INVasset Corporate Insights

HCL

4th April, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

HCL Technologies Limited (HCL Tech) stands as a beacon of innovation and transformation in the global IT services landscape. Since its establishment HCL Tech has emerged as one of India's leading IT firms, consistently delivering value to its clients and stakeholders alike. With a relentless focus on customer-centricity, technological excellence, and strategic partnerships, the company has solidified its position as a trusted partner for businesses worldwide. At the heart of HCL Tech's success lies its unwavering commitment to excellence and innovation. This ethos is embodied in HCL's "Employees First, Customers Second" philosophy, which prioritizes the well-being and empowerment of its workforce, resulting in a highly motivated and skilled talent pool that drives innovation and delivers superior outcomes for clients.

A Comprehensive Service Portfolio: HCL Tech's service portfolio is as diverse as it is comprehensive, encompassing a wide array of offerings tailored to meet the unique requirements of its clients across various industries. From software-led IT solutions to remote infrastructure management, engineering, and R&D services, as well as business process outsourcing, HCL Tech offers end-to-end solutions that enable businesses to thrive in an increasingly competitive marketplace. By leveraging cutting-edge technologies and best practices, the company helps its clients streamline operations, enhance efficiency, and unlock new avenues for growth and profitability.

Global Reach, Local Expertise: With a presence in 46 countries and a network of offices spanning the globe, HCL Tech is well-positioned to serve clients. The company's extensive offshore infrastructure, coupled with its deep domain expertise and local market knowledge, enables it to deliver customized solutions that address the specific needs and challenges of each client. Whether it's accelerating digital transformation, driving innovation, or optimizing business processes, HCL Tech leverages its global reach and local expertise to deliver tangible value and drive sustainable growth for its clients.

Driving Growth Through Innovation: Innovation is at the heart of everything HCL Tech does. The company is committed to pushing the boundaries of technology and driving meaningful change that positively impacts businesses and society at large. Through its dedicated innovation labs, centers of excellence, and collaborative research initiatives, HCL Tech is constantly exploring new ideas, experimenting with emerging technologies, and developing cutting-edge solutions that address the most pressing challenges facing its clients.

Proven Excellence: HCL Tech boasts a track record of excellence, integrity, and reliability, highlighted by numerous awards and recognitions from industry analysts, clients, and peers. From consecutive years as the fastest-growing large technology company globally to consistent ranking among the top five Indian IT services firms by revenue, HCL Tech's accolades underscore its unwavering commitment to customer satisfaction and innovation.

Continuous Innovation: HCL Tech's relentless focus on innovation drives its ability to anticipate market trends, adapt to changing customer needs, and develop cutting-edge solutions that empower businesses to succeed in a rapidly evolving digital landscape.

Stock Data	
CMP (04-04-2024)	1527.70
52 Week High/Low	1697.3 / 1016.2
Face Value	2.00
Market Cap (In Crs)	4,14,065
Enterprise Value (In Crs)	4,02,435
NSE	HCLTECH
BSE	532281
Bloomberg	HCLT:IN
Sector	IT & Consulting

Shareholding Pattern (in %)		
	DEC 23	SEP 23
Promoter	60.82	60.82
FII	19.42	18.80
DII	15.12	15.62
Public	4.40	4.54
Others	0.21	0.21

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	0.62	15.30	29.42
HCLTECH	-5.96	24.99	40.99

Key Ratios	
P/E	26.4
P/S	3.83
P/B	6.28
Debt To Equity	0.08
ROE	23.0
ROCE	28.3
Dividend Yield	3.38

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY 24	Q2 FY 24	Q3 FY 23	QOQ	YOY
Sales	28,446	26672	26700	6.65%	6.54%
EBITDA	7157	6294	6625	13.71%	8.03%
EBIT	6014	5284	5488	13.82%	9.58%
Net Profit	4351	3833	4096	13.51%	6.23%
EPS	16.03	14.12	15.09	13.53%	6.23%

Result Highlights

HCL Technologies witnessed continued growth in the third quarter of fiscal year 2024, with sales reaching 28,446cr , marking a notable increase of 6.65% compared to the previous quarter. This growth trend was also reflected in other key financial indicators, with EBITDA and EBIT showing robust increases of 13.71% and 13.82%, respectively, indicating strong operational performance. Net profit for the quarter stood at 4,351cr, reflecting a commendable growth rate of 13.51% quarter-on-quarter (QOQ), underlining the company's efficiency in converting revenue into profit. Earnings per share (EPS) also saw a significant uptick, reaching 16.03, showcasing positive momentum in HCL's financial health.

Moreover, when compared year-on-year (YOY), HCL's performance remains impressive, demonstrating sustained growth across all major metrics. Sales, EBITDA, EBIT, and net profit recorded substantial increases of 6.54%, 8.03%, 9.58%, and 6.23% respectively, showcasing the company's resilience and ability to navigate through challenges while delivering consistent shareholder value. These results affirm HCL's position as a leading player in the technology services industry, poised for continued success in the evolving market landscape.

Client-Centric Solutions: With a focus on digital transformation, HCL Tech empowers clients across industries to accelerate their digital journeys and unlock new avenues for growth and innovation. By leveraging expertise in cloud computing, cybersecurity, data analytics, AI, and IoT, the company delivers tailored digital solutions designed to address specific client needs and challenges. Through successful implementation of digital projects and strategic partnerships, HCL Tech demonstrates its ability to drive tangible business outcomes, enhance operational efficiency, and create value for clients in an increasingly digital-centric world.

Industry Recognition and Awards: HCL Technologies' consistent recognition and accolades, such as the ISG Star of Excellence Awards, underscore its leadership position and commitment to delivering exceptional services in the IT services space. The company's ability to consistently receive industry recognition reflects its reputation for excellence, reliability, and customer-centric approach. By continuously exceeding client expectations and setting industry benchmarks, HCL Tech reinforces its brand value and strengthens relationships with clients, partners, and stakeholders, positioning itself as a preferred choice for digital transformation and technology services.

Talent Development and Employee Engagement: HCL Tech's focus on talent development and employee engagement plays a crucial role in driving innovation, fostering a culture of continuous learning, and attracting top talent in the industry. Through initiatives such as skill development programs, leadership training, and employee recognition programs, the company invests in nurturing a skilled workforce equipped to tackle evolving technological challenges and deliver exceptional client outcomes. By prioritizing employee well-being, career growth opportunities, and a collaborative work environment, HCL Tech cultivates a motivated and engaged workforce, driving organizational success and sustainability in the long run.

Ethical Business Practices and Corporate Social Responsibility (CSR): HCL Technologies upholds strong ethical business practices and demonstrates a commitment to corporate social responsibility (CSR) initiatives aimed at creating a positive impact on society and the environment. The company's emphasis on integrity, transparency, and accountability in all business dealings reinforces trust and credibility among stakeholders. Through CSR programs focused on education, healthcare, environmental sustainability, and community development,

Concall Highlights

Strong Revenue Growth: HCL Technologies showcased impressive revenue growth of 6% in constant currency, driven by robust performance in both services and software segments. Despite the seasonal nature of the quarter, services revenue grew by 3.1% QoQ in constant currency, while the software segment witnessed a significant 5% year-on-year improvement, mainly attributed to enhancements in subscription and support revenue.

ISG Star of Excellence Awards: HCL Tech received multiple awards at the ISG Star of Excellence, reaffirming its leadership position in the IT services sector and its dedication to delivering exceptional solutions. The recognition by industry experts further solidifies the company's reputation for excellence and reliability in providing innovative services to its clients.

Business Segment Performance: Notably, the software business exhibited a robust 5% overall year-on-year growth in constant currency, while the ER&D segment showed an impressive 8.7% overall sequential growth, driven by organic expansion and contributions from recent acquisitions. This strong performance across business segments highlights HCL Tech's diversified portfolio and its ability to capitalize on emerging opportunities in various sectors.

Client Wins and Partnerships: HCL Tech secured significant client wins and expanded partnerships across industries, including collaborations with a Fortune 50 CPG company, a Europe-based financial services provider, and a global retailer. These partnerships underscore the company's focus on driving digital transformation and delivering value-added services tailored to specific industry requirements.

Financial Performance and Guidance: HCL Tech reported robust financial performance, including strong cash generation, improved margins, and increased EPS, providing transparent guidance for FY24. The company expects total future revenue growth in the range of 5% to 5.5% and operating margins between 18% and 19%, reaffirming its commitment to delivering sustained growth and shareholder value.

Headcount and Hiring Strategy: Active involvement in hiring trends without divulging client-specific data, highlighting efforts to surpass reported figures and align hiring with growth expectations. Despite two quarters of decline, recent hiring patterns indicate a positive trajectory, with year-on-year headcount growth reported as positive.

Gen-AI and Surround Services: Emphasis on the significance of surround services related to Gen-AI, indicating substantial downstream investment and the showcasing of practical use cases at the Gen-AI lab in London. The launch of CoForce to support software development lifecycle optimization was highlighted as gaining traction, reflecting the company's commitment to driving adoption and providing practical solutions.

ER&D Business Strategy: The company is focusing on entry into the e-mobility space and market expansion through the ASAP group acquisition. Challenges in structured sourcing and growth variations were acknowledged, underscoring the company's strategy to address market dynamics and capitalize on emerging opportunities.

Digital Transformation Initiatives: HCL Technologies underscores its commitment to digital transformation and innovation, offering tailored solutions to accelerate clients' digital journeys and modernize legacy systems. Leveraging expertise in cloud computing, cybersecurity, AI, and IoT, the company delivers end-to-end digital solutions, backed by a track record of successful implementations. Positioned as a trusted advisor, HCL Tech assists clients in navigating digital complexities, unlocking growth opportunities, and driving sustainable business outcomes in the ever-evolving digital landscape.

Focus on Research and Development (R&D): Ensuring steady implementation of specific R&D initiatives, breakthroughs, and patents obtained during the quarter, showcasing the company's leadership in technology innovation and intellectual property creation. These efforts underscore HCL Technologies' commitment to driving innovation and developing cutting-edge solutions to meet the evolving needs of its clients.

Investments in Innovation: HCL Tech outlined its continued investments in innovation to stay ahead of industry trends, technological advancements, and evolving client demands. The company emphasized its commitment to developing cutting-edge solutions, proprietary technologies, and domain-specific expertise to address emerging challenges and capitalize on growth opportunities. These initiatives are aimed at driving innovation and accelerating time-to-market for new offerings, ensuring that the company remains at the forefront of technological innovation.

Future Outlook: Despite market uncertainties, HCL Tech remains optimistic about medium-term growth prospects, emphasizing continued momentum in its services business, operational cost improvements, and the adoption of low-code capabilities to enhance efficiency and customer experience. The company's positive outlook reflects its confidence in its business strategy and its ability to capture growth opportunities in key areas such as cloud migration, SAP modernization, and Gen-AI adoption.

Areas of Expertise

Engineering
HCLTech Engineering and R&D services (ERS) empower enterprises to improve time-to-profit, accelerate product development and maximize return on innovation.

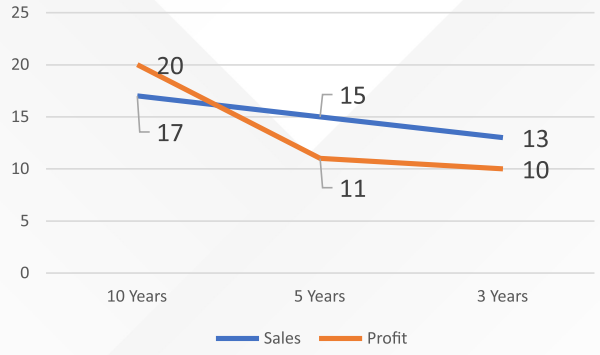
Digital
HCLTech's end-to-end Digital offerings enable enterprises to increase business resilience, improve operational efficiency and deepen client engagement.

Cloud
HCLTech's exclusive CloudSMART offerings and services enable organizations to optimize cloud to accelerate innovation and agility at scale.

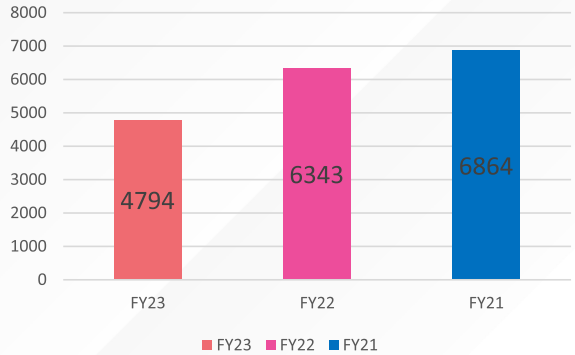
AI
Building on our engineering heritage, HCLTech has built end-to-end AI capabilities, from chip design to data center optimization to AI applications and models.

Story Through Charts

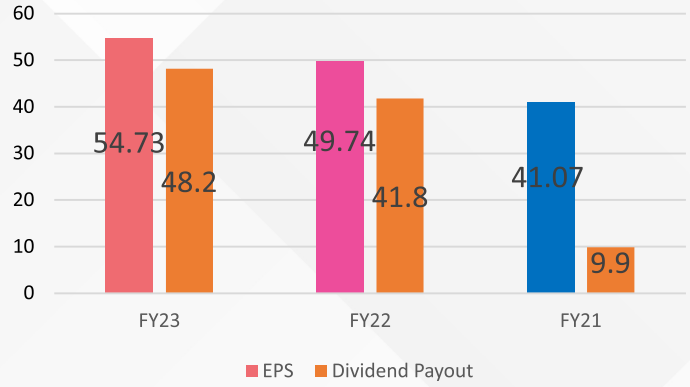
Compounded Growth (In %)



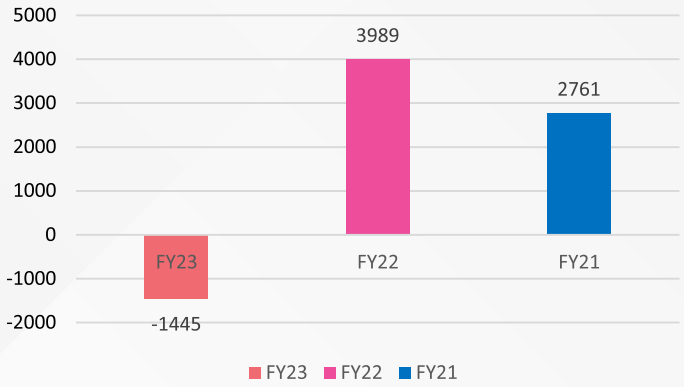
Borrowings (In Cr)



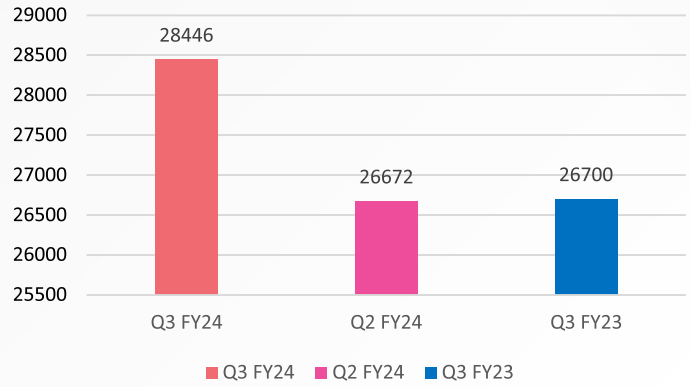
Earnings & Dividend (In Cr)



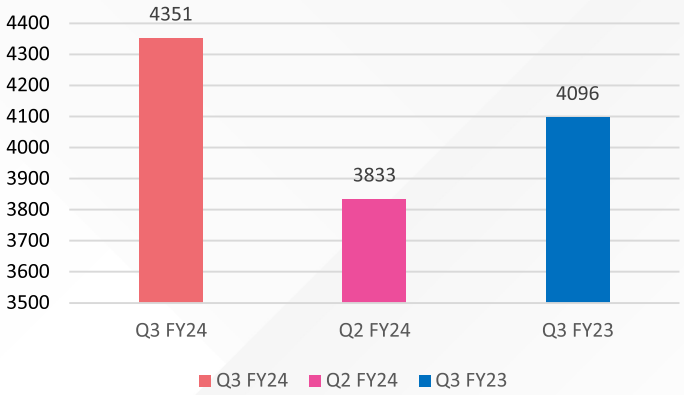
Cash Flows (In Cr)



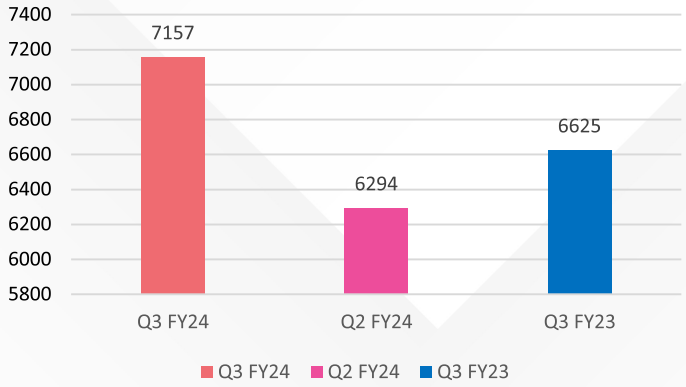
Revenue (In Cr)



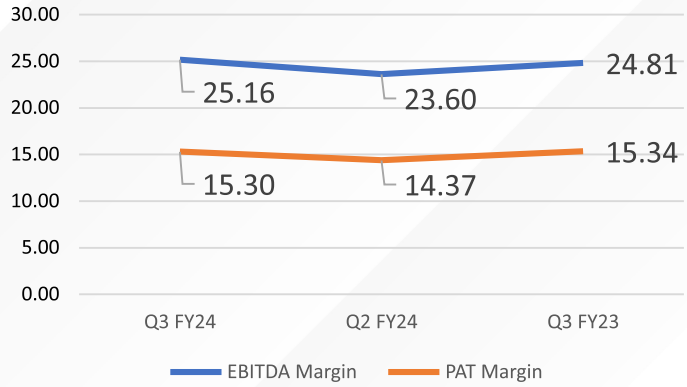
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



The weekly chart for HCL Technologies Ltd displays a strong upward trend highlighted by a 'cup and handle' pattern that led to a breakout. Post-breakout, the stock has entered a consolidation phase, fluctuating between the resistance near 1750 and the support level at 1550. The recent movement has seen the price retracing back towards the support level, aligning with a decrease in trading volume which suggests a period of less trading activity following the stock's notable ascent.

The data indicates that for HCL Technologies, both Simple Moving Averages (SMAs) and Exponential Moving Averages (EMAs) escalate as the duration increases from 5 to 50 days, then decline at the 100-day mark, and dip further for the 200-day period. The shorter-term EMAs are consistently higher than SMAs, suggesting recent prices have a higher weight.

The Relative Strength Index (RSI) shows a value of 40.05 for the daily chart, which is closer to oversold conditions, while the weekly RSI is at a moderate 59.54.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1542.1	1544.8
10	1561.3	1563.1
20	1601.4	1587.3
50	1614.5	1583.3
100	1510.3	1515.7
200	1355.8	1401.8

Pivot Levels : FIBONACCI		
R1 1556.87	Pivot 1537.43	S1 1516.42
R2 1577.88		S2 1496.98
R3 1597.32		S3 1475.97

	Daily	Weekly
Relative Strength Index (RSI)	40.05	59.54

Disclaimer: This report has been prepared by the research department of Invasset, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Invasset have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice.

The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice. Recipients of this material should rely on their own investigations and take their own professional advice. Invasset or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Invasset. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

Invasset and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to Invasset or any of its affiliates to any registration or licensing requirement within such jurisdiction. Invasset may or may not hold any securities discussed in the article in its portfolios. Invasset may or may not take decisions based on the information contained in the article while curating portfolios for its clients. Without limiting any of the foregoing, in no event shall Invasset, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com