

- ❑ The company reported strong results for the quarter under review. Revenue from operations improved by 5.7% year-on-year to ₹196,410 million on a reported basis. In constant currency (CC) terms the revenue grew by 2.6% YoY. The company reported healthy revenue growth mainly led by better performance in Americas & RoW (geographically).
- ❑ Mode-2 business grew by 25.2% YoY. Segment wise, Product Platforms and IT business services led growth during for the quarter by 3.3% & 3.7% YoY respectively. Among verticals – Financial Services, Technology, Retail, Telecommunications, Life sciences and Public Services led the growth by 3.6%, 11.%, 1.3%, 0.5%, 18.1%, 2.2% YoY respectively.
- ❑ On profitability front, the EBITDA from operations for the quarter declined by 6.4% year-on-year at ₹45,490 million with a margin of 23.1%. The company achieved the reported PAT of ₹11,020 million, a decline of 65.3% year-on-year with a net margin of 5.6% translating into EPS of ₹4.06 per share for the quarter. The company's PAT was impacted mainly due to tax impact on goodwill as per changes in Finance Bill enacted in 2021.
- ❑ HCL won 19 new large deals in Q4FY21 across industry verticals, including Financial Services, Life Sciences and Healthcare, consumer goods and manufacturing. In FY21, HCL signed a total of 58 new large deals led by industries such as Financial Services, Life Sciences and Healthcare, Telecommunication, Manufacturing and Technology.
- ❑ New Deal TCV hit an all-time high this quarter at US \$ 3.1 B, increasing 49% YoY. For FY21, New Deal TCV are US \$ 7.3 B, which is 18% increase over FY20.
- ❑ The management has given a revenue growth guidance of double digits in constant currency for FY22. EBIT margin guidance expected between 19% to 21% for FY22. The management declared a total dividend of ₹16 per share for the quarter.
- ❑ With continuity of robust growth across Mode-2 and Mode-3 business (38% of revenue combined), we expect the growth momentum to continue supported by strong products, deal pipeline and ramp up of large deals. We maintain our **BUY** rating on the stock with a revised target price of **₹1075 per share**.

## Financials:

(In ₹ mn)	Q4-FY21	Q4-FY20	Chg	12M-FY21	12M-FY20	Chg
Net Sales	196,410	185,870	5.7%	575,370	542,490	6.1%
Operating Expense	150,920	137,290	9.9%	422,460	405,030	4.3%
EBITDA	45,490	48,580	-6.4%	152,910	137,460	11.2%
Other Income	2,440	1,470	66.0%	6,320	4,060	55.7%
Depreciation	12,670	9,960	27.2%	35,460	26,850	32.1%
EBIT	35,260	40,090	-12.0%	123,770	114,670	7.9%
Interest	1,590	1,240	28.2%	3,860	4,180	-7.7%
PBT	33,670	38,850	-13.3%	119,910	110,490	8.5%
Tax	22,560	7,130	216.4%	37,570	22,220	69.1%
Exceptional Items	-	-		-	-	
PAT	11,110	31,720	-65.0%	82,340	88,270	-6.7%
Minority /Other Adj.	(90)	-		(200)	89	
Consolidated PAT	11,020	31,720	-65.3%	82,140	88,359	-7.0%

  

Margins	Q4-FY21	Q4-FY20	Chg BPS	12M-FY21	12M-FY20	Chg BPS
Operating Margin %	23.2%	26.1%	-298	26.6%	25.3%	124
Net Margin %	5.7%	17.1%	-1141	14.3%	16.3%	-196

## Consolidated Financials:

(In ₹ mn)	FY-19	FY-20	FY-21	FY-22E
Net Sales	604,270	706,760	753,790	871,307
Operating Expense	465,110	533,940	553,310	674,392
EBITDA	139,160	172,820	200,480	196,915
Other Income	9,530	6,230	9,270	10,715
Depreciation	20,730	34,200	46,110	34,615
EBIT	127,960	144,850	163,640	173,016
Interest	1,740	5,050	5,110	5,639
Misc. items	-	-	-	-
PBT	126,220	139,800	158,530	167,377
Tax	25,020	29,230	46,840	34,996
Minority Interest	-	-	-	-
PAT	101,200	110,570	111,690	132,381

Margins	FY-19	FY-20	FY-21	FY-22E
Sales Growth %	19.5%	17.0%	6.7%	15.6%
Operating Margin %	23.0%	24.5%	26.6%	22.6%
Net Margin %	16.7%	15.6%	14.8%	15.2%

(In ₹ mn)	FY-19	FY-20	FY-21	FY-22E
<b>Liabilities</b>				
Equity Share Capital	2,760	5,430	5,430	5,430
Reserves & Surplus	410,900	507,240	430,100	562,481
Total Shareholder's Funds	413,660	512,670	435,530	567,911
Minority Interest	1,030	1,540	-	-
Long-Term Liabilities	29,770	28,480	2,070	28,480
Other Long-term Liabilities	16,040	48,200	15,820	74,710
Deferred Tax Liability	(22,290)	(22,300)	(6,680)	(6,680)
Short-term Liabilities	122,990	237,300	100,190	115,810
<b>Total</b>	<b>561,200</b>	<b>805,890</b>	<b>546,930</b>	<b>780,231</b>
<b>Assets</b>				
Net Fixed Assets	231,230	378,900	202,560	318,591
Long-Term L&A	6,550	15,060	-	-
Non Current Investments	850	770	50,410	50,410
Other Non-Current Assets	25,350	26,960	16,820	16,820
Current Asset	297,220	384,200	277,140	394,410
<b>Total</b>	<b>561,200</b>	<b>805,890</b>	<b>546,930</b>	<b>780,231</b>

Key Ratios	FY-19	FY-20	FY-21	FY-22E
EPS (₹)	37.3	40.7	41.2	48.8
P/E (x)	24.8	22.7	22.4	18.9
P/B (x)	6.1	4.9	5.8	4.4
ROE	24.5%	21.6%	25.6%	23.3%

Source: Company, Anand Rathi Research

## Key Risks:

- US H1-B Visa regulations.
- Foreign currency fluctuations.
- Employee attrition.



## Rating and Target Price history:

### HCLTECH's rating history & price chart



### HCLTECH's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
22-Oct-18	Buy	590	490
15-Apr-20	Buy	540	458
18-Sep-20	Buy	931	807
21-Jan-21	Buy	1125	994
28-Apr-21	Buy	1075	924

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 28 April 2021 close.

Source: Bloomberg, Anand Rathi Research

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