

LTIMindtree

Steady progression

LTIMindtree (LTIM) delivered in-line revenue performance in Q2FY24. Key positives were (1) broad-based growth within client cohort and verticals ex-BFSI; (2) growth in net employee adds (vs. declining trend in large cap IT) following three quarters of decline, indicative of stronger H2 seasonality (despite furlough impact in Q3); (3) strong operating performance despite the impact of wage hike on efficiencies and business mix coupled with an improving trajectory (the outlook of 17-18% EBITM exit to FY24E and 200bps expansion in the medium term). On the flip side, sub-par deal bookings, higher-than-usual impact of furlough in Q3FY24E, and a high mix of BFSI (volatile based on macro) can restrict growth. We believe that LTIM will continue to grow at a premium to tier-1 IT and its margin will converge with tier-1 IT median driving superior earnings growth. LTIM's valuations remain most attractive within large-cap IT on a PEG basis (18% EPS CAGR over FY23-26E vs. large cap peers at 10% CAGR). Maintain BUY on LTIM with TP of INR 5,890 based on 26x Sep-25E EPS.

- Q2FY24 highlights:** (1) LTIM posted revenue of USD 1,075.5mn (in line with HSIE est.), +1.7% QoQ CC and 4.4% YoY CC. (2) Growth was broad-based across the verticals except for BFSI which declined -1.1% QoQ due to a cautionary macro environment; management doesn't expect any adverse impact from organisational restructuring in a top BFSI client. (3) TCV of deals in Q2FY24 was at USD 1.3bn as compared to USD 1.41bn in Q1FY24. (4) Net headcount in Q2 at +794 employees was positive post consecutive decline in the past three quarters and utilisation remained at its highest ever in ten quarters (86.6%), supported by favourable supply-side metrics (lower attrition, higher joining to offer ratio). (5) EBITM declined 69bps QoQ to 16%, impacted by wage hike and promotions (-200bps), which was partially offset by improved utilisation (+60bps) and operational efficiency & visa cost impact (+70bps). (6) LTIM's TTM attrition dropped to 15.2% in Q2 as compared to 17.8% in the previous quarter.
- Outlook:** We have factored in USD revenue growth of 6.5%, 12.6%, 13.9% for FY24E/25E/26E for LTIM, implying CQGR of 1.6%, 3.0% and 3.3% for FY24E/25E/26E, respectively. LTIM's EBITMs factored at 16.9%, 18.5%, 18.6% for FY24E/25E/26E translate into an EPS CAGR of 18% over FY23-26E. At CMP, LTIM is trading at 25x and 21x FY25E and FY26E.

Quarterly Financial summary

YE March (INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (USD mn)	1,076	1,022	5.2	1,059	1.6	3,502	4,106	4,372	4,922	5,604
Net Sales	89.05	82.28	8.2	87.02	2.3	261.09	331.83	361.85	413.44	476.35
EBIT	14.23	14.40	(1.2)	14.51	(1.9)	46.52	53.85	61.25	76.60	88.56
APAT	11.62	11.89	(2.2)	11.52	0.9	39.50	44.10	49.72	62.24	71.79
Diluted EPS (INR)	39.3	40.2	(2.2)	33.9	16.1	133.5	149.1	168.1	210.4	242.7
P/E (x)						38.6	34.6	30.7	24.5	21.2
EV / EBITDA (x)						27.7	23.7	20.8	16.7	14.1
RoE (%)						30.5	28.6	27.7	29.5	28.7

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)	4,407	4,372	(0.8)	5,011	4,922	(1.8)	5,702	5,604	(1.7)
Revenue	364.53	361.85	(0.7)	420.89	413.44	(1.8)	484.67	476.35	(1.7)
EBIT	61.18	61.25	0.1	77.77	76.60	(1.5)	89.47	88.56	(1.0)
EBIT margin (%)	16.8	16.9	14bps	18.5	18.5	5bps	18.5	18.6	13bps
APAT	49.54	49.72	0.4	63.35	62.24	(1.8)	72.73	71.79	(1.3)
EPS (INR)	167.5	168.1	0.4	214.2	210.4	(1.8)	245.9	242.7	(1.3)

Source: Company, HSIE Research

BUY

CMP (as on 18 Oct 2023) INR 5,155

Target Price INR 5,890

NIFTY 19,671

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,950	INR 5,890
EPS %	FY24E	FY25E
	+0.4	-1.8

KEY STOCK DATA

Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / (\$ mn)	1,525/18,653
6m avg traded value (INR mn)	2,410
52 Week high / low	INR 5,393/4,120

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.1	19.4	9.2
Relative (%)	4.5	9.1	(2.6)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	68.68	68.66
FIs & Local MFs	11.66	11.94
FPIs	8.41	8.21
Public & Others	11.25	11.19
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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