

# HCL Technologies: AI-Driven Financial & Project Appraisal



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Unlocking Alpha through Capital Efficiency, Multi-Frequency Risk Assessment, and Strategic AIOps Scaling.



## CORE RECOMMENDATION

WACC Reduction of 111bps  
via Capital Structure  
Optimization



## INNOVATION LEVER

Autonomous AIOps Platform  
₹867 Cr Projected NPV



# MARKET CONTEXT & STRATEGIC COMPLICATION

The industry is shifting from Labor Arbitrage to Algorithmic Arbitrage. HCL's current 99% Equity structure leads to an inefficient hurdle rate, hindering capital allocation to high-growth AI projects.

## SWOT MATRIX (INSTITUTIONAL PERSPECTIVE)



### STRENGTHS

AAA Credit, 20% ROE,  
Defensive Beta (0.87),  
Stable FCF



### WEAKNESSES

Zero Debt tax-shield  
usage, Manual-heavy  
L1/L2 Ops



### OPPORTUNITIES

Gen-AI AIOps transition,  
Re-gearing to 25% Debt



### THREATS

Cloud-native pure plays,  
Wage inflation (8%+ p.a.)

## AGENCY MITIGATION & GOVERNANCE



**Audit Oversight:** Reduces information asymmetry through SEBI LODR compliance



**NRC Alignment:** Executive compensation tied to digital transformation milestones



**Risk Committee:** Specific oversight of cyber-risk and AI-model ethics (Responsible AI)

*Governance quality directly sustains the valuation premium during capital restructuring.*



# FIRM-LEVEL RISK APPRAISAL: CAPM DASHBOARD



## BETA STABILITY ANALYSIS (739 OBSERVATIONS):

HCL exhibits **Beta Compression** at lower frequencies (Monthly). This confirms a 'Safe Haven' profile during market volatility. Low  $R^2$  (0.18-0.25) suggests firm-specific alpha generators (Client diversification, execution) outweigh market noise.





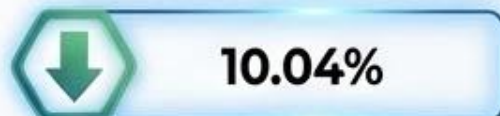
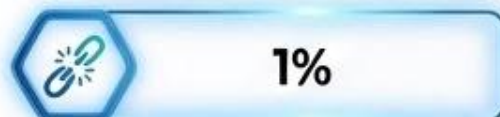
# RECOMMENDATION 1: CAPITAL EFFICIENCY PLAY

## The WACC Arbitrage

### WACC OPTIMIZATION

Moving from 99% Equity to 25% Debt captures the interest tax shield without risking AAA solvency. At a 7.5% pre-tax  $K_d$ , the net after-tax cost of debt is only 5.625%.

#### BASE CASE (99% Equity)



#### TARGET STATE (25% Debt)



### STRATEGIC FIT LOGIC



**111bps Gain:** The reduction in hurdle rate from 10.04% to 8.93% adds an estimated **₹4,200 Cr** to the corporate Enterprise Value based on perpetual cash flow sensitivity.



By lowering the 'cost of betting,' HCL can invest in more aggressive AI projects that were previously marginal under high all-equity discount rates.



## RECOMMENDATION 2: AIOPS PLATFORM APPRAISAL

### PROJECT DEFINITION: 'HCL AUTONOMOUS'

Developing an AI-driven platform for hybrid-cloud telemetry and automated root-cause analysis (ML + LLM stack). Project addresses the DevOps skill shortage and downtime costs (~\$10k/min for enterprises).



**SaaS**  
Model



**0.849**  
Asset Beta



### FIXED R&D

Asset-light cloud delivery models amortize initial heavy R&D.



### SCALE ADVANTAGE

Marginal cost per new user trends to zero over 5 years.



### SWITCHING COSTS

Deep integration into client telemetry creates high enterprise "stickiness."



## FINANCIAL VIABILITY: 5-YEAR SEGMENT PRO-FORMA








**₹ 867.4 Cr**  
NET PRESENT VALUE  
(NPV)



**24.5%**  
PROJECT IRR



**3.2 Years**  
PAYBACK PERIOD

Pro-Forma Metric (INR Cr)	Year 1	Year 2	Year 3	Year 4	Year 5
 Total Segment Revenue	150.00	195.00	253.50	329.55	428.42
 EBITDA (Scaling 20% → 40%)	30.00	48.75	76.05	115.34	171.37
 NOPAT (25% Effective Tax)	16.88	29.25	47.53	74.15	112.46
 Net Capex	12.00	15.60	20.28	26.36	34.27
 FCFF (Free Cash Flow)	12.38	23.40	39.93	64.26	99.61

\* Assumes discount rate based on Peer Unlevered Asset Beta of 0.849 to isolate business risk from firm-level leverage.



# QUANTITATIVE APPRAISAL: PEER-BASED ASSET BETA

## BETA UNLEVERING METHODOLOGY

Since the AIOps platform is not independently listed, we proxy its risk using a basket of cloud-platform peers. We strip out capital structure noise using the unlevering formula:

$$\beta_A = \frac{\beta_E}{1 + (1 - t)(D/E)}$$

$\beta$

**Project Asset Beta = 0.849.** This represents a moderate systematic risk—lower than the broader market but higher than legacy maintenance contracts.

0.849

Lower Risk

Higher Risk

## SENSITIVITY: HURDLE RATE VS VALUE



**10% WACC Stress:** NPV remains positive at **₹680 Cr.**



**Revenue Dip (-15%):** EBITDA margins resilient at 30% due to software scalability.



**Terminal Growth (5%):** Adds substantial long-term value via perpetual FCFF compounding.

## CONCLUSION



The project is highly viable even under conservative growth assumptions and high inflation scenarios.



# DETAILED STRATEGIC ROADMAP: 36-MONTH HORIZON

Q1

## Foundational Re-gearing



Issue ₹2,000 Cr in Bonds;  
Establish AI Ethics Board;  
Finalize AIOps MVP Architecture.

Q3

## Internal Beta / Pilots



Deploy internally to 50 key  
Fortune-500 accounts. Collect  
telemetry for LLM fine-tuning.

Q6

## Commercial Scaling



Global SaaS launch. 20%  
Workforce reskilling into 'AIOps  
Management' roles to protect  
margins.

Q12

## Market Leadership



Achievement of 8.93% WACC;  
AIOps contributes >30% of  
total Firm segment margin.

## GOVERNANCE MILESTONE



Institutionalize AI Risk Scorecards. Transition  
board from quarterly reporting to real-time AI  
dashboards for risk oversight.

## TALENT STRATEGY



Transition 5,000 FTEs from L1/L2 support to AI  
System Engineering within 18 months, avoiding  
severance and wage-inflation traps.



# RESPONSIBLE AI & IMPLEMENTATION GOVERNANCE



## ETHICAL & LEGAL FRAMEWORK

Compliance with global data privacy norms (GDPR, India's DPDPA) by ensuring all project telemetry is anonymized and processed in edge locations.



## BIAS & HALLUCINATION MITIGATION

Human-in-the-loop oversight for automated root-cause analysis. AI outputs validated by senior SREs (Site Reliability Engineers) before client execution.



## STRATEGIC SYNTHESIS

The combination of **Capital Restructuring** (111bps gain), **SaaS-led Innovation** (₹867 Cr NPV), and **Responsible AI Governance** ensures HCL is not just a participant, but a leader in the next decade of IT efficiency.