Stock Idea Note - HCL Technologies Ltd.

Company Overview

HCL Technologies Ltd. (HCLTech) is a leading global IT services company headquartered in Noida, India, and part of the HCL Group. Established in 1976, the company has transformed from a pioneering Indian IT hardware company into one of the world's leading IT services and consulting organizations. It focuses on transformational outsourcing and offers an integrated portfolio of services, including software-led IT solutions, remote infrastructure management, engineering and R&D services and business process outsourcing (BPO). The company operates in more than 60 countries and employs over 223,000 professionals, serving a diverse clientele that includes Fortune 500 firms across industries such as financial services, healthcare, manufacturing, retail, and telecom. Its business is structured around three key segments: IT and Business Services (ITBS), Engineering and R&D Services (ERS), and HCLSoftware. HCLTech is known for its deep domain expertise, strong engineering heritage, and a customer-centric approach that emphasizes co-innovation and long-term partnerships. The company has significantly expanded its global delivery footprint by launching new centers in key locations such as Hyderabad, Patna, and Kerala, each designed to deliver advanced cloud, AI, engineering, and digital transformation solutions. HCLTech leverages its global network of integrated co-innovation labs and global delivery capabilities to provide holistic multi-service delivery across key industry verticals. The company continues to grow its client base and international presence, with new centers in India and a robust pipeline of large deal wins, including $9.27 billion in FY25.

Investment Rationale

Broad-based expansion across geographies and sectors improves financial strength

HCLTech has shown steady growth and strong financial performance in FY25, even when the overall economy was uncertain and many companies were spending less. The company delivered consolidated revenue of $13.84 billion, and its operating margin improved to 18.3%. The company's Services segment outpaced similar-sized peers for the third consecutive year, achieving a growth of 4.8%. This performance was driven by IT and Business Services, which reported an increase of 4.6%, and Engineering and R&D Services, which recorded growth of 5.5%. HCLTech's Software segment also demonstrated strong performance with a growth of 3.5%. Growth was seen across all regions: Americas, the largest IT Services market, grew 5.3%, Europe by 3.5%, and the rest of the world by 4.7% annually. Sector-wise, Telecom, Media & Publishing saw exceptional growth of 43.4%, Retail & CPG achieved a 10.7% increase, and Technology and Services grew 6.7%. During FY25, its cash generation remained robust, with free cash flow at $2.5 billion and a payout ratio of 93.5%. HCLTech's deal pipeline is at near all-time highs, supported by multiple deals across ITBS, ERS, and HCL Software and evidenced by $3 billion in net new bookings in Q4FY25 and a record $9.3 billion in total contract value (TCV) for FY25, reflecting healthy client demand. With FY26 guidance of 2–5% revenue growth and 18–19% EBIT margins, the company demonstrates strategic discipline amid macroeconomic uncertainties.

Flagship AI offerings unlock productivity and long-term value

HCLTech has made significant strides in AI and GenAI, impacting both clients and internal operations. Its four flagship AI offerings- AI Force, AI Foundry, AI Labs, and AI Engineering- have seen substantial adoption and scaling in FY25. AI Force gained significant traction with 57 deployments among 22 clients in this financial year, creating a billion-dollar impact for a large insurance company by accelerating policy modernization using GenAI. The AI Force platform is integrated with leading technology providers, including NVIDIA, Intel, Google, Anthropic Claude 3, Amazon Bedrock, GitHub

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

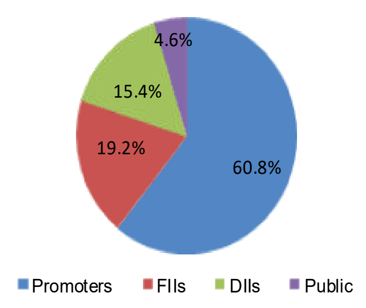
Sector Outlook Positive

Stock	
CMP (INR)	1,661
Target Price (INR)	1,916
NSE Symbol	HCLTECH
BSE Code	532281
Bloomberg	HCLT IN
Reuters	HCLT.BO

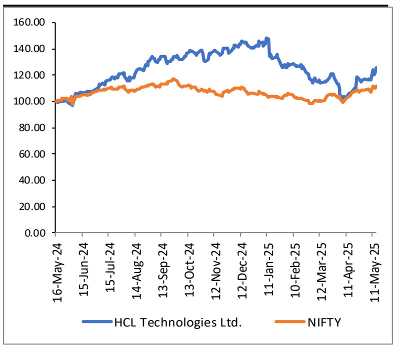
Key Data	
Nifty	25,020
52WeekH/L(INR)	2,012 / 1,235
O/s Shares (Mn)	2,710
Market Cap (INR bn)	4,508.8
Face Value (INR)	2

Average volume	
3 months	3,245,520
6 months	3,150,840
1 year	3,185,890

Share Holding Pattern (%)



Relative Price Chart



Copilot, SAP, Azure, and OpenAI. It has built 50-plus pre-built recipes across requirements, development, testing, DevOps, and technical support. AI Engineering has been pivotal, offering solutions like vision-based inspection, predictive equipment failure analysis, and data and AI transformation. AI Labs delivered 500 AI and GenAI engagements for 400 clients, and the company released 50 agents on Google Marketplace across multiple industries transforming various business processes, including IT, HR, customer relationship management, finance, and sales. The company has trained over 100,000 users and 4,000 developers in AI/GenAI in 2025, and also partnered with NVIDIA, IBM, Microsoft, and Google for training and certification. With enterprises expected to accelerate AI adoption and modernize legacy systems, HCLTech is well-placed to capture demand driven by AI-led productivity and technology transformation.

Valuation and Outlook

HCLTech, a global IT services leader and part of the HCL Group, is well-positioned to benefit from digital transformation trends across industries. With operations in over 60 countries and a workforce of more than 223,000 professionals, the company delivers services through three key segments: IT and Business Services, Engineering and R&D Services, and HCLSoftware across geographies and sectors. Its FY25 performance has reinforced its financial strength, with $13.84 billion in revenue, an 18.3% operating margin, and free cash flow of $2.5 billion. The company's near-record high deal pipeline and $9.3 billion in TCV for FY25 and $3 billion in net new bookings in Q4 alone underline strong client confidence and continuous demand for digital transformation. The company's four flagship AI offerings- AI Force, AI Foundry, AI Labs, and AI Engineering- are gaining significant traction, with AI and GenAI having seen meaningful adoption and business impact, including billion-dollar outcomes and 500+ client engagements in FY25. Strategic partnerships with technology leaders like NVIDIA, Microsoft, and Google, combined with a focus on talent transformation, enable HCLTech to grab AI-led transformation deals across global markets. Management guidance for 2–5% revenue growth and 18–19% EBIT margins in FY26 reflects strategic discipline amid macroeconomic uncertainties. HCLTech's strong financial position and emphasis on innovation enable it to favorably seize opportunities created by technology modernization and the increasing enterprise transition to AI-driven business models. **Thus, we give the stock a "Buy" rating based on the above factors. On the valuation front, we value the company based on 28.5x of FY26e earnings and arrived at a target price of INR 1916 (15% upside from CMP) with a 12-month investment horizon.**

Key Financials						
YE March (INR. Mn)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	**856,510**	**1,014,560**	**1,099,130**	**1,170,550**	**1,241,720**	**1,334,180**
Revenue Growth (Y-oY)	*13.6%*	*18.5%*	*8.3%*	*6.5%*	*6.1%*	*7.4%*
EBIDTA	**205,290**	**226,280**	**241,980**	**255,040**	**273,223**	**295,825**
EBIDTA Growth (Y-o-Y)	*2.4%*	*10.2%*	*6.9%*	*5.4%*	*7.1%*	*8.3%*
Net Profit	**135,230**	**148,450**	**157,100**	**173,990**	**182,142**	**199,223**
Net Profit Growth (Y-o-Y)	*21.1%*	*9.8%*	*5.8%*	*10.8%*	*4.7%*	*9.4%*
Diluted EPS	**49.8**	**54.8**	**57.9**	**64.1**	**67.2**	**73.5**
Diluted EPS Growth (Y-o-Y)	*21.2%*	*10.1%*	*5.6%*	*10.8%*	*4.9%*	*9.4%*
Key Ratios						
EBIDTA margin (%)	**24.0%**	**22.3%**	**22.0%**	**21.8%**	**22.0%**	**22.2%**
NPM (%)	15.8%	14.6%	14.3%	14.9%	14.7%	14.9%
RoE (%)	**21.8%**	**22.7%**	**23.0%**	**25.3%**	**21.0%**	**18.7%**
RoCE (%)	24.6%	27.3%	28.4%	30.2%	26.2%	23.5%
Valuation Ratios						
P/E (x)	**33.4x**	**30.3x**	**28.7x**	**25.9x**	**24.7x**	**22.6x**
EV/EBITDA	22.1x	19.6x	18.3x	17.4x	16.3x	15.0x
P/BV (x)	**7.3x**	**6.9x**	**6.6x**	**6.6x**	**5.2x**	**4.2x**
Market Cap. / Sales (x)	5.3x	4.4x	4.1x	3.8x	3.6x	3.4x

Source: Bloomberg, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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