

Pick of the week



HCL Technologies

Recommendation

ADD

Time Period

12 Months

Current Price

₹914

Target Price

₹1120

Potential Upside

22.5%

Investment Argument

- HCLT in our view will have a good FY22E led by digital foundation activity, potential large deal wins and recovery in Engineering R&D (ERD).
- The company has a good track record in winning large deals. It has done well in digital foundation deals and strong growth in digital services.
- Management has indicated that the product business is tracking ahead of expectations and the deal pipeline is very strong.
- 60% of the pipeline is filled with large opportunities, which are in an advanced stage. It is confident of winning US\$20-30 cr size deals, several of which are in the pipeline.
- HCLT is a solid play on cloud shift, improved digital play and growth runway in underpenetrated ERD opportunity.
- We expect earnings to grow by 6.5% in FY22E and by 9.6% in FY23E. Our Sum-of-the-parts (SoTP) - based Fair Value is Rs1,120.

Note: The above is a brief note on the company, based on the inputs of KIE research report dated 15th January 2021, which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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