# FIRST LIGHT

14 October 2025

## RESEARCH

### HCL TECHNOLOGIES | TARGET: Rs 1,381 | -8% | SELL

Organic growth guidance in FY26 similar to that in FY25

### BOB ECONOMICS RESEARCH | CPI

Inflation: a persistent sigh of relief

### INSURANCE

Private players APE grew strong, LIC saw a decline

### PHARMACEUTICALS | Q2FY26 PREVIEW

Overall stable quarter expected

## SUMMARY

### HCL TECHNOLOGIES

- 150bps beat versus estimate due to better services biz. Organic growth guide of 4% YoY CC at upper end in FY26, similar to that in FY25
- Best organic growth among Indian Tier-1. But margin performance bit volatile. First to put out Advanced AI revenue number. TCV in line
- Lift estimates for FY27/FY28. Maintain Target PE multiple. Recent stock upmove drives downgrade to 'Sell'

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### INDIA ECONOMICS: CPI

CPI got the sigh of relief in Sep'25 as well, broadly led by food. The headline print had slightly undershot RBI's projection (by 10bps) in Q2. We expect further moderation in coming months as fresh harvest kicks in and generally seasonality adjustment of vegetable prices in Q3 become pronounced. The persistent pace of disinflation is welcoming from monetary policy standpoint. The sequential loss of momentum in inflation also testified that the disinflation pace is gaining entrenched. Our in-house BoB ECI is running at -3.8% in Oct'25 (first 12 days of the month).

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## INSURANCE

- Total APE grew moderate by 5.2% YoY; private players witnessed a strong growth (up 11.1% YoY)
- SBI continues to retain the highest individual APE market share at 16.6% LICI continues to gain market share in group APE basis at 63.3%
- Industry's new business premium grew 14.8% YoY in Sep'25. Our top picks are HDFC Life and LICI

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## PHARMACEUTICALS: Q2FY26 PREVIEW

- Sales/EBITDA/APAT for our coverage companies to grow by 7.4%/6.9%/4.3% respectively. EBITDA margin to remain flat at 24.8%
- Domestic region to grow by 9.3%, partially affected by lower GST rates; US to remain flat owing to the phasing of gRevlimid sales
- CDMO companies' sales to grow by 10% YoY, due to stable API prices. Our top pick remains SUN, LPC, COHANCE & BOOT

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**SELL**
**TP: Rs 1,381 | ▼ 8%**

**HCL TECHNOLOGIES** | IT Services | 14 October 2025

## Organic growth guidance in FY26 similar to that in FY25

- **150bps beat versus estimate due to better services biz. Organic growth guide of 4% YoY CC at upper end in FY26, similar to that in FY25**
- **Best organic growth among Indian Tier-1. But margin performance bit volatile. First to put out Advanced AI revenue number. TCV in line**
- **Lift estimates for FY27/FY28. Maintain Target PE multiple. Recent stock upmove drives downgrade to 'Sell'**

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**2QFY26 a strong services quarter, overall FY26 revenue guidance maintained but services guidance raised:** The 2.4% CC QoQ growth was better than the 1% that we estimated as services growth was better than anticipated. While the services business (91% of revenue) guidance was raised by 100 bps at the lower end for FY26, the company level guidance was maintained as the product business growth under performed.

**Organic growth in FY26 similar to that in FY25, though commentary sounded more positive. AI compression likely playing out:** The 4% YoY CC growth for the HCLT at the upper end is similar to in FY25. We felt that the demand commentary was slightly more positive. The dichotomy is possibly because HCLT is indulging in self-cannibalization to maintain its client base. It stated that the proactive approach is leading to share gains in its client set especially in the financial services vertical. It is hoping to get additional business from clients when it self-cannibalizes. However, the additional business dropped amongst large renewal deals on a QoQ basis.

**Did not commit to return to margins of 18-19% in FY27:** While HCLT had indicated one-offs to be among the reasons for 100bps lowering of guidance in FY26 (to 17-18%), it did not explicitly commit to a return to the 18-19% number by FY27. It hinted at the new H1-B rules to be a possible pressure point. It also stated that it wanted to cement its position as industry growth leader during a tectonic shift in the industry and stated that it would invest in its AI propositions.

**Raise revenue and EPS estimate but lower rating to 'Sell':** The 2QFY26 revenue beat leads us to raise our estimates. We maintain the target PE multiple of 19x (5% discount to that accorded to TCS, our industry benchmark). The recent stock run up leads us to reduce rating to a 'SELL' from 'HOLD'. The revenue compression from Gen AI and margin volatility keeps us cautious.

### Key changes

| Target | Rating |
|---|---|
| ▲ | ▼ |

| | |
|---|---|
| Ticker/Price | HCLT IN/Rs 1,495 |
| Market cap | US$ 45.7bn |
| Free float | 39% |
| 3M ADV | US$ 53.3mn |
| 52wk high/low | Rs 2,012/Rs 1,303 |
| Promoter/FPI/DII | 61%/19%/16% |

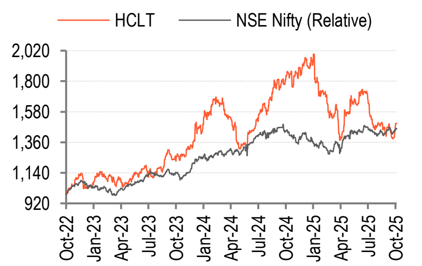
Source: NSE | Price as of 13 Oct 2025

### Key financials

| Y/E 31 Mar | FY25A | FY26E | FY27E |
|---|---|---|---|
| Total revenue (Rs mn) | 1,170,550 | 1,275,133 | 1,369,841 |
| EBITDA (Rs mn) | 255,050 | 264,583 | 295,978 |
| Adj. net profit (Rs mn) | 173,910 | 173,104 | 199,479 |
| Adj. EPS (Rs) | 64.1 | 63.8 | 73.5 |
| Consensus EPS (Rs) | 64.1 | 64.2 | 71.9 |
| Adj. ROAE (%) | 25.2 | 24.5 | 27.4 |
| Adj. P/E (x) | 23.3 | 23.4 | 20.3 |
| EV/EBITDA (x) | 16.1 | 15.6 | 14.0 |
| Adj. EPS growth (%) | 10.8 | (0.4) | 15.2 |

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance




Source: NSE

## CPI

13 October 2025

# Inflation: a persistent sigh of relief

**Dipanwita Mazumdar**
Economist

**CPI got the sigh of relief in Sep'25 as well, broadly led by food. The headline print had slightly undershot RBI's projection (by 10bps) in Q2. We expect further moderation in coming months as fresh harvest kicks in and generally seasonality adjustment of vegetable prices in Q3 become pronounced. The persistent pace of disinflation is welcoming from monetary policy standpoint. The sequential loss of momentum in inflation also testified that the disinflation pace is gaining entrenched. Our in-house BoB ECI is running at -3.8% in Oct'25 (first 12 days of the month).**

The arrival statistics of TOP (Tomato, Onion and Potato) have also been favourable albeit unseasonal retreating monsoon, speaking of better supply management policies of the government. Core inflation has the usual gold-driven upheaval. Excl. gold and pan & tobacco it is lower at 3.1%. Thus, we expect downside risks to CPI is more pronounced. We expect it to settle at 2.8% in FY26.

**Food continued to support CPI**

CPI remained comfortable: CPI inflation reading came in at 1.5% in Sep'25, on YoY basis (BoB est.: 1.2%). However, the progressive pace of disinflation is for the 11th month in a row which is comforting from the monetary policy standpoint. Food inflation remained in negative territory for 4 consecutive months recording -2.3% print in Sep'25. A desirable statistical base also acted in favour.  Among 10 broad items, 7 of them showed moderation in inflation. The major comfort came in from vegetables whose deflation has been the sharpest since Feb'25.   Other than these oils & fats, fruits, pulses and cereals showed some softening momentum. For oils and fats, the comfort came in from a fall in international price on account of improving supplies.  The outlook for food inflation seems favourable at the current juncture with supply dynamics remaining in stride. However, some monitoring is required on account of diverse production picture of pulses and some retreating unseasonal rains.

The sequential picture of food inflation also showed loss of momentum. It also mirrored the YoY data. The major softening came from vegetables, fruits, oils & fats and cereals. In Oct'25 as well, majority of the vegetable prices are losing steam.

On a seasonally adjusted basis, consumer food price index declined by 0.4%, MoM, in Sep'25. Thus, disinflation pace is getting entrenched even on a seasonally adjusted basis.

13 October 2025

## Private players APE grew strong, LIC saw a decline

- **Total APE grew moderate by 5.2% YoY; private players witnessed a strong growth (up 11.1% YoY)**
- **SBI continues to retain the highest individual APE market share at 16.6% LICI continues to gain market share in group APE basis at 63.3%**
- **Industry's new business premium grew 14.8% YoY in Sep'25. Our top picks are HDFC Life and LICI**

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In Sep'25, total APE grew moderate by 5.2% YoY (vs 6.6% YoY in Aug'25 vs 15.3% YoY in July'25). For private players, total APE grew strong at 11.1% YoY while total APE for LIC de-grew 3.8% YoY in Sep'25, which led to a moderate growth in the overall APE for all life insurers.

Individual APE grew healthy at 7.7% YoY (vs 1.3% in Aug'25 vs 14.4% in July'25) for private players. LIC's individual APE witnessed de-growth of 31.8% YoY. This led to an overall decline of 6% YoY for all life insurance companies.

Among the listed players, SBI Life and Max Life saw a strong growth of 15.3% YoY (vs -4.1% YoY in Aug'25) and 13% YoY (vs 15.9% YoY in Aug'25) respectively in individual APE in Sep'25.

Market share on an individual APE basis for private players stood at 74.7% in Sep'25 vs 72% in Aug'25.

The industry's new business premium grew 14.8% YoY in Sep'25 vs -5.2% YoY in Aug'25, driven by growth in the new business premium of private players.

For private players, new business premium grew robust at 17.7% YoY (vs 12% YoY in Aug'25 vs 22% in July'25) while for LIC, the same rose by 12.7% YoY (vs -17% YoY in Aug'25 vs 22.7% in July'25).

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**PHARMACEUTICALS** | Q2FY26 Preview | 13 October 2025

## Overall stable quarter expected

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**Stable earnings expected for our coverage universe –** We expect sales to grow by 7.4% YoY and 3% QoQ to Rs 609 bn. Sales growth is to be driven by 9.4% YoY & 4.8% QoQ domestic growth, 0.1% YoY & 0.2% QoQ US growth and 10% YoY and 1.3% QoQ growth in CDMO companies. From our coverage stocks, Senores Pharma is expected to witness the highest sales growth of 55% YoY, whereas Cohance will likely report lowest sales growth of -9% YoY. EBITDA for our coverage is expected to grow by 7.4% YoY and 1.9% QoQ to Rs 152 bn, driven by healthy product mix. From our coverage, Laurus is expected to report the highest EBITDA growth of 77% YoY and Cohance is expected to report the lowest EBITDA of -43% YoY. EBITDA margin for the coverage universe is expected to be flattish at 24.8%. APAT is expected to grow by 4.9% YoY & 6.8% QoQ to Rs 101 bn. From our coverage, Laurus is expected to report the highest PAT growth of 459% YoY and Cohance should report the lowest EBITDA of -63% YoY.

**Domestic sales to report closer to double-digit growth amidst downward revision of GST rates –** We expect domestic growth for our universe to grow by 9.4% YoY and 4.8% QoQ to Rs 189 bn. As per Pharmarack data, IPM growth for 2QFY26 is 8%, driven by 5.6% value growth, -0.1% volume growth and 2.5% new product launches. Acute segment grew by 6%, while Chronic segment grew by 11%. Amongst therapies, Gastro therapy continues to report lower than IPM growth. From our coverage companies, we expect Sun Pharma to report the highest growth of 12% and Cipla/Lupin/Alkem to report lower growth of 8% each. Growth drivers for our coverage companies remain, higher MR productivity driven by new product launches and price hike.

**US sales to stay flat due to price erosion in gRevlimid –** For our coverage companies, US sales in INR terms are expected to remain flat at 0.1% YoY and 0.2% QoQ to Rs 168bn. We expect gRevlimid sales for Dr. Reddy's, Cipla and Sun while believe Aurobindo has exhausted on its quota. Amongst non Revlimid participating companies, we expect Ajanta to report the highest growth of 25%, followed by Lupin to grow by 15% YoY.

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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

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