

**RESEARCH****BOB ECONOMICS RESEARCH | CPI**

CPI at its lowest since Jan'19

**BOB ECONOMICS RESEARCH | WPI**

WPI slips into deflation

**HCL TECHNOLOGIES | TARGET: Rs 1,389 | -14% | SELL**

EBIT Margin guidance lowering the big negative

**SUMMARY****INDIA ECONOMICS: CPI**

Headline inflation softened further to 2.1% in Jun'25. Moderation in food inflation continues to drive the downward trajectory of CPI. Within food, prices of vegetables and pulses declined sharply, even as cereals and meat prices also decelerated. With this, CPI in Q1 FY26 averaged 2.7%, lower than RBI estimate of 2.9%. With food prices showing a declining trend even in Jul'25 (BoB ECI at -3.3%), this trend is likely to continue. Food inflation trajectory looks benign, supported by ample rainfall, even though the spatial distribution of rainfall will require careful monitoring.

[Click here](#) for the full report.

**INDIA ECONOMICS: WPI**

WPI inflation declined to (-) 0.1% in May'25—lowest in 20 months, from 3.4% in Jun'24. It was also lower when compared with last month's (May'25) increase of 0.4%. From last year, food inflation has noted significant moderation, helped by vegetables (onion, tomato, and potato, ginger), spices, pulses, paddy, and eggs, meat and fish. Fuel inflation remained in deflation for the 3rd consecutive month in Jun'25 and was also lower compared with Jun'24. Drop in mineral oil index, mirrors the trend in international oil prices. Manufactured product inflation however inched up, led by items like wearing apparels, pharma products, chemicals, other transport equipment etc.

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## HCL TECHNOLOGIES

- Against the aspiration to move margin higher at its August 2024 analyst meet, the lower guidance for FY26 has come as a disappointment
- Says not impacted by macro issues as much as anticipated at the beginning of 1Q leading to upping of lower end of revenue guidance
- Negative margin surprises over the years have been one the reasons for our lower Target PE multiple. Retain our SELL rating

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## CPI

14 July 2025

**CPI at its lowest since Jan'19**

Headline inflation softened further to 2.1% in Jun'25. Moderation in food inflation continues to drive the downward trajectory of CPI. Within food, prices of vegetables and pulses declined sharply, even as cereals and meat prices also decelerated. With this, CPI in Q1 FY26 averaged 2.7%, lower than RBI estimate of 2.9%. With food prices showing a declining trend even in Jul'25 (BoB ECI at -3.3%), this trend is likely to continue. Food inflation trajectory looks benign, supported by ample rainfall, even though the spatial distribution of rainfall will require careful monitoring.

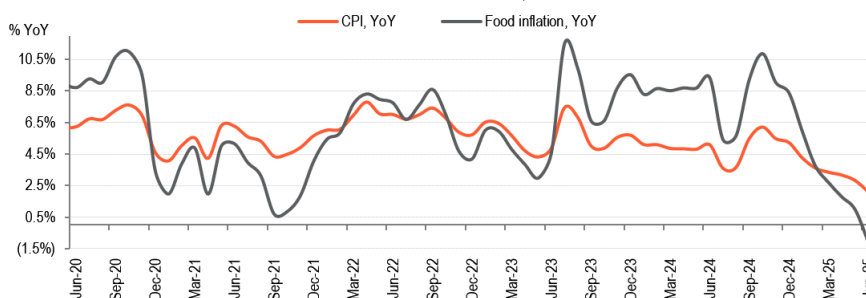
**Aditi Gupta**  
Economist

Core inflation has remained sticky at ~4% mark. However, tariff driven commodity price shocks can tend to lead to some upward bias in core. Overall, we believe that inflation is likely to remain below RBI's target of 4% this year. Climate-related risks and US tariff policy and its likely impact on global commodity prices remain key risk to our view.

**Food inflation drives CPI lower**

CPI at a 78-month low: CPI inflation moderated further to 2.1% in Jun'25, (BoB forecast: 2.6%), on a YoY basis, significantly lower than 5.1% in Jun'24. The moderation was driven by a decline in food inflation. Food CPI declined by 1.1% in Jun'25, marking the first contraction in the index since Feb'19.

Within food, a sharp decline was noted in prices of vegetables (-19% in Jun'25 versus 29.3% in Jun'24) and pulses (-11.8% in Jun'25 versus 16.1% in Jun'24). Apart from these, spices and meat and fish category also witnessed deflation in Jun'25. Significant moderation was also witnessed in prices of cereals which increased at a softer pace of 3.7% in Jun'25 versus 8.8% in Jun'24. On the other hand, inflation in oils and fats (17.4%) and fruits (12.6%) remained elevated.

**Figure 1: Food prices decline for the first time since Feb'19**

Source: CEIC, Bank of Baroda Research



## WPI

14 July 2025

**WPI slips into deflation**

**WPI inflation declined to (-) 0.1% in May'25—lowest in 20 months, from 3.4% in Jun'24. It was also lower when compared with last month's (May'25) increase of 0.4%. From last year, food inflation has noted significant moderation, helped by vegetables (onion, tomato, and potato, ginger), spices, pulses, paddy, and eggs, meat and fish. Fuel inflation remained in deflation for the 3rd consecutive month in Jun'25 and was also lower compared with Jun'24. Drop in mineral oil index, mirrors the trend in international oil prices. Manufactured product inflation however inched up, led by items like wearing apparels, pharma products, chemicals, other transport equipment etc.**

**Sonal Badhan**  
Economist

Inflation in key components under basic metals (copper and lead) noted higher inflation, while their prices internationally are down. Going forward, as tensions in the Middle East have de-escalated, oil prices have registered some relief. In addition, there appears to be increasing pressure on global growth as tariff war has been reignited. Timing of Fed rate cuts remains uncertain once again. All these factors will exert downward pressure on international commodity prices and help domestic WPI ease further.

**Food inflation driving deflationary trend:**

Headline WPI inflation fell to (-) 0.1% in Jun'25, following 3.4% increase in Jun'24 and 0.4% increase in May'25. This is the first negative print since Oct'23 and was led by deflation in food inflation. Food inflation declined (-) 0.3% in Jun'25 from 8.9% increase last year and 1.7% in May'25. Owing to higher base, vegetable inflation index declined for the 5th consecutive month in Jun'25, and fell by (-) 22.7% from 39.1% last year. This was helped by decline in index for potato, tomato, onion, ginger, okra, etc. Index for spices and condiments (-15.9% versus 13.1%) and eggs, meat and fish (-0.3% versus 3.1%) too declined. Index for milk (2.3% versus 4.0%) and fruits (1.6% versus 10.1%) inflation noted moderation. Food grain inflation index also fell in Jun'25 (-1.7% versus 11.6%), led by sharp decline in inflation index for pulses (-14.1% versus 21.6%). Cereal inflation too softened, mainly due to movement in paddy inflation (0.2% versus 11.9% in Jun'24). Wheat inflation eased less sharply (3.8% versus 6.2%). Comparing cereal prices on a global level (World Bank's pink sheet) shows that domestic prices are following international trend. Paddy prices internationally have fallen by (-) 33.5% in Jun'25, versus 19.3% increased noted in Jun'24. Wheat prices on the other hand are falling at a slower pace (-7.8% versus -17.7%).



**SELL**

TP: Rs 1,389 | ▼ 14%

**HCL TECHNOLOGIES**

| IT Services

| 15 July 2025

## EBIT Margin guidance lowering the big negative

- Against the aspiration to move margin higher at its August 2024 analyst meet, the lower guidance for FY26 has come as a disappointment
- Says not impacted by macro issues as much as anticipated at the beginning of 1Q leading to upping of lower end of revenue guidance
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**Girish Pai**

research@bobcaps.in

**Direction of margin guidance contrary to analyst meet aspiration:** During August 2024 analyst meet, HCLT had indicated its aspiration to move up EBIT margin from the 18-19% (FY22-FY25) that it has been clocking to a higher number. However, regression to a lower number is a negative development. While some of the costs connected with the lowering are indicated to be one off, we believe these are integral to the services business and can't be called strictly one off.

**TCV at US\$1.8bn is also a disappointment.** Here too HCLT at its analyst meet a year back had indicated its dissatisfaction of being stuck at US\$2-2.5bn on a quarterly basis and wanted it to move higher so that revenue growth could accelerate. While it is indicating that some of the large deals from 1Q were pushed into 2Q and it also won a large vendor consolidation deal in FS vertical in 2Q pointing to a spike in TCV in 2QFY26, it remains to be seen of TCV (all net new) would be higher for FY26 on a YoY basis.

**Demand commentary is better than that of TCS:** While TCS indicated macro deterioration (towards the latter part of the quarter) for the weaker performance in 1Q (by 100bps on a QoQ basis in the international business), HCLT stated that demand did not deteriorate as much as it had feared at the beginning of 1Q. And hence the rise of the revenue guidance at the lower end to 3-5% from the 2-5% it indicated three months back.

**HCL Software disappoints:** While some parts of the street (including us) had the view that HCL Software will be the path breaking initiative of HCLT to break away from the head count led model, the growth has disappointed for multiple years now. It has not been the serious value generator that we thought it would turn out to be.

**Cut estimates for FY26-FY28:** More so for FY26 due to the big EBIT margin cut. Broadly retain the USD revenue and EBIT margin in FY26/FY27. Retain our target 10% PE multiple discount to our sector benchmark TCS and use a Target PE of 19.2x on June 27 EPS. The target price is lowered a tad. Retain our 'SELL' rating on the stock.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HCLT IN/Rs 1,620
Market cap	US\$ 51.1bn
Free float	39%
3M ADV	US\$ 51.0mn
52wk high/low	Rs 2,012/Rs 1,303
Promoter/FPI/DII	61%/19%/16%

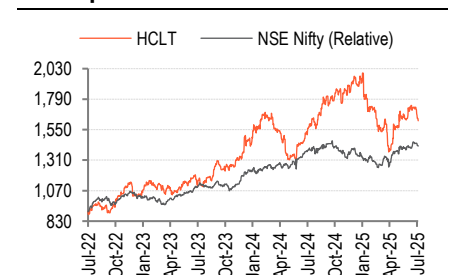
Source: NSE | Price as of 14 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,170,550	1,244,186	1,342,442
EBITDA (Rs mn)	255,050	262,332	291,816
Adj. net profit (Rs mn)	173,910	170,708	192,362
Adj. EPS (Rs)	64.1	62.9	70.9
Consensus EPS (Rs)	64.1	67.3	73.8
Adj. ROAE (%)	25.2	24.4	27.3
Adj. P/E (x)	25.3	25.7	22.8
EV/EBITDA (x)	16.9	16.5	14.8
Adj. EPS growth (%)	10.8	(1.8)	12.7

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



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

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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