

HCL Technologies (HCLT) – ADD

Company Update

Current Market Price (CMP)

Rs.984

Target Price

Rs.1080

Our fair value of Rs. 1,080 implies an upside of 9.8% from the current market price.

Rationale:

- 2nd Covid wave will have impact on Q1FY22; not too different from competition.
- Healthy pipeline provides comfort on growth.
- Talent shortage - temporary and manageable.
- We expect earnings to grow by 6.6% in FY22E and 11% in FY23E.
- The stock trades at inexpensive 17.3x FY23E earnings and is attractive.

Company update:

Positives:

- Cloud migration is a net tailwind to IMS.
- Winning in applications through differentiated approach.
- Increased investments in digital engineering for growth acceleration in ERS.
- Products will be a growth business.

ERS: Engineering and R&D Services. IMS: Infrastructure Management Services.

Negatives:

- ERS business declined 4.9% (c/c terms) in FY21.

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For detailed report dated 9th June 2021. Note: CMP & valuation may differ due to difference in dates.



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