




*Script – HCL TECH*

*Recommendation – Buy*

<b>Sentiment</b>	
<b>Entry around</b>	<b>Above 865</b>
<b>Stop loss</b>	<b>810</b>
<b>Target</b>	<b>890—930—980+</b>

**HCL**

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## HCL Technologies Q3 results [Overview]

HCL Tech (HCLT) delivered in-line revenues (3% CC, 1.3% USD QoQ) in 3Q while the margin beat drew from higher FP contracts and automation. We remain positive on HCLT based on (1) Strong ERS (Engineering and R&D services) rebound and growth visibility supplemented by inorganic (Geometric, Butler) ahead, (2) Automation driving growth in mode-1 services, (3) Product & platform focus with increased scope of IBM alliance (US\$ 150mn revenue rate) and higher margin, (4) Concerted BFSI strategy driving growth, and (5) Digital and automation supplementing HCLT's leadership in IMS and ERS. Benign 4Q growth ask-rate at 1% QoQ (organic, supplemented by Butler consolidation and IP-led partnership) implies 12-14% CC YoY for FY17E and 10-12% in US\$ terms (at mid-range). We note positives such as (1) Solid BFSI show, (2) Stellar growth in ERS, (3) Sharp increase in large client bucket (>US\$ 50mn), (4) Recovery in BPM, and (5) Strong operations (guided EBIT% at 19.5-20.5%).

Stock Info	
BSE Code	532281
NSE Code	HCLTECH
Bloomberg	HCLT IN
CMP	850.00
Face Value	1.00
Market Cap(Cr.)	120,706.82
Book Value	152.45
EPS	48.35
PE Ratio	14.95
52 Week High	889.80
52 Week Low	706.50

**Net Profit** - HCL Technologies registered a 2.30 per cent rise in consolidated net profit at Rs 2,062.04 crore for the quarter ended December 31, 2016 against Rs 2,015.60 crore reported for the sequential quarter ended September 30, 2016. The company had reported a net profit of Rs 1,924.75 crore for the corresponding quarter last year.

**Revenue from Operations:** Consolidated revenue from operations jumped 2.56 per cent to Rs 11,814.20 crore for the quarter under review against Rs 11,519.21 crore reported for the previous quarter ended September 31, 2016.

**For shareholders:** The company declared an interim dividend of Rs 6 per equity share of Rs 2 each (face value) of the company for the financial year 2016-17.

**Strong client addition continues:** The company added 14 new clients in the basket of \$5 million client category, 8 new clients were added in the \$10 million category, 13 new clients were added in the \$20 million category, 9 new clients were added in the \$40 million category, 5 new clients were added in the \$50 million category and 1 new clients were added in the \$100 million category.

### ➤ Highlights of the quarter

- HCLT further extended its partnership with IBM to cover areas of application security, B2B data transformation, testing automation and mainframe tools with investment of US\$ 155mn (total US\$ 560mn investment and revenue rate of US\$ 150mn across products within IBM alliance).
- Co won 9 transformational deals in 3Q as compared to 12 signed in last quarter.
- Near-term outlook: ERS and IMS will continue to drive growth and recovery of BPM, integration of acquisitions will improve the growth optics.

HCL Tech translated its revenue guidance for the current fiscal to 10-12%% in US dollar terms based on December 31, 2016, exchange rates, as against the earlier guidance at 12-14%. "We expect our FY'17 revenues to be in the middle of this range," according to the company.

## Technical View on HCL Tech



We have seen mind blowing rally in HCL Tech from 708.80 to 866.40 and now trading around 850. Prior this rally, HCL Tech crashed from 1077.50 to 708.80. On seeing weekly chart, HCL Tech is forming ascending triangle along with it MACD and RSI too indicating positive diversion while 21 and 55 DEMA stood at 813.00 and 793.00 respectively.

HCL TECH has support at 800 and resistance at 865. Chances are unlikely to breach its support level of 800 and could test 865 mark. Three consecutive closes + weekly close below 865 will take it to till 890--930 and then to 980+ mark in days to come. Pattern indicates that HCL Tech may touch to 61% and then to 78.5%. If everything goes right then we will expect HCL Tech to test the upside level of 890—930 and then to 980+ in this upside rally.

So traders don't go for aggressive selling in HCL Tech. Try to get an opportunity to buy at lower levels. Jobbers will get trading benefit through buy side with stop loss of 810 on closing basis. So plan your trade accordingly.

**Trading Recommendation** – Buy HCL Tech on weekly close above 865 with stop loss of 810 on closing basis for the upside target of 890---930 and then to 980+ mark.

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