

**Price:** 1,567

**Recommendation:** Buy

**Industry:** Computers - Software

**Sector:** Information Technology

**Report Date:** 22-Mar-2025

HCL Technologies is advancing growth and innovation by leveraging next-gen technologies like cloud and generative AI. Strategic acquisitions, such as CTG assets from HPE, enhance their engineering services and telecom market position in Japan and Europe. Partnerships with SAP and ServiceNow drive innovation. HCLTech focuses on digital initiatives, network modernization, and AI solutions, expecting increased IT investments and strong business momentum despite potential global changes.

Sales		Profit & Loss		Profitability Matrix	
Current Year	49750 Cr	Operating Profit(Year)	17349 Cr	Operating Profit Margin	34.9 %
Previous Year	46276 Cr	Operating Profit(Quarter)	4987 Cr	EBITDA Margin	35.78 %
Current Quarter	13274 Cr	PAT (Year)	11561 Cr	Net Profit Margin	24.0 %
Previous Quarter	12615 Cr	PAT (Quarter)	3526 Cr	EPS	44.2
Revenue (QYoY)	12531 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	35.5	Sales Growth	4.35 %	Sales Growth	5.22 %
PEG Ratio	4.79	PAT Growth	2.7 %	Sales Growth QYoY	5.93 %
EV/EBITDA	22.6	EPS Growth	2.79 %	PAT Growth	9.64 %
P/B	11.7	Dividend Yield	3.45	PAT Growth QYoY	5.29 %
Capital Allocation		Holdings		Leverage	
RoE	28.7 %	Promoter	60.8 %	Debt/Equity	0.02
RoA	21.9 %	FII	19.4 %	Debt	895 Cr
RoCE	37.5 %	DII	15.2 %	Market Cap	425150 Cr
RoIC	40.4 %	Public	4.42 %	Enterprise value	420916 Cr
		No of Shares	271 Cr	Cash Equivalents	5129 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

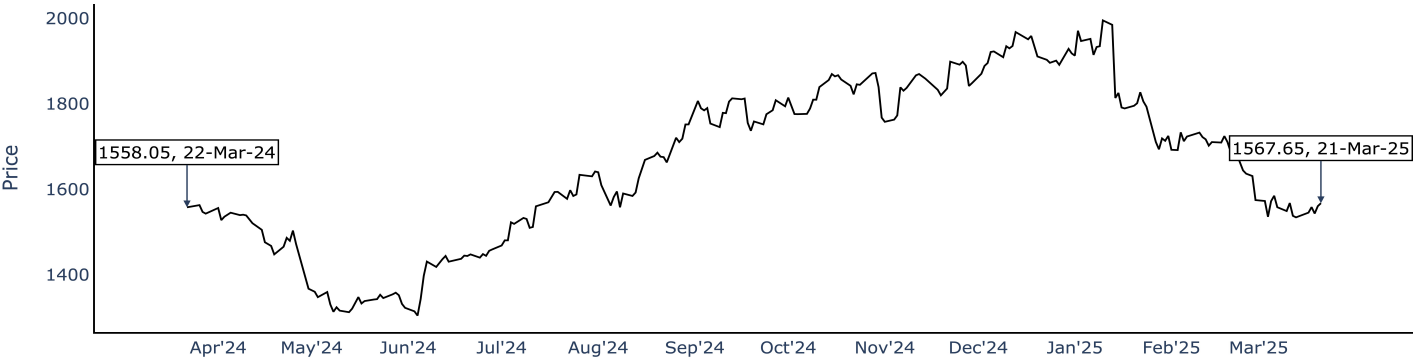
In the recent earnings call, HCL Technologies outlined several new initiatives and strategies aimed at driving growth and innovation. The company is focusing on leveraging next-generation technologies like cloud and generative AI, alongside strategic acquisitions such as the CTG assets from HPE, to deliver transformative solutions. This acquisition is expected to enhance their engineering services capability and expand their position in the telecom services market, particularly in Japan and Europe. HCLTech is also spearheading Gen AI innovation through partnerships and dedicated labs, integrating AI solutions for clients to drive growth in the tech sector. The company is strengthening its position through relationships with industry leaders like SAP and ServiceNow, which are expected to drive innovation and operational efficiency for clients.

HCLTech's business strategies include a strong emphasis on digital and cloud-related initiatives, with strategic partnerships with hyperscalers driving growth. The company is also focusing on network modernization and enhancing digital customer experience, positioning itself for sustained growth in the telecom vertical. Recent wins include a partnership with a Fortune 50 Telecom Company to enhance client operations with automation and AI solutions. In the financial services sector, HCLTech is seeing improvements in client spending, with enterprises progressing from proof-of-concept to enterprise rollout of AI, supported by robust business cases. This includes process automation and AI-driven analytics to enhance risk assessment and offer personalized financial advice.

Looking ahead, HCLTech expects companies to increase their IT investments, with improvements in discretionary spending environments. The company is confident in the pace of medium-term recovery, although it acknowledges potential changes in the global business landscape that could impact client spending priorities. HCLTech's pipeline remains strong, nearing an all-time high, with significant growth in both the Americas and Europe. The company is also seeing a shift towards shorter-tenured deals, which naturally leads to moderated total contract value (TCV), but the annual contract value (ACV) has shown significant growth, indicating strong underlying business momentum.

On the positive side, HCLTech's focus on small deals is yielding quicker conversions, aligning with client spending patterns. However, larger deals are taking longer to convert, which could impact short-term revenue growth. The company's strategic focus on AI and digital transformation is expected to drive long-term growth, but there are potential risks related to changes in policy environments and client spending patterns. Overall, HCLTech is well-prepared to harness upcoming momentum, with a strong emphasis on innovation and efficiency to drive future growth.

HCLTECH Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Persistent Sys	82219.45	62.30	23.99%	5.70%	22.58%	14.77%	30.36%
Infosys	661343.62	23.92	31.83%	1.90%	7.58%	4.61%	11.46%
HCL Technologies	425149.91	35.48	28.70%	5.22%	5.93%	9.64%	5.29%
Wipro	276771.15	22.32	14.31%	0.08%	0.51%	4.52%	24.48%
Tech Mahindra	137954.08	36.83	8.63%	-0.21%	1.41%	-21.35%	92.63%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a notable quarter-on-quarter growth. This indicates a positive trend in sales performance, suggesting effective market strategies and strong demand for its products or services. The year-on-year growth further supports the company's ability to sustain its revenue stream over time.
Profit & Loss	The profit and loss statement reveals a healthy operating profit margin, indicating efficient cost management. The net profit margin is robust, reflecting strong bottom-line performance. The earnings per share suggest good returns for shareholders, highlighting the company's profitability and financial health.
Profitability Matrix	The profitability matrix shows strong operating and EBITDA margins, indicating efficient operations and cost control. The net profit margin is solid, reflecting effective management and profitability. The EPS is commendable, suggesting good shareholder value and financial stability.
Valuation Matrix	The valuation metrics indicate a high P/E ratio, suggesting market confidence in future earnings growth. The PEG ratio reflects growth expectations, while the EV/EBITDA and P/B ratios suggest the company's valuation is aligned with industry standards, indicating investor confidence.
Growth (YoY)	Year-on-year growth metrics show moderate sales and PAT growth, indicating steady business expansion. The EPS growth aligns with profitability improvements, while the dividend yield suggests shareholder returns. Overall, the company demonstrates consistent growth and value creation.
Growth (QoQ)	Quarter-on-quarter growth metrics highlight strong sales and PAT growth, indicating effective short-term strategies and market responsiveness. The sales growth QYoY further supports the company's ability to capitalize on market opportunities, reflecting agile business operations.
Capital Allocation	The capital allocation metrics reveal strong returns on equity, assets, and capital employed, indicating efficient use of resources and strong financial management. The return on invested capital suggests effective investment strategies, contributing to overall business success.
Holdings	The holdings structure shows a significant promoter stake, indicating confidence in the company's prospects. The presence of institutional investors suggests market trust, while the public holding reflects broad market participation. The number of shares indicates a substantial market presence.
Leverage	The leverage metrics show a low debt-to-equity ratio, indicating prudent financial management and low financial risk. The company's debt level is manageable, supported by strong market capitalization and enterprise value, suggesting financial stability and capacity for future growth.

**Analyst viewpoint:** HCL Technologies exhibits a robust performance trajectory, underpinned by impressive quarter-on-quarter sales growth of 5.22% and PAT growth of 9.64%. The company's strategic initiatives, such as leveraging next-generation technologies like cloud and generative AI, are driving innovation and expansion, particularly within the telecom and engineering sectors. Strategic acquisitions and partnerships with industry leaders like SAP and ServiceNow are expected to bolster operational efficiency and client growth. The company's valuation metrics, including a trailing P/E ratio of 35.5 and a PEG ratio of 4.79, suggest market confidence in its earnings potential, while strong capital allocation metrics like an RoE of 28.7% and RoIC of 40.4% reflect efficient resource utilization and robust financial health.

Despite the positive outlook, HCLTech faces moderate challenges with larger deals taking longer to convert, which could temporarily impact revenue growth. Nevertheless, the company's strong focus on small deal conversions and strategic emphasis on AI and digital transformation positions it for sustained success. HCLTech's low debt level and strong market capitalization further demonstrate financial stability, making it an attractive buy option for investors. Moving forward, potential risks include shifts in global policy environments and client spending patterns, but the company's proactive approach to innovation and market adaptation continues to support its bullish short-to-mid-term forecast.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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