13,08,900**
Gross Fixed Assets	1,37,730	1,44,541	1,48,192	1,56,379	1,74,849	1,96,849	2,20,349
Acc. Depreciation	(83,986)	(95,582)	(1,03,153)	(1,09,816)	(1,34,011)	(1,59,254)	(1,85,459)
Net Fixed Assets	53,744	48,959	45,039	46,563	40,838	37,594	34,889
Capital WIP	411	1,084	598	569	569	2,756	4,944
long term investments	1,150	917	940	1,328	15,598	15,598	15,598
Others	63,441	71,812	79,053	91,039	72,348	1,02,636	63,374
Inventory	2,301	1,835	1,367	2,371	2,599	2,701	2,834
Receivables	1,95,666	1,94,917	1,95,196	2,35,848	2,59,062	2,69,425	2,83,277
Loans and advances	0	0	0	0	0	0	0
Other current assets	1,17,515	1,22,939	1,37,338	1,59,224	1,76,589	1,81,378	1,97,833
Cash & Cash Equivalents.	2,30,933	2,82,840	3,09,303	3,34,488	3,33,694	3,89,057	4,46,827
Total Assets	**9,34,377**	**9,98,121**	**10,55,305**	**11,62,755**	**12,06,286**	**12,83,009**	**13,08,900**
Non-Cash WC	1,11,256	1,04,326	89,209	99,181	1,01,233	90,656	89,730
Cash Conv. Cycle	40.0	34.6	27.8	27.8	25.9	22.3	21.0
WC Turnover	9.1	10.5	13.1	13.1	14.1	16.4	17.3
Gross Asset Turnover	7.4	7.6	7.9	8.3	8.2	7.5	7.1
Net Asset Turnover	18.9	22.5	26.0	28.0	34.9	39.4	44.6
Net D/E	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)

Days (x)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Receivable Days	70	65	61	66	66	66	66
Inventory Days	1	1	0	1	1	1	1
Payable Days	37	38	42	44	44	44	43
Non-cash WC days	40	35	28	28	26	22	21

Cash Flow*

Y/E Mar (Rs mn)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Profit Before Tax	1,94,880	2,09,670	2,32,610	2,30,580	2,65,947	2,80,711	3,00,431
Depreciation	41,450	41,730	40,840	43,550	47,325	48,368	48,748
Others	(2,522)	(20)	(960)	(4,740)	(570)	(2,500)	(3,500)
Tax paid	(46,657)	(44,308)	(50,565)	(59,969)	(59,838)	(63,160)	(67,597)
Change in WC	4,018	30,173	12,119	20,564	10,297	12,459	14,328
Operating Cashflow	**1,91,168**	**2,37,245**	**2,34,044**	**2,29,985**	**2,63,160**	**2,75,879**	**2,92,410**
Capex	(39,743)	(42,218)	(51,012)	(50,932)	(56,094)	(25,132)	(25,688)
Change in Invest.	8,534	(16,418)	(4,240)	4,700	(12,163)	(29,500)	(28,000)
Others	2,177	320	250	230	0	0	0
Investing Cashflow	**(29,032)**	**(58,315)**	**(55,002)**	**(46,003)**	**(68,257)**	**(54,632)**	**(53,688)**
Change in Debt	(17,348)	837	(449)	(21,292)	0	0	0
Change in Equity	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0
Financing Cashflow	**(1,47,298)**	**(1,39,893)**	**(1,62,949)**	**(1,67,472)**	**(1,73,675)**	**(1,95,384)**	**(2,08,952)**
Net Change in Cash	**14,838**	**39,036**	**16,092**	**16,511**	**21,228**	**25,862**	**29,771**

Source: Company data, Equirus *HCLT adopted IFRS from FY22. Our financials/estimates for FY22 onwards are as per IFRS while earlier years' financials are as per US GAAP.*

equirus SECURITIES

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Research Analyst' or Relatives' financial interest	No	
Research Analyst' or Relatives' actual/beneficial ownership of 1% or more	No	
Research Analyst' or Relatives' material conflict of interest	No	

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