

### Result beats, Confident to sustain momentum, 20%+ EBIDTA mgn

- Mindtree reported 4.6% CC QoQ growth (DE: 3.3%) led by sustained traction across biz segment except BFSI which grew 0.9% QoQ. OPM improved yet again by 289bps QoQ to 19.6% (DE: 17.1%) led by gains from offshore shift (Off-Shore effort up 90bps QoQ) and improved utilization (up 430bps) that ensured flat wage bill QoQ basis.
- TCV stood at \$312Mn taking the TTM TCV to \$1.4Bn (up 29.5% YoY) with a Revenue coverage of 1.31x, provides comfort on growth visibility. Mindtree expects momentum to continue in CY21 as the pipeline remains healthy and demand is robust across industries.
- Mindtree has guided EBIDTA Margins to sustain over 20%+ (Current: 23.1%) over coming quarters despite upcoming wage hike and plans to focus on re-investment to sustain growth which believe is stretched beyond H1CY21, as operational cost normalizes.
- Operating metrics have improved in Q3 on sequential basis both on growth but is still modest on YTD basis. Post the strong performance we have upgraded our EPS estimates by ~3% but believes positives are well priced and thus maintain Sell rating on the stock valued at 20x FY23E earnings (implies 2x on PEG basis).

### Expect to sustain 20.0%+ EBIDTA Margins over medium term.

Since Q2FY20, Mindtree has delivered 1,016bps improvement in EBIDTA Margin (similar improvement in EBIT margin) largely from 2 key strategies by new management 1) long-term cost control initiatives and 2) Re-skilling of employee base leading to improved utilization (612bps improvement to 83.1% since Q2FY20) while increasing headcount over time by only ~1K (~5% growth). With current EBIDTA margin at 23.1%, Mindtree expects the sustain margins for the business will be around 20.0%+ despite the upcoming increment cycle in Q4, reinvestment (largely in talent) to sustain growth momentum. We believe this is bit stretched due to 1) Return of cost from discretionary savings (Travel and other G&A Costs) 2) Increment Cycle 3) Unsustainable Utilization (has already scaled up hiring efforts) and Attrition as business improve further. While incremental off-shoring can aid margin improvement, the sustainability of off-shore delivery is yet clear (beyond CY21) from client perspective. Mindtree expects the revenue momentum to continue based their pipeline and will continue to hire more resources in the coming quarters.

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	20,237	19,653	3.0	19,260	5.1
Total Expense	15,558	16,590	(6.2)	15,476	0.5
EBITDA	4,679	3,063	52.8	3,784	23.7
Depreciation	717	699	2.6	569	26.0
EBIT	3,962	2,364	67.6	3,215	23.2
Other Income	616	348	77.0	364	69.2
Interest	127	133	(4.5)	132	(3.8)
EBT	4,451	2,579	72.6	3,447	29.1
Tax	1,186	609	94.7	910	30.3
RPAT	3,265	1,970	65.7	2,537	28.7
APAT	3,265	1,970	65.7	2,537	28.7
			(bps)		(bps)
Gross Margin (%)	37.7	36.2	147	34.5	323
EBITDA Margin (%)	23.1	15.6	754	19.6	347
NPM (%)	16.1	10.0	611	13.2	296
Tax Rate (%)	26.6	23.6	303	26.4	25
EBIT Margin (%)	19.6	12.0	755	16.7	289

CMP	Rs 1,664
Target / Downside	Rs 1,560 / 6%
NIFTY	14,281

### Scrip Details

Equity / FV	Rs 1,646mn / Rs 10
Market Cap	Rs 274bn
	USD 3.74bn
52-week High/Low	Rs 1,780/ 692
Avg. Volume (no)	1,198,290
Bloom Code	MTCL IN

Price Performance	1M	3M	12M
Absolute (%)	13	25	88
Rel to NIFTY (%)	9	4	73

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	73.5	67.6	61.0
MF/Banks/FIs	7.9	12.0	10.6
FIIIs	10.4	12.0	13.3
Public / Others	8.2	8.4	15.1

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	25.7	22.4	21.3
EV/EBITDA	15.6	13.1	12.0
ROE (%)	30.3	28.3	24.8
RoACE (%)	33.5	30.9	26.8

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	79,537	91,421	102,969
EBITDA	16,260	18,795	19,873
PAT	10,665	12,263	12,891
EPS (Rs.)	64.7	74.4	78.2

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**Exhibit 1: Quarterly performance versus estimates**

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	274.1	271.1	273	1.1	0.4	Rev beat led by recovery in Travel & Hosp. (12.6% QoQ)
INR Revenue	20,237	20,000	19,949	1.2	1.4	
EBIT	3,962	3,427	3,366	15.6	17.7	EBIT Margin beat led by high utilization/offshoring
EBIT, margin	19.6	17.1	14.3	240 bps	520 bps	
PAT	3,265	2,634	2,609	23.9	25.1	PAT beat extended by higher Fx gains during the quarter

Source: DART, Company

**Change in Estimates**

Given the strong operating performance we have scaled up our growth estimates by 2% CAGR over FY21-23E. Also, to capture improved efficiencies delivered by the company we are now factoring higher OPM of 17.2%/17.3%/16.1% (broadly in line with 20%+ EBIDTA margin outlook management has shared for near term) for FY21E/FY22E/FY23E, that implies improvement of 87bps/97bps/2bps.

**Exhibit 2: Change in Estimates**

INR mn	FY20	FY21E			FY22E			FY23E		
	Actual	Old	New	Change	Old	New	Change	Old	New	Change
USD Revenue	1,089	1,067	1,073	0.6	1,200	1,227	2.2	1,322	1,355	2.5
YoY growth (%)	8.7	(2.0)	(1.4)	57 bps	12.5	14.3	183 bps	10.1	10.4	31 bps
INR Revenue	77,643	79,148	79,537	0.5	90,019	91,421	1.6	100,449	102,969	2.5
YoY growth (%)	10.6	1.9	2.4	50 bps	13.7	14.9	121 bps	11.6	12.6	105 bps
EBIT	8,144	12,932	13,685	5.8	14,711	15,824	7.6	16,107	16,527	2.6
EBIT margin (%)	10.5	16.3	17.2	87 bps	16.3	17.3	97 bps	16.0	16.1	2 bps
PAT	6,309	9,928	10,665	7.4	11,496	12,263	6.7	12,533	12,891	2.9
EPS (Rs)	38.3	60.3	64.7	7.4	69.8	74.4	6.6	76.1	78.2	2.8

Source: DART, Company

**Exhibit 3: Key Assumptions in our estimates**

Key Assumptions	FY20A	FY21E	FY22E	FY23E
USD Revenue	8.7	1,073	1,227	1,355
USD Revenue growth	71.3	(1.4)	14.3	10.4
USD/INR	10.6	74.1	74.5	76.0
INR growth	10.5	2.4	14.9	12.6
EBIT Margins	(16.5)	17.2	17.3	16.1
EPS growth (%)	8.7	68.8	15.0	5.1

Source: Company, DART

**Exhibit 4: Key Revenue Growth Matrix**

YoY Growth	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC Growth	10.3	11.1	9.5	7.4	(3.3)	(4.4)	(1.0)
USD Growth	9.4	10.0	9.4	6.3	(4.2)	(3.7)	(0.4)
INR Growth	11.9	9.1	10.0	11.5	4.1	0.6	(3.0)

Source: DART, Company

### Exhibit 5: Quarterly and YTD Trend

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QoQ(%)	YoY(%)	YTFDY20	YTFDY21	YoY(%)
<b>USD Revenue</b>	<b>271.0</b>	<b>275.2</b>	<b>278.4</b>	<b>253.2</b>	<b>261.0</b>	<b>274.1</b>	<b>5.0</b>	<b>(0.4)</b>	<b>810.4</b>	<b>788.3</b>	<b>(2.7)</b>
<b>INR Revenue</b>	<b>19,143</b>	<b>19,653</b>	<b>20,505</b>	<b>19,088</b>	<b>19,260</b>	<b>20,237</b>	<b>5.1</b>	<b>3.0</b>	<b>57,138</b>	<b>58,585</b>	<b>2.5</b>
Operating Exp.	16,661	16,590	16,993	15,610	15,476	15,558	0.5	(6.2)	49,752	46,644	(6.2)
Employee Expenses	12,647	12,535	12,933	12,776	12,623	12,610	(0.1)	0.6	37,714	38,009	0.8
as % of sales	66.1	63.8	63.1	66.9	65.5	62.3	-139 bps	-53 bps	66.0	64.9	-113 bps
Other Expenses	4,014	4,055	4,060	2,834	2,853	2,948	3	-27	12,038	8,635	-28
as % of sales	21.0	20.6	19.8	14.8	14.8	14.6	-3 bps	-616 bps	21.1	14.7	-633 bps
<b>EBITDA</b>	<b>2,482</b>	<b>3,063</b>	<b>3,512</b>	<b>3,478</b>	<b>3,784</b>	<b>4,679</b>	<b>23.7</b>	<b>52.8</b>	<b>7,386</b>	<b>11,941</b>	<b>61.7</b>
Depreciation	707	699	679	597	569	717	26.0	2.6	2,075	1,883	(9.3)
<b>EBIT</b>	<b>1,775</b>	<b>2,364</b>	<b>2,833</b>	<b>2,881</b>	<b>3,215</b>	<b>3,962</b>	<b>23.2</b>	<b>67.6</b>	<b>5,311</b>	<b>10,058</b>	<b>89.4</b>
Other Income	197	348	-92	148	364	616	69.2	77.0	765	1,128	47.5
PBT	1,834	2,579	2,613	2,898	3,447	4,451	29.1	72.6	5,675	10,796	90.2
Total Tax	484	609	551	768	910	1,186	30.3	94.7	1,428	2,864	100.6
Adjusted PAT	1,350	1,970	2,062	2,130	2,537	3,265	28.7	65.7	4,247	7,932	86.8
Minority Interest	0	0	0	0	0	0	NA	NA	0	0	NA
<b>PAT after MI</b>	<b>1,350</b>	<b>1,970</b>	<b>2,062</b>	<b>2,130</b>	<b>2,537</b>	<b>3,265</b>	<b>28.7</b>	<b>65.7</b>	<b>4,247</b>	<b>7,932</b>	<b>86.8</b>
<b>Reported EPS</b>	<b>8.2</b>	<b>12.0</b>	<b>12.5</b>	<b>12.9</b>	<b>15.4</b>	<b>19.8</b>	<b>28.6</b>	<b>65.5</b>	<b>25.8</b>	<b>48.1</b>	<b>86.5</b>
<b>Margins (%)</b>							<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	13.0	15.6	17.1	18.2	19.6	23.1	347 bps	754 bps	12.9	20.4	746 bps
EBIT	9.3	12.0	13.8	15.1	16.7	19.6	289 bps	755 bps	9.3	17.2	787 bps
PBT	9.6	13.1	12.7	15.2	17.9	22.0	410 bps	887 bps	9.9	18.4	850 bps
PAT	7.1	10.0	10.1	11.2	13.2	16.1	296 bps	611 bps	7.4	13.5	611 bps
Effective Tax rate	26.4	23.6	21.1	26.5	26.4	26.6	25 bps	303 bps	25.2	26.5	137 bps

Source: DART, Company

### What to expect next quarter

We expect sustained traction in order wins to translate into 4% sequential revenue growth in Q3 while expect EBIT margins to be impacted by impending wage hikes and normalization of utilisation (currently at 83% - ~700bps higher than last year annual utilisation rate).

### Exhibit 6: What to expect next quarter

(Rs Mn)	Q4FY21E	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
USD Revenue	285.1	274.1	278.4	4.0	2.4
INR Revenue	20,952	20,237	20,505	3.5	2.2
EBIT	3,627	3,962	2,833	(8.5)	28.0
PAT	2,733	3,265	2,062	(16.3)	32.6
EPS (Rs)	16.6	19.8	12.5	(16.3)	32.4
EBIT Margin (%)	17.3	19.6	13.8	-227 bps	350 bps

Source: DART, Company

### Valuation

We believe MINDTREE and other Tier I IT companies would continue to deliver strong revenue momentum over next 3-4 quarters (translating into double digit revenue growth) and thus would sustain current valuations of ~20x-25x which implies 2x to 3x on PEG basis. We currently value MINDTREE at 20x (from 20 times) on FY23E Earnings of Rs. 78.2 (earlier Rs. 76.1) with TP of Rs. 1,560 per share (from Rs. 1,450) and UNCHANGED Rating of **SELL** (earlier SELL).

## Key Highlights from the earnings call

- Revenue:** Mindtree revenue grew by 4.6% QoQ in CC terms at \$274.1mn. The Revenue grew by 5.0% in USD terms and 5.1% in INR terms implying 40bps favorable cross currency gains and 10bps positive fx impact due to avg USD INR improvement of 7bps. The realized rate was better due to higher layered hedging portfolio that spread over 36 months (adopted from LT group) that reduces volatility.
- OPM:** EBIT Margin stood at 19.6% with an increase of 289 bps QoQ due to stable employee cost (down 0.1% QoQ). Within Employee Cost, Salary and Wages (88% of Employee Cost) declined by 5.5% QoQ while Headcount reduced by 0.6% QoQ and PF contribution (11% of Employee Cost) increased by 71.2% to Rs. 1,431Mn which management didn't count as one-off and was highlighted as "organic" and related upcoming large chunk employee onboarding in Q4. The Other Expenses grew by 3.3% QoQ as most cost inched up along with Sub-Contracting Cost (48% of Other Cost) increasing by 6.9% QoQ. The depreciation charged jumped up by 26.0% QoQ to Rs. 717mn (slightly above FY20 average – now at normalized run rate).
- Vertical Commentary:** BFSI (20.0% of Revenue) grew 0.9% QoQ on USD Terms. The CMT Vertical (50% of Revenue) grew by 5.2% QoQ and contributed half of Incremental Revenue. The CMT Vertical Ex Top Client (21% of Revenue) grew by 7.5% QoQ (better than top client growth of 3.5% QoQ). The Travel and Hospitality Vertical (9% of Revenue) grew by 12.6% as some client resumed the projects which were closed down. However, Mindtree expects that the Travel & Hosp. Vertical is several quarters away from pre-pandemic run-rate.

### Exhibit 7: Vertical Trend for Q3FY21

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
BFSI	54	20	0.9	(8.4)	0.5	4
CMT	137	50	5.2	19.8	6.8	52
<b>CMT Ex Top Client</b>	<b>59</b>	<b>21</b>	<b>7.5</b>	<b>15.8</b>	<b>4.1</b>	<b>31</b>
<b>Top Client</b>	<b>78</b>	<b>29</b>	<b>3.5</b>	<b>22.9</b>	<b>2.7</b>	<b>21</b>
Retail, CPG & Manuf.	59	22	5.5	4.4	3.1	24
Travel & Hospitality	24	9	12.6	(46.6)	2.7	21
<b>Total</b>	<b>274</b>	<b>100</b>	<b>5.0</b>	<b>(0.4)</b>	<b>13.1</b>	<b>100</b>

Source: DART, Company, Includes CMT Ex Top Client & Top Client for better understanding of Core CMT performance

- Geographies:** North America Region (77% of Revenue) grew 4.7% QoQ while the Europe Region (15% of Revenue) grew ~3.6% to \$41mn.

### Exhibit 8: Geography Trend for Q3FY21

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
North America	212	77	4.7	3.1	9.6	73
Continental Europe	20	7	3.6	(11.2)	0.7	5
UK and Ireland	21	8	3.7	(10.7)	0.8	6
Asia Pacific (Incl. RoW)	21	8	10.8	(9.9)	2.0	16
<b>Total</b>	<b>274</b>	<b>100</b>	<b>5.0</b>	<b>(0.4)</b>	<b>13.1</b>	<b>100</b>

Source: DART, Company

- Client Metrics:** Top Client (29% of Revenue) grew by 3.5% QoQ to \$78mn and management remains positive on the top client performance given its strategic relationship that should continue to grow further (this year was more seasonal impact) but remains very optimistic given strong relationship and excellent delivery execution. The Non Top 10 Client grew 5.8% and contributed the largest share of incremental growth. Top 20 is fine although Top 10 is down as it featured couple of client from TTH vertical. Large clients are still not increasing their budgets in general.

#### Exhibit 9: Client Data Trend for Q3FY21

Client	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Top Client	78	29	3.5	22.9	2.7	21
Top 2-5 Client	31	11	1.4	(13.4)	0.4	3
Top 6 - 10 Client	25	9	9.8	(3.5)	2.2	17
Non Top 10 Client	140	51	5.8	(6.6)	7.7	59
<b>Total</b>	<b>274</b>	<b>100</b>	<b>5.0</b>	<b>5.0</b>	<b>13.1</b>	<b>100</b>

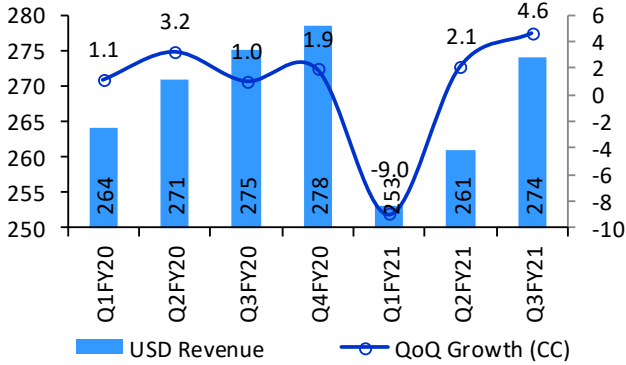
Source: DART, Company

- TCV / Deals:** The TCV for Q3FY21 stood at \$312mn (up 3.0% QoQ and 50.7% YoY). The TTM TCV stood at \$1.4Bn (up 8.1% QoQ and 29.5% YoY) with Revenue Coverage of 1.31x. The Remaining Performance Obligation stood at Rs. 41.9Bn (down 1.6% QoQ). The Within 1 Year RPA stood at Rs.22.9Bn (down 14% QoQ) which is not very encouraging. Pipeline is also healthy with opportunities of 1) Cost Takeout by modernization and 2) Revenue Generating Ideas.
- Talent:** The Headcount stood at 22,195 at the end of Q3FY21. Mindtree has highlighted that it will hire more resources onboard as pipeline looks strong. Utilization including trainees increased to 83.1% vs 78.8% LQ which most likely near peak. The next quarter Utilization is guided to be around 81%-82%. The attrition stood at 12.5% v/s 13.8% LQ. Mindtree has also highlighted that it will focus on re-investing in talent to continue growth momentum.
- Outlook:** MTCL believes that its 4x4x4 strategy is resonating well across client, across markets/verticals/service lines – pipeline and booking are healthy and thus growth traction should continue. Strong execution would ensure it delivering industry leading growth. Mindtree has witnessed strong demand across service lines and industries as the new normal requires the businesses to be agile and focus on cyber security, etc. Mindtree expects the growth momentum to continue in coming quarters and also the incremental offshoring to continue. Mindtree also commented that next 5 years of growth for the industry will have different drivers than last 5 years. It is also confident on pipeline as it believes that selection of vendors is based on competency and not size and thus all set to participate in the upcoming demand acceleration trends. Mindtree also highlighted that it is open to inorganic and captive deals for growth.
- Cash Flows:** The Free Cash Flow for the quarter stood at Rs. 5,800Mn (up 33.9% QoQ). This was partially due to the DSO improvement of 4 days (from strong collections) QoQ to 61 days. The EBITDA/OCF stood 125.9% and EBITDA/FCF stood at 123.9%.



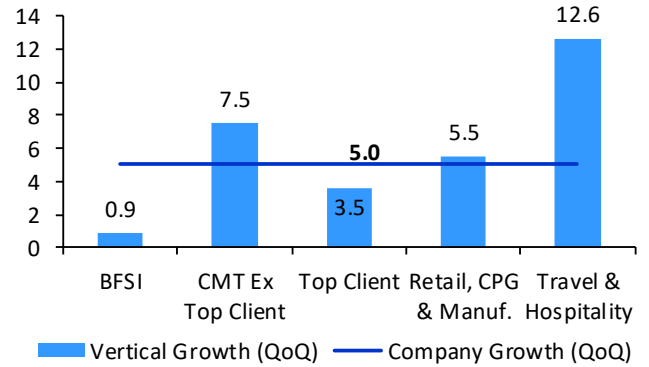
## Key Trends in Charts

**Exhibit 10: Revenue grew by 4.6% QoQ in CC led by..**



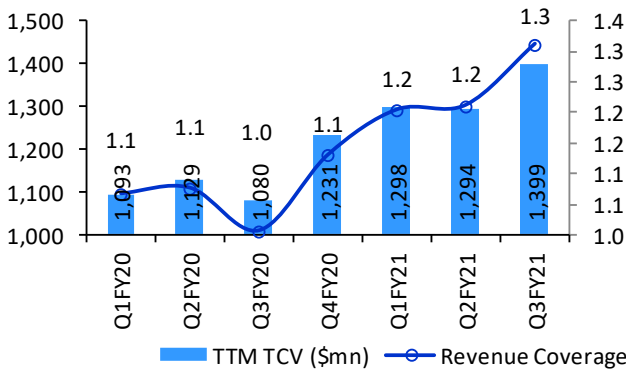
Source: DART, Company

**Exhibit 11: ... Broad-based growth in verticals ex BFSI**



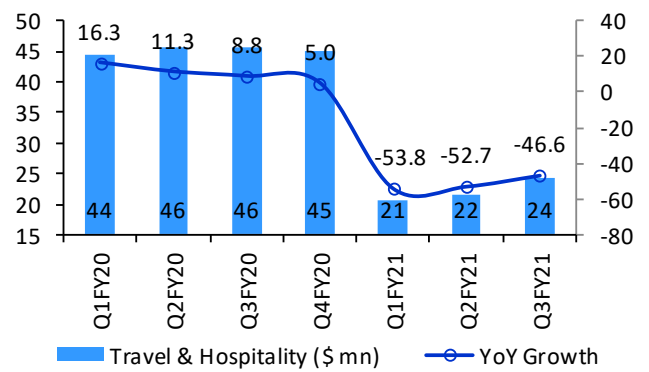
Source: DART, Company, Includes CMT Ex Top Client & Top Client for better understanding of Core CMT performance

**Exhibit 12: TCV Wins at \$312Mn taking TTM TCV to \$1.4Bn up 29% on YoY basis.**



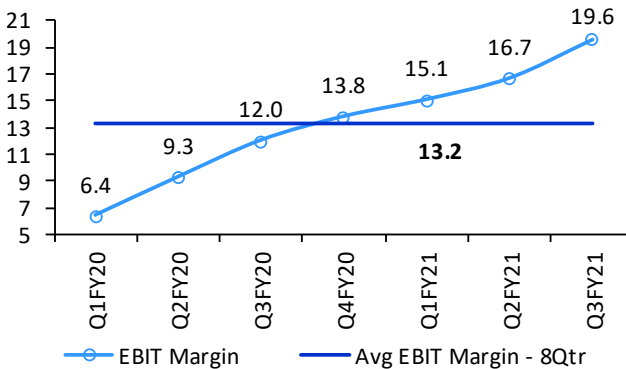
Source: DART, Company

**Exhibit 13: TTH grew 12.6% QoQ but mgmt. believes recovery is still several quarters away**



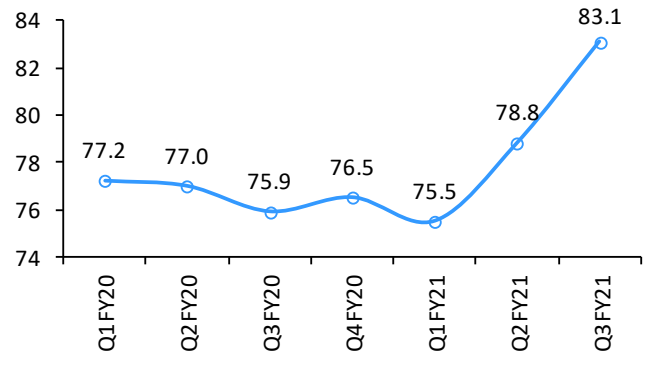
Source: DART, Company

**Exhibit 14: EBIT Margin improved by 289bps QoQ led by stable wage cost & +tive operating leverage**



Source: DART, Company

**Exhibit 15: Utilization is at unsustainable level and mgmt. now planned to scaled up hiring efforts**



Source: DART, Company

**Exhibit 16: Operating Metrics 1**

Operating Metrics	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC growth (%) (YoY)	18.3	17.7	10.1	11.0	9.5	7.4	(3.3)	(4.4)	(1.0)
CC growth (%) (QoQ)	2.4	3.9	1.1	3.2	1.0	1.9	(9.0)	2.1	4.6
<b>Geographical Amount</b>									
North America	184.6	192.8	194.7	199.8	205.3	213.8	200.0	202.0	211.6
Europe	47.0	48.5	47.0	47.7	46.8	42.6	33.2	40.2	41.7
Asia Pacific (Incl. RoW)	19.6	20.7	22.5	23.6	23.1	22.0	20.0	18.8	20.8
<b>Geographical YoY Growth</b>									
North America	23.6	20.1	10.9	10.1	11.2	10.9	2.7	1.1	3.1
Europe	5.0	1.5	(3.1)	3.5	(0.5)	(12.1)	(29.5)	(15.7)	(10.9)
Asia Pacific (Incl. RoW)	(2.6)	15.8	27.4	24.3	17.8	6.3	(10.9)	(20.3)	(9.9)
<b>Vertical Amount</b>									
BFSI	54.6	57.1	57.1	58.5	58.6	56.8	51.4	53.2	53.7
CMT	99.1	103.7	104.1	107.9	114.2	120.0	129.1	130.0	136.8
CMT Ex Top Client	48.8	51.9	51.0	52.0	50.6	50.9	52.9	54.6	58.7
Top Client	50.3	51.9	53.1	55.9	63.6	69.0	76.2	75.4	78.1
Retail, CPG & Manuf.	56.1	58.2	58.6	58.8	56.7	56.5	52.2	56.1	59.2
Travel & Hospitality	42.0	43.0	44.4	45.8	45.7	45.1	20.5	21.7	24.4
<b>Vertical Segment YoY Growth</b>									
BFSI	2.7	12.2	6.0	6.1	7.4	(0.5)	(9.9)	(9.0)	(8.4)
CMT	26.4	22.0	10.8	11.4	15.2	15.7	24.1	20.5	19.8
CMT Ex Top Client	13.9	15.8	8.3	10.4	3.8	(1.8)	3.8	4.9	15.8
Top Client	41.4	28.8	13.3	12.3	26.4	33.1	43.5	35.0	22.9
Retail, CPG & Manuf.	12.3	7.1	5.1	10.0	1.1	(2.8)	(11.1)	(4.6)	4.4
Travel & Hospitality	28.1	19.5	16.3	11.3	8.8	5.0	(53.8)	(52.7)	(46.6)
<b>Client Amount</b>									
Top Client	50.3	51.9	53.1	55.9	63.6	69.0	76.2	75.4	78.1
Top 2-5 Client	34.7	35.1	35.7	34.0	35.8	36.5	32.4	30.5	31.0
Top 6 - 10 Client	25.9	25.4	24.8	26.9	26.1	26.4	23.0	23.0	25.2
Non Top 10 Client	140.6	149.6	150.6	154.2	149.7	146.4	121.5	132.1	139.8
<b>Client Growth YoY</b>									
Top Client	41.4	28.8	13.3	12.3	26.4	33.1	43.5	35.0	22.9
Top 2-5 Client	8.0	9.3	14.5	1.3	3.1	3.9	(9.1)	(10.1)	(13.4)
Top 6 - 10 Client	(0.1)	(4.0)	(8.2)	(0.6)	0.9	4.1	(7.2)	(14.8)	(3.5)
Non Top 10 Client	16.5	17.5	10.4	13.4	6.5	(2.1)	(19.3)	(14.4)	(6.6)
<b>Project Type Mix</b>									
Fixed Project	44.0	44.1	44.7	44.1	41.3	41.2	32.9	34.0	30.0
Time & Material	56.0	55.9	55.3	55.9	58.7	58.8	67.1	66.0	70.0
<b>Effort Mix</b>									
Onsite	NA	NA	NA	21.6	NA	NA	19.8	17.9	17.2
Offshore	NA	NA	NA	78.4	NA	NA	80.2	82.1	82.8
<b>Client Bucket</b>									
1mn \$ +	116	120	122	130	134	134	127	125	120
5 mn \$ +	44	45	46	47	47	47	44	43	43
10 mn \$ +	21	23	23	21	22	23	23	24	21
25mn\$	4	4	4	4	5	5	5	5	4
50mn \$+	1	1	1	1	1	1	1	1	1
100mn \$+	1	1	1	1	1	1	1	1	1
Clients Added	23	15	12	14	7	5	6	8	8
Total Clients	340	349	346	343	320	307	292	283	276

Source: DART, Company

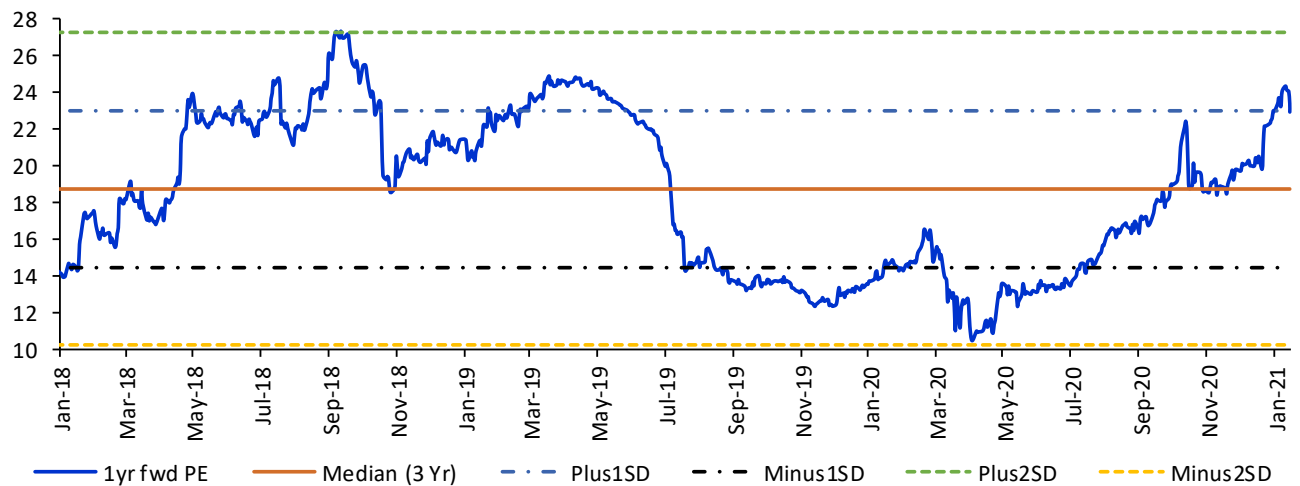
### Exhibit 17: Operating Metrics 2

Operating Metrics	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Employee Count</b>									
Software Professionals	18,713	19,017	19,681	20,001	20,348	20,817	20,851	20,633	20,976
Sales & Support	1,195	1,187	1,254	1,266	1,213	1,174	1,104	1,194	1,219
Total	19,908	20,204	20,935	21,267	21,561	21,991	21,955	21,827	22,195
Attrition (LTM) (%)	13.4	14.2	15.1	16.5	17.2	17.4	16.6	13.8	12.5
Utilisation Including Trainees	74.6	75.3	77.2	77.0	75.9	76.5	75.5	78.8	83.1
<b>DSO</b>	71.0	70.0	66.0	66.0	66.0	66.0	67.0	65.0	61.0
<b>TCV Data</b>									
TCV	256	242	324	307	207	393	391	303	312
Revenue Coverage	1.17	1.07	1.07	1.08	1.01	1.13	1.20	1.21	1.31

Source: DART, Company

## Band Chart

Exhibit 18: MINDTREE is trading near Plus1SD of Median Valuation at 23x on TMF basis.



Source: DART, Company |



**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>77,643</b>	<b>79,537</b>	<b>91,421</b>	<b>102,969</b>
<b>Total Expense</b>	<b>66,745</b>	<b>63,278</b>	<b>72,626</b>	<b>83,096</b>
COGS	50,647	51,398	58,372	65,810
Employees Cost	0	0	0	0
Other expenses	16,098	11,880	14,254	17,286
<b>EBIDTA</b>	<b>10,898</b>	<b>16,260</b>	<b>18,795</b>	<b>19,873</b>
Depreciation	2,754	2,574	2,971	3,347
<b>EBIT</b>	<b>8,144</b>	<b>13,685</b>	<b>15,824</b>	<b>16,527</b>
Interest	529	521	536	542
Other Income	673	1,358	1,231	1,435
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>8,288</b>	<b>14,522</b>	<b>16,519</b>	<b>17,420</b>
Tax	1,979	3,857	4,256	4,529
RPAT	6,309	10,665	12,263	12,891
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>6,309</b>	<b>10,665</b>	<b>12,263</b>	<b>12,891</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	1,646	1,646	1,646	1,646
Minority Interest	0	0	0	0
Reserves & Surplus	29,922	37,293	45,933	54,870
<b>Net Worth</b>	<b>31,568</b>	<b>38,939</b>	<b>47,579</b>	<b>56,516</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	(1,835)	(1,835)	(1,835)	(1,835)
<b>Total Capital Employed</b>	<b>29,733</b>	<b>37,104</b>	<b>45,744</b>	<b>54,681</b>

**Applications of Funds**

Net Block	<b>8,891</b>	<b>9,317</b>	<b>9,345</b>	<b>8,999</b>
CWIP	136	136	136	136
Investments	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>	<b>40,704</b>	<b>47,850</b>	<b>57,954</b>	<b>68,899</b>
Inventories	0	0	0	0
Receivables	15,193	15,193	17,343	19,432
Cash and Bank Balances	5,870	12,916	20,055	28,116
Loans and Advances	0	0	0	0
Other Current Assets	12,697	12,797	13,612	14,407
<b>Less: Current Liabilities &amp; Provisions</b>	<b>19,998</b>	<b>20,198</b>	<b>21,692</b>	<b>23,352</b>
Payables	2,587	2,587	2,969	3,397
Other Current Liabilities	17,411	17,611	18,722	19,955
	<i>sub total</i>			
Net Current Assets	20,706	27,652	36,262	45,547
<b>Total Assets</b>	<b>29,733</b>	<b>37,104</b>	<b>45,744</b>	<b>54,681</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	34.8	35.4	36.2	36.1
EBIDTA Margin	14.0	20.4	20.6	19.3
EBIT Margin	10.5	17.2	17.3	16.1
Tax rate	23.9	26.6	25.8	26.0
Net Profit Margin	8.1	13.4	13.4	12.5
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	65.2	64.6	63.8	63.9
Employee	0.0	0.0	0.0	0.0
Other	20.7	14.9	15.6	16.8
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	15.4	26.3	29.5	30.5
Inventory days	0	0	0	0
Debtors days	71	70	69	69
Average Cost of Debt	21160.0			
Payable days	12	12	12	12
Working Capital days	97	127	145	161
FA T/O	8.7	8.5	9.8	11.4
<b>(D) Measures of Investment</b>				
AEPS (Rs)	38.3	64.7	74.4	78.2
CEPS (Rs)	55.1	80.3	92.4	98.5
DPS (Rs)	30.0	20.0	22.0	24.0
Dividend Payout (%)	78.3	30.9	29.5	30.7
BVPS (Rs)	191.8	236.3	288.7	342.9
RoANW (%)	19.5	30.3	28.3	24.8
RoACE (%)	21.9	33.5	30.9	26.8
RoAIC (%)	30.2	57.0	63.5	63.3
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1664	1664	1664	1664
P/E	43.4	25.7	22.4	21.3
Mcap (Rs Mn)	273,987	273,987	273,987	273,987
MCap/ Sales	3.5	3.4	3.0	2.7
EV	261,173	254,127	246,988	238,927
EV/Sales	3.4	3.2	2.7	2.3
EV/EBITDA	24.0	15.6	13.1	12.0
P/BV	8.7	7.0	5.8	4.9
Dividend Yield (%)	1.8	1.2	1.3	1.4
<b>(F) Growth Rate (%)</b>				
Revenue	10.6	2.4	14.9	12.6
EBITDA	2.4	49.2	15.6	5.7
EBIT	(9.6)	68.0	15.6	4.4
PBT	(16.0)	75.2	13.8	5.5
APAT	(16.3)	69.0	15.0	5.1
EPS	(16.4)	68.8	15.0	5.1

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	8,251	12,082	12,631	13,679
CFI	(229)	(1,742)	(1,869)	(1,665)
CFF	(6,960)	(3,294)	(3,623)	(3,953)
FCFF	7,031	8,982	9,531	10,579
Opening Cash	2,559	3,909	10,955	18,094
Closing Cash	3,909	10,955	18,094	26,155

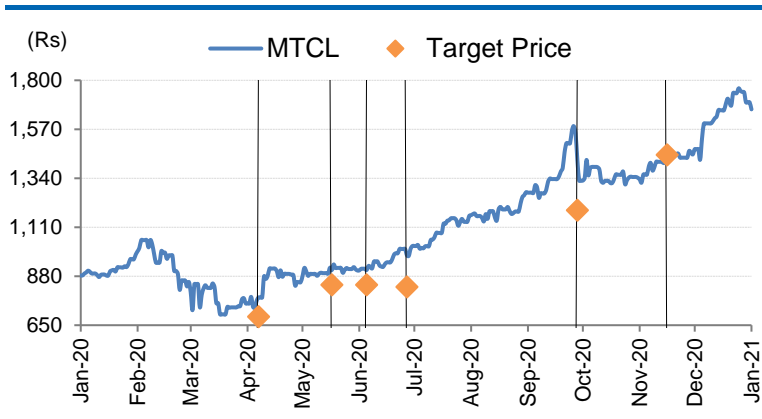
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-20	Sell	690	780
Jun-20	Sell	840	908
Jun-20	Sell	840	909
Jul-20	Sell	830	978
Oct-20	Sell	1,190	1,425
Dec-20	Reduce	1,450	1,442

\*Price as on recommendation date

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