

CMP: ₹ 1,657

Target: ₹ 1,650 (0%)

Target Period: 12 months

HOLD

January 13, 2026

Strong overall quarter!

About the stock: HCL Technologies (HCLTech) is a global technology company, delivering industry-leading capabilities centered around digital, engineering, cloud and AI, powered by a broad portfolio of technology services and products.

Q3FY26 Performance: HCLTech reported revenue of US\$3,793 mn, up 4.1% QoQ/ 7.4% YoY (in CC terms up 4.2% QoQ/ 4.8% YoY). The services business was up by 1.8% QoQ/5% YoY CC. EBIT margin at 18.6% (ex-one-time impact from new labour code of ₹956 crore), was up ~118 bps QoQ, Services (IT & Business services and ER&D services) margin stood at 16.4%, down ~10 bps QoQ. PAT stood at ₹4,795 crore, up 13.2% QoQ/ 4.4% YoY while ex-one-time impact from new labour code of ₹719 crore PAT was down 4% QoQ/ 11% YoY at ₹4,076 crore.

Investment Rationale

- Software and ER&D strength drive growth upside:** HCLTech delivered a strong Q3 with 4.2% QoQ CC revenue growth, led by sharp acceleration in Software (+28.1% QoQ CC) and healthy ER&D growth (+3.1% QoQ CC), while IT Services grew 1.5% QoQ CC. **Advanced AI revenues rose 19.9% QoQ CC to US\$146 mn (~4% of annualised revenues)**, reflecting increasing traction in AI factory and engineering-led offerings. **On the back of sustained momentum, it raised FY26 services revenue growth guidance to 4.75-5.25% CC (vs 4-5% earlier) and overall company guidance to 4-4.5% CC (vs 3-5% earlier), excluding any contributions from the three recently announced acquisitions (Telco Solutions Business from HPE, Jaspersoft, and Wobby). We expect US\$ revenue to grow at a CAGR of 7% over FY26-28E.**
- Margin expansion supported by execution levers:** EBIT margin expanded ~118 bps QoQ to 18.6% (excl. labour code impact of ₹956 crore), aided by higher software profitability & includes impact of restructuring (-81 bps). The Services (IT & Business services and ER&D services) margin stood at 16.4%, down ~10 bps QoQ due to wage hike (-80 bps), furlough (-45 bps), restructuring (-26 bps) which were partially offset by Project Ascend benefits (+104 bps) & forex gains (+40 bps). **Management reiterated full-year EBIT margin guidance of 17-18%, indicating confidence in sustaining margins, despite recurring impact of the new labour code of ~10-20 bps YoY and ~60 bps restructuring impact in Q4. We bake EBIT margins at 17.7%/18.5%/18.8% in FY26E/FY27E/FY28E.**
- Robust deal wins and improved revenue visibility:** Deal momentum remained strong with TCV of US\$3 bn, up 17% QoQ/ 43% YoY, supported by large multi-year AI-led engagements, including a US\$473 mn mega deal with a global apparel retailer. Financial Services (+8.1% YoY CC) and Technology (+14.4% YoY CC) led vertical growth, while the pipeline remained strong across geographies. Management highlighted sustained demand for GenAI, physical AI and AI infrastructure services.

Rating and Target Price

- The valuations of HCLTech, at par with Infy/TCS, limit major upsides and thus we **maintain HOLD rating on the stock, valuing it at target price of ₹ 1,650 (vs ₹1,620 earlier); at 20x P/E on FY28E EPS.**



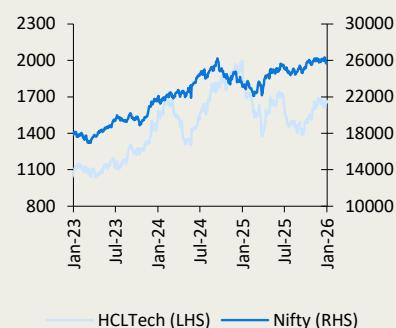
Particulars

Particular	Amount
Market Cap (₹ Crore)	4,75,137
Total Debt (₹ Crore)	70
CC&E (₹ Crore)	28,762
EV (₹ Crore)	4,46,445
52 week H/L	2012 / 1302
Equity capital	543.0
Face value (₹)	2

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	60.8	60.8	60.8	60.8
FII	19.4	19.1	18.6	16.6
DII	15.2	15.5	16.2	17.8
Public	4.6	4.6	4.4	4.7

Price Chart



Key risks

- Lower than expected TCV and revenue conversion
- Better than expected macro led recovery

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Key Financial Summary

Key Financials	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR FY(25-28E)
Net Sales	1,01,456	1,09,913	1,17,055	10.6	1,29,291	1,40,022	1,51,365	8.9
EBITDA	22,628	24,200	25,504	0.1	27,030	30,665	33,603	9.6
Margins (%)	22.3	22.0	21.8		20.9	21.9	22.2	
Net Profit	13,516	15,702	15,702	48.9	17,390	20,291	22,421	12.6
EPS (₹)	49.8	54.8	57.9		64.1	74.8	82.6	
P/E	32.4	29.5	27.9		25.2	21.6	19.5	
RoNW (%)	20.7	23.0	22.5		23.8	24.8	27.4	
RoCE (%)	27.2	27.2	28.7		30.7	30.7	33.9	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- Revenue Performance:** HCLTech reported revenue of US\$3,793 mn, up 4.1% QoQ & 7.4% YoY (in CC terms up 4.2% QoQ/ 4.8% YoY) led by strong software segment. In rupee terms, the revenue stood at ₹ 33,872 crore, up 6% QoQ/ 13.3% YoY. The services business was up by 1.8% QoQ and 5% YoY CC. **IT services was up 1.5% while ER&D services and Software grew 3.1% and 28.1% QoQ CC. Software business revenues were aided by Q3 typical seasonality and perpetual license revenue flowing in.**
- Advanced AI revenues:** Advanced AI Revenue came at US\$146mn, up 19.9% QoQ CC (~4% of annualised revenues).
- Geography performance:** Geography wise all geographies grew on a YoY basis in CC terms with ROW (13% of mix), India (3% of mix), Europe (28% of mix) and Americas (56% of mix) and reporting a growth of 22.1%, 15.8%, 4.6% and 1.5% respectively.
- Segment performance:** Segment wise on YoY basis in CC terms, growth was led by Tech & Services (14% of the mix), Financial Services (21.7% of the mix), Public Services (8.9% of the mix), TMPE (12.7% of the mix) and Manufacturing (18.3% of the mix) which grew by 14.4%, 8.1%, 8%, 7.1% and 1.8% respectively. Whereas, Retail & CPG (9.6% of the mix) and Life Sciences & Healthcare (14.7% of the mix) declined by 2% and 1.4%.
- Margin Performance:** EBIT margin stood at 18.6% (ex-one-time impact from new labour code of ₹956 crore), was up ~118 bps QoQ, and includes impact of restructuring cost (-81 bps). **The Services (IT & Business services and ER&D services) margin stood at 16.4%, down ~10 bps QoQ due to wage hike (-80 bps), furlough seasonality (-45 bps), restructuring expense (-26 bps) which were partially offset by Project Ascend benefits (+104 bps) forex gains (+40 bps).** PAT stood at ₹4,795 crore, up 13.2% QoQ/ 4.4% YoY while ex-one time impact from new labour code of ₹719 crore PAT was down 4% QoQ/ 11% YoY at ₹4,076 crore.
- TCV/Software ARR:** HCLTech won a TCV of US\$3 bn (up 17% QoQ & 43% YoY). HCL Software ARR came at US\$1.07 bn, up 0.6% YoY in CC terms.
- Demand Outlook:** As per the management, spending growth on traditional offerings has slowed, and traditional discretionary spending areas have decreased, due to which the management is targeting pockets of new discretionary spending like establishing and managing AI infrastructure, AI and semiconductors.
- Guidance for FY26:** On the back of sustained momentum, management raised services revenue growth guidance to 4.75–5.25% CC (vs 4–5% earlier) and overall company guidance to 4–4.5% CC (vs 3–5% earlier). On the margins front, the management reaffirmed its full year EBIT margin guidance of 17–18% (inclusive of restructuring costs and excluding new labour code impact), though in the near term, margins might see a similar impact from restructuring costs (81 bps impact this quarter) in Q4 with the exercise targeted for completion by Q4, coupled with headwinds of 40–50 bps in Q4 from wage hikes rolled out effective October 2025. **The guidance excludes contributions from the three recently announced acquisitions (Telco Solutions Business from HPE, Jaspersoft, and Wobby). Notably, the recurring impact of the new labour code is projected to be 10–20 bps YoY.**
- Attrition & Employee addition:** IT services attrition stood at 12.4% (down 20 bps QoQ). The total headcount stood at 226,379 with 2,852 freshers onboarded. The company trained over 38,000 employees on GenAI and 600 on responsible AI, achieving the highest number of OpenAI-badged experts among all OpenAI partners.
- Dividend:** The company declared an interim dividend of ₹12 per share for Q3FY26.

Exhibit 1: Quarter Performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue (US\$ mn)	379	353	7.4	364	4.1	In CC terms, revenue was up by 2.4% QoQ and grew by 4.6% YoY
Revenue (₹ crore)	33,872	29,890	13.3	31,942	6.0	The services business revenue was up by 2.5% QoQ and 5.5% YoY in CC terms. IT services was up 2.6% while ER&D services and Software grew 2.2% and 0.5% QoQ
Cost of sales (including employee expenses)	22,623	19,661	15.1	21,538	5.0	
Gross Margin	11,249	10,229	10.0	10,404	8.1	
Gross margin (%)	33.2	34.2	-101 bps	32.6	64 bps	
Selling & marketing costs	3,837	3,369	13.9	3,811	0.7	
EBITDA	7,412	6,860	8.0	6,593	12.4	
EBITDA Margin (%)	21.9	23.0	-107 bps	20.6	124 bps	
Depreciation	1,127	1,039	8.5	1,043	8.1	
EBIT	6,285	5,821	8.0	5,550	13.2	
EBIT Margin (%)	18.6	19.5	-92 bps	17.4	118 bps	EBIT margin at the company level stood at 18.6% (ex-one-time impact from new labour code of ₹956 crore), was up ~118 bps QoQ, and includes impact of restructuring cost (-81 bps). The Services (IT & Business services and ER&D services) margin stood at 16.4%, down ~10 bps QoQ due to wage hike (-80 bps), furlough seasonality (-45 bps), restructuring expense (-26 bps) which were partially offset by Project Ascend benefits (+104 bps) forex gains (+40 bps).
Other income	180	311	-42.1	152	18.4	
PBT	6,465	6,132	5.4	5,702	13.4	
Tax paid	1,664	1,538	8.2	1,466	13.5	
PAT	4,795	4,591	4.4	4,235	13.2	Ex-one time impact from new labour code of ₹719 crore. PAT was down 4% QoQ/ 11% YoY at ₹4,076 crore.

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY26E			FY27E			FY28E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue (USD mn)	14,543	14,690	1.0	15,434	15,645	1.4	16,818
Revenue	1,27,011	1,29,291	1.8	1,36,595	1,40,022	2.5	1,51,365
EBITDA	26,284	27,030	2.8	30,188	30,665	1.6	33,603
EBITDA Margin (%)	20.7	20.9	21 bps	22.1	21.9	-20 bps	22.2
PAT	16,967	17,463	2.9	19,981	20,291	1.6	22,421
Diluted EPS (₹)	62.5	64.1	2.5	73.6	74.8	1.6	82.6

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement				₹ crore
Year-end March	FY25	FY26E	FY27E	FY28E
Total operating Income	1,17,055	1,29,291	1,40,022	1,51,365
Growth (%)	6.5	10.5	8.3	8.1
Direct costs	77,815	86,940	92,835	1,00,052
S,G&A expenses	13,736	15,321	16,523	17,710
Total Operating Expenditure	91,551	1,02,261	1,09,357	1,17,762
EBITDA	25,504	27,030	30,665	33,603
Growth (%)	5.4	6.0	9.6	(100.0)
Depreciation	4,173	4,084	4,713	5,113
Amortisation	-	-	-	-
Net Other Income	940	1,841	1,207	1,517
PBT	22,271	24,787	30,097	(3,596)
Forex adjustments	-	-	-	-
Total Tax	5,257	5,862	6,844	7,562
PAT	15,702	17,390	20,291	22,421
Growth (%)	-	10.8	16.2	10.5
EPS (₹)	57.9	64.1	74.8	82.6
EPS (₹)	57.9	64.1	74.8	82.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				₹ crore
Year-end March	FY25	FY26E	FY27E	FY28E
PBT	22,271	24,787	27,136	30,097
Depreciation & Amortisation	4,084	4,353	4,713	5,113
(Inc)/dec in Current Assets	(267)	(3,486)	(3,057)	(3,231)
Inc/(dec) in CL and Provisions	1,277	3,132	2,747	2,903
Taxes paid	(4,243)	(6,024)	(6,844)	(7,562)
CF from Op. Activities	22,261	20,638	23,486	25,689
(Inc)/dec in Investments	(1,708)	2,031	2,724	1,517
(Inc)/dec in Fixed Assets	(3,069)	(2,586)	(2,800)	(3,027)
CF from Inv activities	(4,914)	(1,762)	(1,593)	(1,510)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(581)	(1,000)	(1,000)	(500)
Dividend paid & dividend tax	(16,250)	(13,971)	(16,233)	(17,937)
Inc/(dec) in debentures	-	-	-	-
Others	(2,230)	-	-	-
CF from Financing	(18,561)	(14,471)	(16,733)	(18,437)
Net Cash flow	(1,214)	4,406	5,160	5,742
Exchange difference	18	-	-	-
Opening Cash	9,441	8,245	12,651	17,811
Closing Cash	8,245	12,651	17,811	23,553

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
Year-end March	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	543	543	543	543
Reserve and Surplus	69,112	72,605	81,147	81,147
Total Shareholders funds	69,655	73,148	81,690	81,690
Total Debt	70	(430)	(1,430)	(1,430)
Other liabilities+Provisions	7,762	7,963	8,325	8,325
Minority Interest / Others	18	18	18	18
Total Liabilities	77,505	80,698	88,603	88,603
Assets				
Net Block+ CWIP	7,576	6,897	5,355	5,355
Intangible assets+ Goodwill	28,655	27,567	25,110	25,110
Investments	91	91	91	91
Liquid investments	7,473	7,473	7,473	7,473
Inventory	133	147	172	172
Debtors	19,523	21,564	25,245	25,245
Loans and Advances	976	1,078	1,262	1,262
Other Current Assets	12,715	14,044	16,442	16,442
Cash & Bank	21,289	25,695	36,597	36,597
Total Current Assets	62,109	70,001	87,191	87,191
Total Current Liabilities	28,039	30,970	36,257	36,257
Net Current Assets	34,070	39,031	50,933	50,933
Other non current assets	7,113	7,113	7,113	7,113
Application of Funds	77,505	80,698	88,603	88,603

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
Year-end March	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	57.9	64.1	74.8	82.6
Cash EPS	73.2	79.1	92.1	101.5
BV	256.7	269.6	301.0	301.0
DPS	60.0	51.5	59.8	66.1
Cash Per Share	78.5	94.7	134.9	134.9
Operating Ratios (%)				
EBIT Margin	18.2	17.7	18.5	18.8
PBT Margin	19.0	19.2	19.4	19.9
PAT Margin	13.4	13.5	14.5	14.8
Debtor days	61	61	66	61
Return Ratios (%)				
RoE	22.5	23.8	24.8	27.4
RoCE	28.7	30.7	30.7	33.9
RoIC	43.8	48.3	58.3	64.0
Valuation Ratios (x)				
P/E	27.9	25.2	21.6	19.5
EV / EBITDA	17.0	15.9	13.6	12.4
EV / Net Sales	3.7	3.3	3.0	2.8
Market Cap / Sales	4.0	3.6	3.3	3.1
Price to Book Value	6.3	6.0	5.4	5.4
Solvency Ratios				
Debt/EBITDA	0.0	(0.0)	(0.0)	(0.0)
Debt/EBITDA	0.0	(0.0)	(0.0)	(0.0)
Current Ratio	1.2	1.2	1.2	1.2
Quick Ratio	1.2	1.2	1.2	1.2

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Anjini Sharma, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance Officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.