

LTIMindtree

Growth premium to sustain

LTIMindtree (LTIM) reported largely in-line performance in Q1FY24. With flat sequential revenue performance in Q1, the ask rate is substantial (>4% CQGR) for LTIM to achieve its 'aspirational' double-digit growth for FY24E. We believe that LTIM will continue to grow at a considerable growth premium to tier-1 IT and the company will take market share from tier-1 IT (5% of India tier-1 IT but ~9% share of incremental growth). Key positives that are expected to accelerate growth for LTIM are (1) book-to-bill of 1.3x in the last two quarters (Q1 bookings up 16% YoY), which provide visibility along with 10% QoQ in deal pipeline to supplement H2 acceleration; (2) strong renewal in large Hi-Tech account and growth in T5 accounts; (3) improving tech spends of large BFS clients and key deals in the insurance sub-segment; and (4) stable operating profile with higher project transition timelines, which currently support better resource allocation that will enable the targeted FY24 exit of 17 to 18% EBITM. Maintain BUY on LTIM, with a TP of INR 5,820, based on 26x Jun-25E EPS.

- Q1FY24 highlights:** (1) LTIM posted revenue of USD 1,059mn (HSIE est. USD 1,066mn), +0.1% QoQ CC and 8.2% YoY CC. (2) Sequential growth was led by the Hi-Tech vertical recovery (+3.2% QoQ following the prior two-quarters of decline), supported by the T1 account renewal and the 'Onsemi' deal. (3) TCV of deals in Q1FY24 was USD 1.41bn as compared to USD 1.35bn in Q4FY23. (4) Net headcount continued to decline over the last three quarters even as utilisation increased to its highest in eight quarters (84.8%). (5) EBITM improved 32bps QoQ to 16.7%, supported by improvement in utilisation (+70bps QoQ impact) and offset by visa expense (-20bps QoQ impact) and higher marketing spend. (6) LTIM's TTM attrition dropped to 17.8% in Q1 as compared to 20.2% in the previous quarter.
- Outlook:** We have factored in USD revenue growth of 8.3%, 14.1%, 13.8% for FY24E/25E/26E for LTIM, implying CQGR of 2.6%, 3.4% and 3.2% for FY24E/25E/26E, respectively. LTIM's EBITMs factored at 17.2%, 18.5%, 18.5% for FY24E/25E/26E translate into an EPS CAGR of 18% over FY23-26E. At CMP, LTIM is trading at 29x and 24x FY24E and FY25E.

Quarterly Financial summary

YE March (INR bn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	1,059	980	8.1	1,058	0.1	3,502	4,106	4,446	5,074	5,774
Net Sales	87.02	76.44	13.8	86.91	0.1	261.09	331.83	367.64	426.24	490.83
EBIT	14.51	13.27	9.3	14.21	2.1	46.52	53.85	63.36	78.85	90.79
APAT	11.52	11.07	4.1	11.14	3.4	39.50	44.10	51.29	63.79	73.35
Diluted EPS (INR)	39.0	37.4	4.1	33.9	15.1	133.5	149.1	173.4	215.7	248.0
P/E (x)						38.5	34.4	29.6	23.8	20.7
EV / EBITDA (x)						27.6	23.6	20.0	16.0	13.6
RoE (%)						30.5	28.6	28.4	29.9	28.9

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE Mar (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	4,501	4,446	(1.2)	5,130	5,074	(1.1)	5,813	5,774	(0.7)
Revenue	372.21	367.64	(1.2)	430.88	426.24	(1.1)	494.10	490.83	(0.7)
EBIT	63.63	63.36	(0.4)	79.81	78.85	(1.2)	91.28	90.79	(0.5)
EBIT margin (%)	17.1	17.2	14bps	18.5	18.5	-2bps	18.5	18.5	2bps
APAT	51.42	51.29	(0.2)	64.05	63.79	(0.4)	73.20	73.35	0.2
EPS (INR)	173.8	173.4	(0.2)	216.5	215.7	(0.4)	247.4	248.0	0.2

Source: Company, HSIE Research

BUY

CMP (as on 17 Jul 2023)	INR 5,135
Target Price	INR 5,820
NIFTY	19,711

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,830	INR 5,820
	FY24E	FY25E
EPS %	-0.2	-0.4

KEY STOCK DATA

Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / (\$ mn)	1,519/18,578
6m avg traded value (INR mn)	2,476
52 Week high / low	INR 5,430/3,990

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.5	20.1	29.2
Relative (%)	7.4	10.4	5.3

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	68.69	68.68
FIs & Local MFs	10.47	11.66
FPIs	9.21	8.41
Public & Others	11.63	11.25
Pledged Shares	0.00	0.00

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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