

HCLTech

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

IT & ITES

COMPANY DETAILS

Market cap:	Rs. 4,49,494 cr
52-week high/low:	Rs. 2005/1303
NSE volume: (No of shares)	26.6 lakh
BSE code:	532281
NSE code:	HCLTECH
Free float: (No of shares)	106.0 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	60.8
FII	16.6
DII	17.8
Others	4.7

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-0.3	11.6	6.7	-15.9
Relative to Sensex	1.3	9.7	5.2	-25.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **BUY**

CMP: **Rs. 1,668**

Price Target: **Rs. 1,893**

Quick Snapshot

- Q3FY26 revenue stood at \$3,793 million, up 4.2% q-o-q (+4.8% y-o-y) in CC terms.
- Demand for AI capabilities remains robust for advanced AI capabilities like Physical AI and AI Factory, tied to AI Capex cycles, with AI integration in system processes leading the charge.
- EBIT Margin up sharply by 118 bps (ex-restructuring costs) to 19.4%. Twelve-month deal pipeline breached \$10 billion threshold.
- We roll forward our valuation to Dec-2028 with a Buy rating and reiterate our price target of Rs. 1,893.

Result overview

- Services revenue grew by 1.8% q-o-q/ 5.0%y-o-y in CC terms while IT and business services grew 3.8% y-o-y and grew 1.5% q-o-q in CC terms. HCL Software business grew 28.1% q-o-q/3.1% y-o-y in CC terms.
- Numbers normalised to exclude a Rs. 956 crore one-time regulatory charge related to the New Labour Codes, which impacted net income by Rs. 719 crore.
- EBIT Margin stood at 18.6% (including restructuring costs but excl. one-off impact from labor code) up 118 bps q-o-q. Excluding restructuring costs, EBIT Margin declined marginally by 13bps y-o-y to 19.4%, indicating underlying operational resilience despite ongoing investments and cost pressures.
- Services business margin came in at 16.4%, down 7bps q-o-q (down 109bps y-o-y), mainly driven by headwinds from wage hike (-80bps), furloughs (-45bps), and restructuring (-26bps), partially offset by tailwinds arising from currency movement (+40bps) and higher utilization from Project Actian(+104bps).
- Guidance:** Services revenue growth guidance raised to 4.75-5.25% and company-level growth to 4-4.5% in CC terms. EBIT margin outlook steady at 17-18%, despite restructuring costs; the conservative guidance provides further upside potential as it excludes contributions from three major recent acquisitions HPE's Telco Solutions, Jaspersoft, and Wobby.
- Advanced AI revenue stood at \$146 million, up 19.9% q-o-q CC, led by strong uptick in agentic, Physical AI, and AI factory programs. Key growth levers include scaling of AI-integrated hardware (Physical AI) and custom silicon engineering, alongside a healthy pipeline of enterprise modernisation programs.

Our Call

Valuation & Outlook - HCL Tech is emerging as a clear leader for AI-driven solutions. Despite persistent macro headwinds constraining traditional discretionary spend, the company's strong \$3 billion Q3 bookings, LTM pipeline exceeding \$10 billion, and large AI-led mega deals (including a \$473M apparel retailer engagement) highlight AI as the primary driver of sustained revenue acceleration. With continued investments in proprietary platforms (AI Force 2.0), strategic partnerships (Nvidia, OpenAI, hyperscalers), and foundational AI infrastructure services tied to CapEx cycles, HCLTech is well-positioned to outpace peers in revenue growth through FY27, supported by improving margins, disciplined execution, and superior utilization. We roll forward our valuation to Dec-2028 with a Buy rating and reiterate our price target of Rs. 1,893. At CMP, the company trades at a PE of 22.8x and 21.1x on FY27E and FY28E, respectively.

Key Risks

Slowdown in AI adoption, a strong rupees, global macroeconomic uncertainties.

Valuation (consolidated)

Particulars	Rs cr			
	FY25	FY26E	FY27E	FY28E
Net sales (Rs cr)	1,17,055	1,29,837	1,40,832	1,50,074
EBITDA Margin (%)	21.8	21.0	21.6	21.9
Net profit (Rs cr)	17,391	17,558	19,850	21,467
% YoY growth	10.8	1.0	13.0	8.1
EPS (Rs)	64.1	64.7	73.2	79.1
PER	24.8	25.8	22.8	21.1
P/B (x)	6.2	6.1	5.7	5.4
EV/EBITDA	16.7	16.3	14.4	13.2
ROE (%)	25.2	24.4	25.9	26.3
ROCE (%)	28.3	27.4	29.2	29.9

Source: Company; Mirae Asset Sharekhan estimates

Concall / Result highlights:**Four pillars of AI Strategy:**

The management outlined a robust AI-focused growth strategy built around four key pillars. These are designed to capitalise on the booming demand for AI solutions, driving revenue acceleration, margin expansion, and a competitive positioning in a market projected to grow exponentially.

Transforming core services

- Embedding GenAI into existing services to modernise legacy deals, boost efficiency, and drive higher-value revenue.
- **Developing Differentiated IP:** Building differentiated tools like AI Force 2.0 for premium pricing, recurring income, and a strong competitive moat.
- **Launching AI-Led Offerings Through Ecosystem Partnerships:** Collaborating with Nvidia, AWS, Azure, Dell, etc., to launch joint AI factories and solutions — faster growth with lower R&D cost.
- **Strengthening Talent Supply Chain:** Massive upskilling (over 38,000 employees trained) + global delivery centers to scale AI delivery profitably and capture demand.

Pivots to AI Infrastructure and Agentic AI Amid Slowdown in Traditional Spending: HCLTech management reports a strategic shift toward high-growth AI infrastructure and “Agentic AI” to offset a slowdown in traditional IT discretionary spending.

Deal pipeline is robust, as company specifically targets Physical AI and AI Factory capabilities that align with current enterprise capex trends.

By prioritizing proactive innovation and embedding advanced AI into every deal, management remains confident in driving sustained growth and capturing value where modern spending is now concentrated.

Five out of seven verticals demonstrated growth, with BFSI and technology up 8.1% and 14.1% y-o-y, respectively. On sequential basis, the growth was driven by manufacturing up 4.1%, Retail & CPG up 5.8%, and Public Services up 3.7% in CC.

HCL Tech posted strong deal wins at \$3,097 million, up 17.0% q-o-q (+43.5% y-o-y), driven by robust traction in application and ER&D services, accounting for 62% of the deals. Company has won a mega deal with global apparel retailer of TCV \$473 million to serve as a long-term AI technology partner.

Manufacturing Vertical: HCL Technologies’ manufacturing vertical is currently experiencing a clear bifurcation. The automotive segment remains under pressure from ongoing tariff uncertainties, particularly in the US and Europe, leading to subdued spending and delayed decision-making among OEMs and tier-1 suppliers. In contrast, the aerospace & defence and engineering services sub-segments are showing steady growth momentum, supported by healthy order pipelines. Traditional industrial manufacturing remains soft. Management views tariff-related headwinds as a persistent near-term overhang for most clients in the vertical, implying limited scope for a sharp recovery. Overall, the manufacturing vertical is stable but lacks strong positive catalysts until geopolitical and trade policy clarity improves.

Other Details: Headcount stood at 226,379, declining marginally by 261 on a sequential basis, with attrition rate at 12.4%. HCLTech has declared a dividend of Rs. 20 per share. The new labour code had a one-time impact on Q3 operating margin and net income, but the recurring impact is expected to be no more than 10 to 20 basis points year-on-year.

Q3FY26 Result Snapshot

Particulars	Rs cr				
	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Revenues In USD	3,793	3,533	3,644	7.4	4.1
Revenues In INR	33,872	29,890	31,942	13.3	6.0
Cost of revenues	22,102	19,262	21,044	14.7	5.0
Gross Profit	11,770	10,628	10,898	10.7	8.0
Research & Development	521	399	494	30.6	5.5
SG&A expenses	3,837	3,369	3,811	13.9	0.7
EBITDA	7,412	6,860	6,593	-33.7	1.9
Depreciation	1,127	1,039	1,043	8.5	8.1
EBIT	6,285	5,821	5,550	8.0	13.2
Foreign Exchange Gain/Losses	65	-7	53	-1028.6	22.6
Net Other Income	245	304	205	-19.4	19.5
PBT	6,465	6,132	5,702	5.4	13.4
Provision for Tax	1,664	1,538	1,466	8.2	13.5
Minority Interest/Share of profits	6	3	1	100.0	500.0
PAT	4,795	4,591	4,235	4.4	13.2
Extraordinary items	0	0	0	NA	NA
Adj. PAT	4,795	4,591	4,235	4.4	13.2
EPS (Rs)	17.7	16.9	15.6	4.4	13.2
Margin (%)					
GPM	34.7	35.6	34.1	-80.9	63.0
EBITDA	21.9	23.0	20.6	-106.8	124.2
EBIT	18.6	19.5	17.4	-92.0	118.0
NPM	14.2	15.4	13.3	-120.3	89.8
Tax Rate	25.7	25.1	25.7	65.7	2.8

Source: Company; Mirae Asset Sharekhan Research

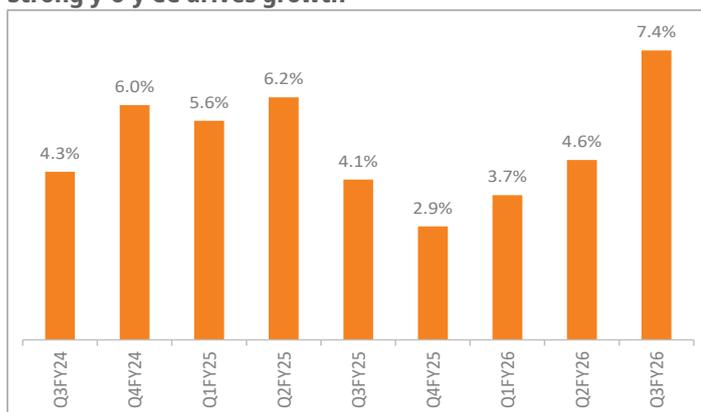
Regional and Vertical Performance

Particulars	Rs cr					
	Q3FY26	Q3FY25	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Revenues In USD	3,793	3,533	3,644	7.4	4.1	7.4
Geographic Mix						
Americas	2,135	2,102	2,048	1.6	4.3	1.5
Europe	1,051	926	1,031	13.5	1.9	4.6
RoW	486	389	452	24.9	7.4	22.1
India	125	113	117	10.7	7.3	15.8
Vertical Mix						
Financial services	800	717	791	11.6	1.2	8.1
Manufacturing	713	675	667	5.7	6.9	1.8
Technology & services	539	470	510	14.6	5.6	14.4
Retail & CPG	376	374	350	0.3	7.3	-2.0
Telecommunications, media, publishing & entertainment	474	435	463	9.1	2.4	7.1
Lifesciences & healthcare	546	548	536	-0.3	2.0	-1.4
Public services	345	314	324	9.8	6.4	8.0

Source: Company; Mirae Asset Sharekhan Research

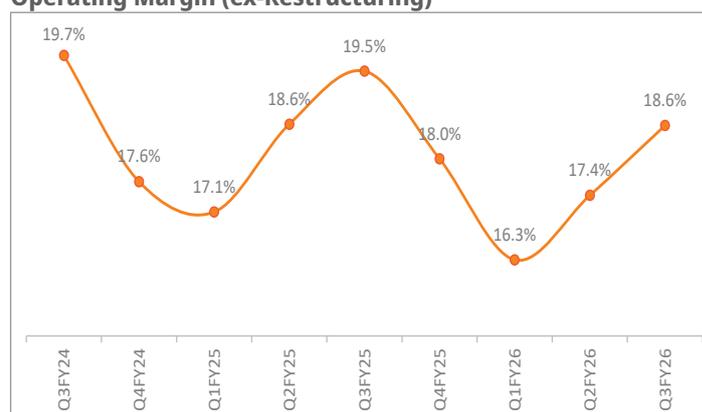
Charts:

Strong y-o-y CC drives growth



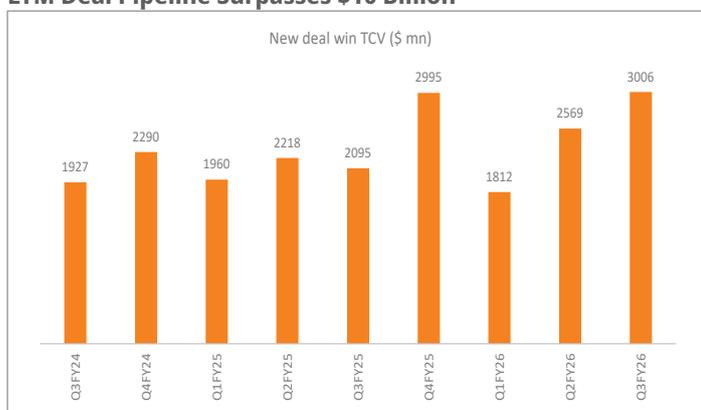
Source: Company; Mirae Asset Sharekhan Research

Delivers Sharp Sequential Margin Rebound: 19.4% Underlying Operating Margin (ex-Restructuring)



Source: Company; Mirae Asset Sharekhan Research

LTM Deal Pipeline Surpasses \$10 Billion



Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Vama Sundari Investment	44.17
2	HCL Holdings Pvt Ltd	16.46
3	LIC	6.09
4	Artisan Partners Ltd	1.94
5	HDFC Trustee	1.89
6	HDFC AMC	1.88
7	Blackrock	1.72
8	Vanguard Group	1.71
9	SBI Funds Management	1.65
10	ICICI Prudential AMC	1.19

Source: Bloomberg

Key management personnel

Name	Designation
C. Vijayakumar	CEO & MD
Nitin Mohta	Head - IR
Shiv Walia	CFO

Source: Company Website

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