

HCL Technologies

Steady Performance; AI Revenue around 5.9% of Total Revenue

HCL Technologies reported an in-line Q2FY27 performance, with revenue of US\$3.72 bn (+2.3% QoQ, +2.6% YoY CC). Services revenue grew 3.0% QoQ and 4.0% YoY, while Software revenue declined 5.8% QoQ and 11.2% YoY; Software ARR stood at US\$1.13 bn (+7.8% YoY). Advanced AI revenue rose to US\$219 mn, accounting for 5.9% of revenue versus 4.7% in Q1FY27, with annualised revenue reaching US\$776 mn. EBIT margin expanded 130 bps QoQ to 18.2% (19.0% excluding restructuring), while TCV rose to US\$3.26 bn from US\$2.41 bn in Q1FY27 and US\$2.6 bn in Q2FY26. Growth was led by Retail & CPG (+14.0% YoY CC), Financial Services (+7.1%), Technology & Services (+5.9%) and Manufacturing (+3.9%), while Healthcare and Telecom declined 2.1% each. Headcount increased by 6,450 QoQ to 230,339, attrition rose 10 bps to 12.8%, and an interim dividend of ₹12/share was declared. FY27 guidance stands at 2.5–4.0% revenue growth, 3.0–4.0% Services growth and 17.5–18.5% EBIT margin. The medium-term outlook is supported by AI Force, agentic AI, AI factories and partnerships with OpenAI and Anthropic, with productivity gains reinvested in AI capabilities, IP and talent; however, discretionary spending remains weak among select Telecom and Manufacturing clients. We have revised our FY27E/ FY28E/ FY29E EPS by (0.3%)/ (2.0%)/ (2.3%). We expect Revenue/EBITDA/PAT to clock 7.5%/9.3%/9.0% CAGR over FY26-FY29E. We maintain BUY rating on stock with revised target price of Rs 1,515 (vs Rs 1,548 earlier) at PE of 19x (unchanged) on Sep'28E EPS.

Record deal wins and accelerating AI momentum support growth visibility

HCLTech delivered 2.6% YoY CC revenue growth in Q2FY27, with Services growing 4.0% and Advanced AI revenue rising 78% YoY to US\$219mn (5.9% of revenue). TCV increased 27% YoY to US\$3.26bn, marking the second-highest quarterly bookings and strongest first-half bookings in its history. A healthy pipeline and rising AI-led demand support medium-term growth, although management remains cautious amid macro uncertainty and discretionary spending pressures, with FY27 revenue growth guidance at 2.5–4.0% CC.

AI-led efficiencies drive strong margin expansion

EBIT margin expanded 131 bps QoQ to 18.2% in Q2FY27 (19.0% excluding restructuring expenses). AI-driven operational efficiencies, a higher-margin Advanced AI mix and operating leverage supported the improvement. Management reiterated FY27 EBIT margin guidance of 17.5–18.5%, with efficiency gains to be reinvested in AI capabilities, IP and talent.

Maintain BUY

We maintain our BUY rating, supported by HCLTech's client relationships, global scale, engineering expertise and AI IP, with Advanced AI, AI Force, strategic partnerships, record deal wins, Sovereign AI and AI Data Centers driving growth, while AI-led productivity and disciplined execution support margins amid macro uncertainty and subdued traditional services spending. Accordingly, we have revised our FY27E/ FY28E/ FY29E EPS by (0.3%)/ (2.0%)/ (2.3%). We expect Revenue/EBITDA/PAT to clock 7.5%/9.3%/9.0% CAGR over FY26-FY29E. We maintain BUY rating on stock with revised target price of Rs 1,515 (vs Rs 1,548 earlier) at PE of 19x (unchanged) on Sep'28E EPS.

Financial and valuation summary

YE Mar (Rs mn)	2QFY27A	2QFY26A	YoY (%)	1QFY27A	QoQ (%)	FY27E	FY28E	FY29E
Revenues	3,56,200	3,19,420	11.5	3,45,790	3.0	14,25,723	15,14,565	16,18,969
EBITDA	74,770	65,930	13.4	68,700	8.8	2,96,274	3,23,566	3,49,096
EBITDA margin (%)	21.0	20.6	1.7	19.9	5.7	20.8	21.4	21.6
Adj. Net profit	51,320	42,350	21.2	46,240	11.0	1,95,609	2,08,006	2,24,709
Adj. EPS (Rs)	18.9	15.6	21.2	17.0	11.0	72.1	76.7	82.8
EPS growth (%)						12.7	6.3	8.0
PE (x)						17.0	16.0	14.8
EV/EBITDA (x)						10.4	9.5	8.7
PBV (x)						4.2	4.0	3.8
RoE (%)						25.4	25.6	26.3
RoCE (%)						25.5	25.6	26.3

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India IIT Services

12 October, 2026

BUY

Price: Rs1,223

Target Price: Rs1,515

Forecast return: 24%

Institutional Research

Market Data

Bloomberg:	HCLT IN
52 week H/L:	1,780/1,030
Market cap:	Rs3318.8bn
Shares Outstanding:	2713.7mn
Free float:	29.4%
Avg. daily vol. 3mth:	31,01,028
Source: Bloomberg	

Changes in the report

Rating:	No
Target price:	Rs 1,515 from Rs 1,548
EPS:	FY27E: Rs 72.1 from Rs 72.3 FY28E: Rs 76.7 from Rs. 78.2
Source: Centrum Broking	

Shareholding pattern

	Jun-26	Mar-26	Dec-25	Sep-25
Promoter	60.9	60.9	60.8	60.8
FII	14.9	15.5	16.2	16.6
DII	18.8	19.0	18.4	17.8
Public/other	5.4	4.6	4.6	4.8

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY27	Actual Q2FY27	Variance (%)
Revenue	3,55,181	3,56,200	0.3%
EBIT	61,135	64,650	5.7%
EBIT margin	17.2%	18.1%	90 bps
Rep. PAT	47,952	51,320	7.0%

Source: Bloomberg, Centrum Broking



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IT Services

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY27E New	FY27E Old	% chg	FY28E New	FY28E Old	% chg
Revenue	14,25,723	14,10,098	1.1%	15,14,565	15,01,451	0.9%
EBITDA	2,96,274	2,96,953	-0.2%	3,23,566	3,26,013	-0.8%
EBITDA margin	20.8%	21.1%	-30 bps	21.4%	21.7%	-30 bps
Adj. PAT	1,95,609	1,96,129	-0.3%	2,08,006	2,12,079	-1.9%
Diluted EPS (Rs)	72.1	72.3	-0.3%	76.7	78.2	-2.0%

Source: Centrum Broking

HCL Tech versus NIFTY 50

	1m	6m	1 year
HCLT IN	(1.1)	(16.9)	(18.2)
Nifty 50	(3.9)	(5.3)	(10.6)

Source: Bloomberg, NSE

Key assumptions

Y/E Mar(Rs mn)	FY27E	FY28E	FY29E
Revenue	14,25,723	15,14,565	16,18,969
EBITDA	2,96,274	3,23,566	3,49,096
PAT	1,95,609	2,08,006	2,24,709

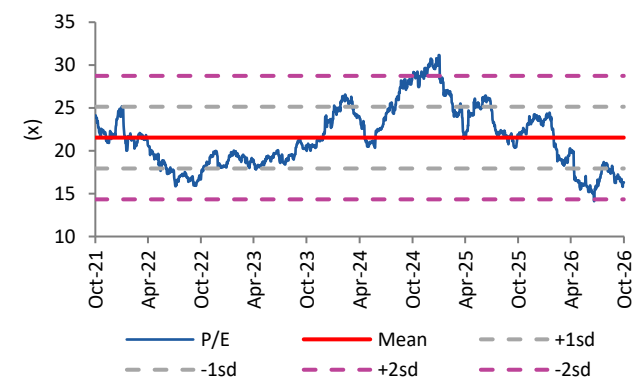
Source: Centrum Broking

Valuation

We value HCLT at PE of 19x on Sep'28E EPS to arrive at target price of Rs 1,515.

Valuation	Rs/share
Sep'28E EPS	79.7
Target multiple (x)	19x
Target price	1,515

P/E mean and standard deviation



Source: Bloomberg, Centrum Broking

Result Analysis

Exhibit 1: Operating metrics

Revenue by Vertical	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Financial services	20.5%	20.3%	21.1%	21.6%	21.7%	21.1%	21.4%	22.1%	22.4%
Manufacturing	19.5%	19.1%	18.6%	18.6%	18.3%	18.8%	18.6%	18.7%	18.3%
Lifescience & Healthcare	16.0%	15.5%	15.5%	14.5%	14.7%	14.4%	14.8%	14.4%	13.8%
Technology & Services	13.1%	13.3%	13.3%	14.0%	14.0%	14.2%	14.2%	14.0%	14.3%
Telecom, Media, Publi. & Entertainment	12.1%	12.3%	12.3%	13.1%	12.7%	12.5%	12.1%	11.2%	12.0%
Retail & CPG	9.6%	10.6%	10.6%	9.7%	9.6%	9.9%	9.7%	10.3%	10.5%
Public Service	9.2%	8.9%	8.9%	8.5%	8.9%	9.1%	9.2%	9.3%	8.8%

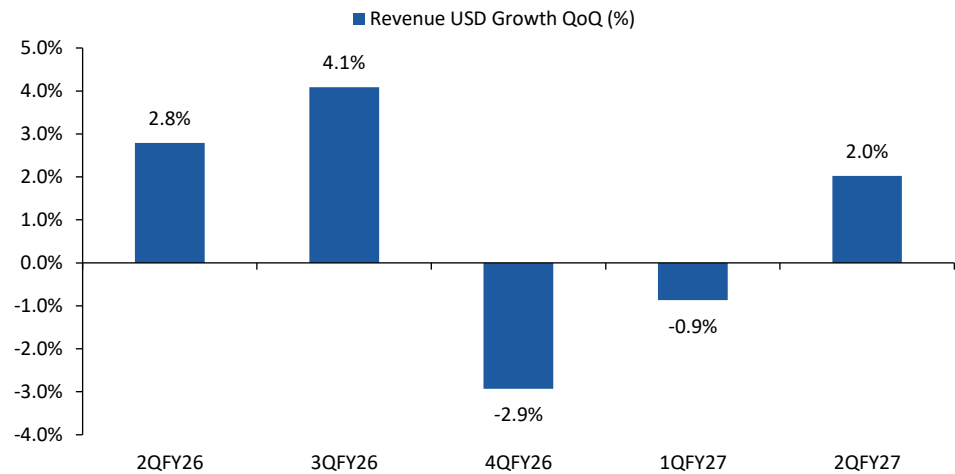
New Deal Wins	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
TCV (\$ Mn)	2,218	2,095	2,995	1,812	2,569	3,006	1,936	2,407	3,258

Customer Revenue Concentrations	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Top 5 Client	12.1%	12.6%	12.7%	12.6%	12.4%	12.2%	11.9%	11.6%	11.4%
Top 10 Clients	20.1%	20.3%	20.2%	20.2%	19.9%	19.7%	19.1%	18.7%	18.4%
Top 20 Clients	30.8%	30.9%	30.4%	29.9%	29.5%	29.1%	28.5%	28.0%	27.4%

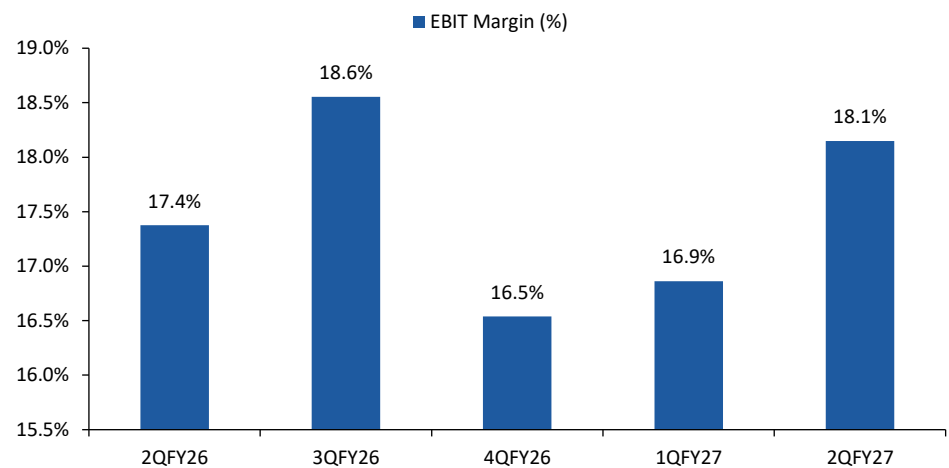
Client Data	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Number of Million Dollar clients									
1 Mn USD+	952	952	948	956	954	968	976	987	981
5 Mn USD+	402	398	399	402	406	421	429	431	433
10 Mn USD+	251	248	251	255	258	268	277	286	291
20 Mn USD+	137	136	138	144	151	151	149	155	161
50 Mn USD+	52	53	52	54	54	56	60	60	62
100 Mn USD+	22	22	22	22	22	23	23	23	23

Employee Data	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Total Headcount	2,18,621	2,20,755	2,23,420	2,23,151	2,26,640	2,26,379	2,27,181	2,23,889	2,30,339
Net Addition	-780	2,134	2,665	-269	3,489	-261	802	-3,292	6,450
Attrition Rate (LTM)	12.9%	13.2%	13.0%	12.8%	12.6%	12.4%	12.5%	12.7%	12.8%

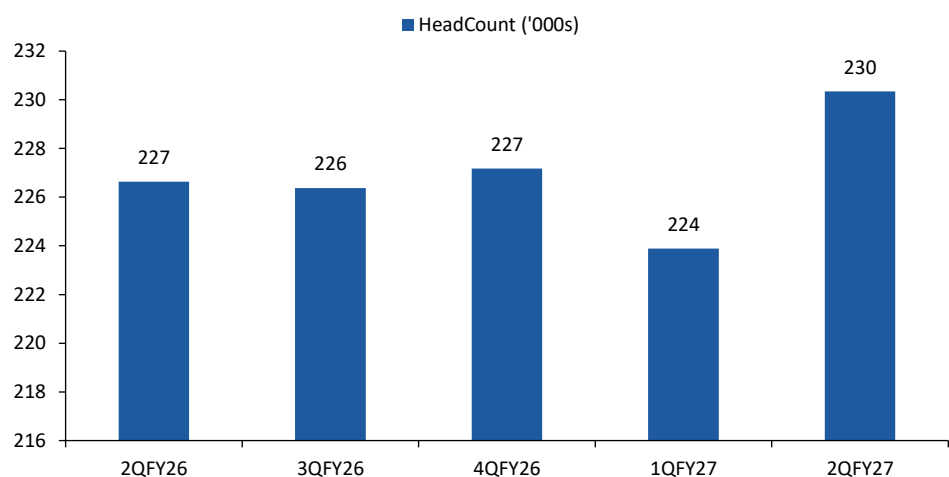
Source: Company Data

Exhibit 2: Revenue increased by 2.0% sequentially

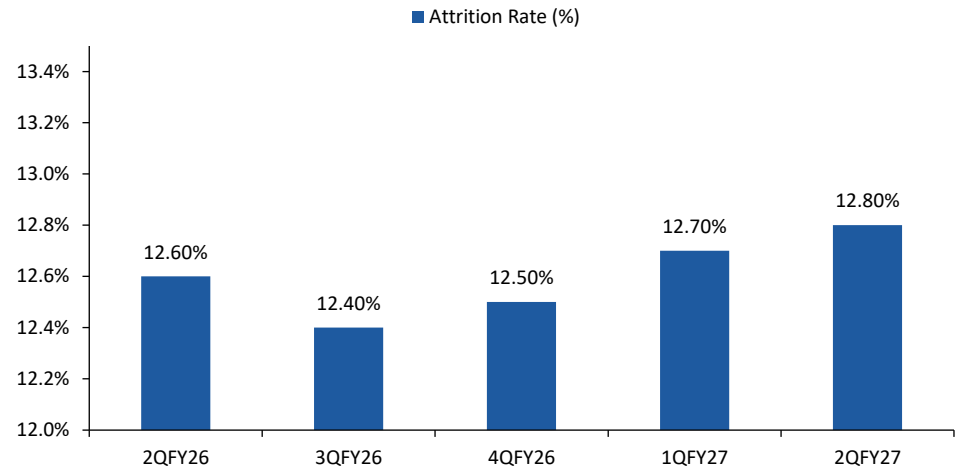
Source: Centrum Broking, Company Data

Exhibit 3: EBIT margin expanded to above 18%

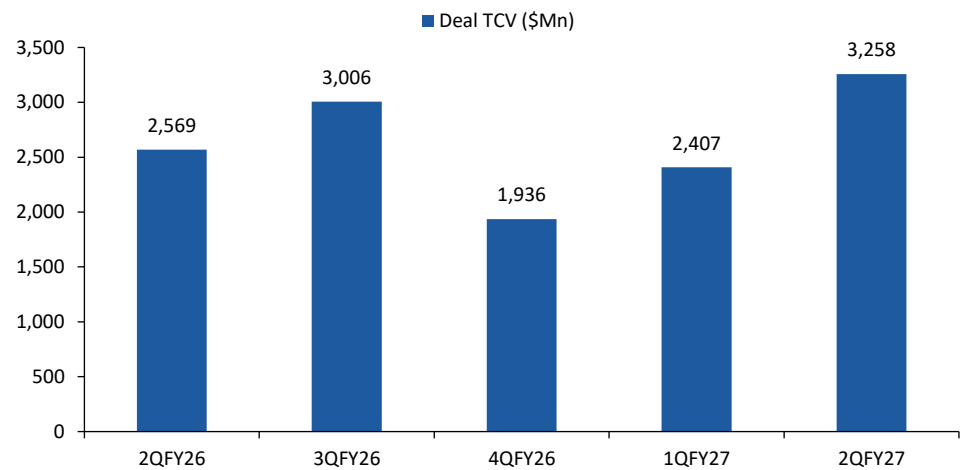
Source: Centrum Broking, Company Data

Exhibit 4: Headcount increased by 6,450 in 2QFY27

Source: Centrum Broking, Company Data

Exhibit 5: Employee attrition up by 10bps sequentially

Source: Centrum Broking, Company Data

Exhibit 6: Deal TCV stood at \$3,258 Mn for the quarter

Source: Centrum Broking, Company Data

Concall Highlights

- **Services-led growth sustains momentum:** Q2FY27 revenue grew 2.3% QoQ and 2.6% YoY in constant currency (CC), while services revenue grew 3.0% QoQ and 4.0% YoY, supported by broad-based demand across service lines and geographies.
- **Strong deal momentum enhances revenue visibility:** New bookings reached US\$3.3bn, up 27% YoY and 35% QoQ, marking the second-highest bookings quarter in HCLTech's history and its strongest first-half bookings performance. However, the recently announced mega deal is expected to start contributing revenue only from Q1FY28.
- **Advanced AI emerges as a key growth engine:** Advanced AI revenue reached US\$219mn, up 28.4% QoQ and 78% YoY, taking annualized revenue to US\$776mn. Management highlighted strong demand across enterprise AI implementation, AI advisory, agentic AI and AI infrastructure.
- **AI adoption delivering tangible productivity gains:** HCLTech is embedding AI across engineering, application modernization and operations. An agentic AI solution for a complex core banking migration achieved 87% accuracy and an estimated 9x productivity gain, demonstrating measurable client outcomes.
- **AI IP and agentic AI gaining traction:** The AI Force Agent Store now offers 900+ agents, while quarterly revenue from agentic AI offerings crossed US\$100mn. Management is increasingly monetising proprietary platforms and industry-specific AI solutions through dedicated platform components in large deals.
- **AI factory opportunity expanding rapidly:** HCLTech's AI factory proposition grew 64% QoQ, supported by demand for integrated compute infrastructure, networking, cybersecurity and AI platforms. The company is expanding across the AI value chain, from infrastructure and models to enterprise applications and business outcomes.
- **Strategic AI partnerships strengthen competitive positioning:** HCLTech achieved OpenAI Advanced Partner status and announced a global premier partnership with Anthropic, alongside expanded collaborations with NVIDIA, Google Cloud, ServiceNow and Cohere. Management sees opportunities in services-led implementation as well as higher-margin, scalable revenue from proprietary IP and software integrations.
- **Engineering and R&D services maintain growth:** Engineering and R&D Services grew 4.1% QoQ and 2.1% YoY CC, while IT and Business Services grew 2.7% QoQ and 4.4% YoY, reflecting continued demand for AI, cloud, data, cybersecurity and application modernization.
- **Retail and financial services lead vertical growth:** Five of seven verticals recorded YoY growth, led by Retail & CPG at 14% and Financial Services at 7.1%. Geographically, India grew 21.8% YoY, Rest of World 11.4% and the US 3.5%, while Europe declined 0.3%.
- **Existing-client expansion offsets account-level headwinds:** HCLTech added one client to the US\$100mn+ revenue category, eight to the US\$50mn+ category, 10 to the US\$20mn+ category and 33 to the US\$10mn+ category YoY. Management indicated that previously identified ramp-downs at three large clients had largely played out, although discretionary spending at two telecom clients remains a monitorable.
- **Organic growth remains a key monitorable:** Q2 revenue growth benefited from inorganic contributions of approximately US\$35.6mn, adding 97bps to sequential company revenue growth. HPE Telco Solutions contributed approximately US\$21mn and JasperSoft US\$15mn. FY27 guidance includes inorganic contributions of 87bps at the company level and 62bps for services, with the midpoint of organic growth guidance broadly unchanged.
- **Software revenue weakness reflects renewal timing:** HCL Software revenue declined 5.8% QoQ and 11.2% YoY, primarily due to lower multi-year license renewals and upfront revenue recognition. Revenue recognised from multi-year subscription licenses fell to US\$39mn from US\$81mn in Q2FY26. However, ARR grew 7.6% YoY to US\$1.134bn, including JasperSoft, while management expects multi-year renewal activity to improve in FY28 and FY29.

- **Software portfolio realignment targets long-term growth:** HCL Software continues to focus on intelligent operations, cybersecurity, business-process operations and modern data/AI platforms. Cost rationalisation and employee expense optimisation are intended to align the business with its growth outlook.
- **Margins expand ahead of expectations:** EBIT margin improved 131bps QoQ to 18.2%, or 19.0% excluding restructuring expenses of 84bps. Project Ascend and AI-driven efficiencies contributed 73bps, advanced AI services 32bps, SG&A operating leverage 50bps and forex 23bps, partly offset by higher restructuring costs and the HPE acquisition.
- **Advanced AI supports margin expansion:** Management indicated that advanced AI services could generate margins 7–10 percentage points above traditional services, while the IP and platform component could deliver gross margins above 70%. Higher-margin AI revenue and operating efficiencies are helping offset AI-driven deflation in traditional services.
- **AI-led productivity gains support workforce efficiency:** Headcount increased by 6,450 sequentially to 230,339, while LTM attrition stood at 12.8%. Revenue per employee improved 2.4% YoY, indicating productivity gains even as the company continues to invest in specialised AI engineering talent.
- **Strong balance sheet and cash generation:** LTM operating cash flow stood at US\$1.96bn and free cash flow at US\$1.78bn, with operating cash flow and free cash flow conversion at 95% and 87% of net income, respectively. Net cash stood at US\$2.56bn, while management expects cash conversion to move back towards 100% or above as one-off cash outflows roll off.
- **Shareholder returns remain healthy:** The board declared an interim dividend of ₹12 per share. LTM dividend payout stood at 88.6% of net income, equivalent to ₹60 per share, reflecting continued cash returns alongside investments in AI capabilities, acquisitions and infrastructure.
- **FY27 guidance retained amid a fluid demand environment:** Revenue growth guidance stands at 2.5–4.0% for the company and 3.0–4.0% for services, including inorganic contributions. EBIT margin guidance remains at 17.5–18.5%. Management expects services growth to be slightly above the midpoint, supported by strong bookings and AI-led demand, but remains cautious given macroeconomic uncertainty.
- **Medium-term margin ambition balanced against AI investments:** Management reiterated its desired margin band of 18–19%, while prioritising investments in AI capabilities, proprietary IP and specialised talent over near-term margin maximisation. Continued AI adoption, large-deal conversion and expansion of higher-value services remain key medium-term growth drivers.

P&L					
YE Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenues	11,70,550	13,01,440	14,25,723	15,14,565	16,18,969
Cost of revenue	7,78,150	8,78,110	9,56,703	10,07,736	10,73,977
SG&A	1,37,350	1,55,810	1,72,747	1,83,262	1,95,895
EBITDA	2,55,050	2,67,520	2,96,274	3,23,566	3,49,096
Depreciation & Amortisation	40,840	43,550	44,393	49,981	53,426
EBIT	2,14,210	2,23,970	2,51,880	2,73,586	2,95,670
Other income	17,550	9,020	6,421	4,556	4,741
PBT	2,32,620	2,30,580	2,56,481	2,77,342	2,99,612
Taxes	58,620	56,870	60,853	69,335	74,903
Effective tax rate (%)	25.2	24.7	23.7	25.0	25.0
PAT	1,74,000	1,73,710	1,95,629	2,08,006	2,24,709
Minority/Associates	(90)	(100)	(20)	0	0
Recurring PAT	1,73,910	1,73,610	1,95,609	2,08,006	2,24,709
Reported PAT	1,73,910	1,73,610	1,95,609	2,08,006	2,24,709
Ratios					
YE Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Growth (%)					
Revenue	6.5	11.2	9.5	6.2	6.9
EBITDA	5.4	4.9	10.7	9.2	7.9
Adj. EPS	10.8	(0.2)	12.7	6.3	8.0
Margins (%)					
Gross	33.5	32.5	32.9	33.5	33.7
EBITDA	21.8	20.6	20.8	21.4	21.6
EBIT	18.3	17.2	17.7	18.1	18.3
Adjusted PAT	14.9	13.3	13.7	13.7	13.9
Returns (%)					
ROE	25.2	24.0	25.4	25.6	26.3
ROCE	24.3	23.8	25.5	25.6	26.3
ROIC	27.4	27.6	29.9	30.3	31.1
Turnover (days)					
Gross block turnover ratio (x)	26.0	27.9	27.3	26.5	27.5
Debtors	61	60	63	64	64
Inventory	1	1	1	1	1
Creditors	13	14	15	15	15
Net working capital	113	109	108	109	109
Solvency (x)					
Net debt-equity	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net debt/EBITDA	(0.7)	(0.9)	(0.8)	(0.8)	(0.8)
Per share (Rs)					
Adjusted EPS	64.1	64.0	72.1	76.7	82.8
BVPS	256.7	277.0	291.4	306.8	323.3
CEPS	79.1	80.0	88.4	95.1	102.5
DPS	59.9	53.9	57.7	61.3	66.3
Dividend payout (%)	93.4	84.2	80.0	80.0	80.0
Valuation (x)					
P/E	19.1	19.1	17.0	16.0	14.8
P/BV	4.8	4.4	4.2	4.0	3.8
EV/EBITDA	12.3	11.5	10.4	9.5	8.7
Dividend yield (%)	4.9	4.4	4.7	5.0	5.4

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity share capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	6,91,120	7,46,220	7,85,362	8,26,963	8,71,905
Shareholders fund	6,96,550	7,51,650	7,90,792	8,32,393	8,77,335
Minority Interest	180	320	121	122	122
Total debt	22,910	1,590	1,608	1,628	1,650
Non Current Liabilities	77,620	91,980	95,997	1,00,373	1,05,142
Total liabilities	7,97,260	8,45,540	8,88,518	9,34,516	9,84,249
Net block	45,010	46,570	52,177	57,196	58,770
Capital WIP	590	600	600	600	600
Net fixed assets	3,32,150	3,38,470	3,46,174	3,53,374	3,57,216
Non Current Assets	90,650	1,05,930	93,677	1,03,852	1,18,055
Investments	910	1,300	1,300	1,300	1,300
Inventories	1,330	2,390	2,618	2,781	2,973
Sundry debtors	1,95,230	2,35,850	2,58,373	2,74,473	2,93,393
Cash & Cash Equivalents	2,12,890	2,34,250	2,45,963	2,58,261	2,71,174
Loans & advances	9,760	10,170	10,882	11,644	12,459
Other current assets	2,01,880	2,22,760	2,39,640	2,57,880	2,77,596
Trade payables	30,160	37,260	40,818	43,362	46,351
Other current liab.	2,13,150	2,63,140	2,75,538	2,88,847	3,03,143
Provisions	14,870	16,640	19,302	22,391	25,973
Net current assets	3,62,910	3,88,380	4,21,816	4,50,439	4,82,127
Total assets	7,97,260	8,45,540	8,88,518	9,34,516	9,84,249

Cashflow					
YE Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Profit Before Tax	2,32,620	2,30,580	2,56,481	2,77,342	2,99,612
Depreciation & Amortisation	40,840	43,550	44,393	49,981	53,426
Net Change – WC	17,930	(18,900)	(20,705)	(15,420)	(18,008)
Direct taxes	(53,930)	(47,220)	(71,081)	(65,088)	(70,230)
Net cash from operations	2,19,910	1,98,990	2,02,667	2,42,258	2,60,059
Capital expenditure	(35,200)	(34,310)	(52,097)	(57,181)	(57,268)
Investments	(4,270)	4,740	(3,480)	(3,654)	(3,837)
Others	(1,440)	(500)	18,674	(5,619)	(9,462)
Net cash from investing	(40,910)	(30,070)	(36,903)	(66,453)	(70,566)
FCF	1,79,000	1,68,920	1,65,764	1,75,805	1,89,493
Increase/(decrease) in debt	(360)	(21,320)	18	20	22
Dividend paid	(1,62,500)	(1,46,180)	(1,56,487)	(1,66,405)	(1,79,767)
Others	(4,750)	19,940	2,417	2,879	3,165
Net cash from financing	(1,67,610)	(1,47,560)	(1,54,052)	(1,63,506)	(1,76,579)
Net change in Cash	11,390	21,360	11,713	12,298	12,913

Source: Company, Centrum Broking

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HCL Technologies



Source: Bloomberg

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