

HSIE Results Daily

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Results Reviews

- L&T Infotech:** L&T Infotech (LTI IN) delivered in-line revenue performance, driven by the BFSI vertical and a large services client ramp-up, offset by the manufacturing seasonality. Our positive stance on LTI is predicated on (1) continuity in BFSI momentum (48% of revenue), supported by deal volumes and a net-new large deal; (2) growth visibility from the deal pipeline of USD 2bn, net-new bookings in Q1FY23 (similar to Q4FY22 bookings) and large deal bookings expectation in Q2FY23E, driven by the acceleration of technology programs by enterprises; and (3) strong H2 seasonality for LTI, joint-GTM deals with Mindtree and stability in margins, following wage increase in Q1. LTI has demonstrated consistency in compounding, led by (1) a strong track record of account mining and new client additions; (2) solution expertise, aided by prior acquisitions and improved tiering with cloud providers; and (3) pipeline doubling in nearly three years reflecting competency. Management commentary on demand was positive, highlighting the secular cycle of tech modernisation, notwithstanding the macro situation, and it maintained its PAT band guidance at 14-15%. Maintain BUY, with a TP of INR 5,230, valuing LTI at 29x FY24E EPS, supported by 17% EPS CAGR over FY22-24E.
- ACC:** We maintain BUY on ACC, with a lower TP of INR 2,380/share (12x its Mar-24E consolidated EBITDA). The upcoming expansions in the central market will boost its volume growth visibility from CY23 onwards. ACC is also increasing its green power mix and alternative fuel usage to mitigate the impact of rising fuel costs. In Q2CY22, while consolidated revenue rose 15% YoY (on a low base), EBITDA/APAT fell 51/61% YoY on sharp energy cost inflation. Working capital stretch led to ACC reporting negative OCF of INR 7.6bn in H1CY22 (vs INR +4.2/ 24.1bn during H1/H2CY21).

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L&T Infotech

BFSI momentum

L&T Infotech (LTI IN) delivered in-line revenue performance, driven by the BFSI vertical and a large services client ramp-up, offset by the manufacturing seasonality. Our positive stance on LTI is predicated on (1) continuity in BFSI momentum (48% of revenue), supported by deal volumes and a net-new large deal; (2) growth visibility from the deal pipeline of USD 2bn, net-new bookings in Q1FY23 (similar to Q4FY22 bookings) and large deal bookings expectation in Q2FY23E, driven by the acceleration of technology programs by enterprises; and (3) strong H2 seasonality for LTI, joint-GTM deals with Mindtree and stability in margins, following wage increase in Q1. LTI has demonstrated consistency in compounding, led by (1) a strong track record of account mining and new client additions; (2) solution expertise, aided by prior acquisitions and improved tiering with cloud providers; and (3) pipeline doubling in nearly three years reflecting competency. Management commentary on demand was positive, highlighting the secular cycle of tech modernisation, notwithstanding the macro situation, and it maintained its PAT band guidance at 14-15%. **Maintain BUY, with a TP of INR 5,230, valuing LTI at 29x FY24E EPS, supported by 17% EPS CAGR over FY22-24E.**

- **Q1FY23 highlights:** (1) LTI's revenue came in line with our estimate of USD 580mn, +1.7/+23.4% QoQ/YoY (+2.9/+26.6% QoQ/YoY CC terms), led by growth in offshore/onsite volume of +5.7/+3.6% QoQ. (2) Among the verticals, growth was led by BFSI (+7.9% QoQ CC), insurance (+4.5% QoQ CC) and energy & utilities (+2.6% QoQ CC) while manufacturing declined -by 11.5% QoQ CC, impacted by the absence of pass-through revenue. (3) EBITM declined by 129bps QoQ to 16% (higher than our estimate of 15.4%), impacted by a wage hike (-300bps) and higher visa & travel costs (-70bps), which was partially offset by productivity benefit (offshore mix) and absence of pass-through revenue (+240bps); (4) top-5 account improved +4.6% QoQ and the top-10 account grew by +1.7% QoQ in USD terms; LTI added four fortune 500 clients, taking the total to 77 clients; (5) LTI added 2,118 employees in Q1FY23 and plans to add 6,500+ freshers in FY23; (6) LTI reported stability in attrition at 23.8% (-20bps QoQ) and expects it to decline after a few quarters.
- **Outlook:** We have factored in USD revenue growth of +19/15.8% and EBITM of 17.2/16.9% for FY23/24E. APATM is estimated at 14/13.8% for FY23/24E. At the CMP, LTI is trading at 21.5x FY24E, with an FY22-24E EPS CAGR of 17%.

Quarterly Financial summary

YE March (INR bn)	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Revenue (USD mn)	580	470	23.4	570	1.7	1,525	1,670	2,103	2,502	2,899
Net Sales	45.23	34.63	30.6	43.02	5.1	108.79	123.70	156.69	195.15	228.98
EBIT	7.24	5.68	27.5	7.45	(2.7)	17.56	23.93	27.04	33.63	38.68
APAT	6.34	4.97	27.7	6.38	(0.5)	15.21	18.93	22.99	27.30	31.63
Diluted EPS (INR)	36.2	28.3	27.7	36.4	(0.5)	86.8	108.0	131.2	155.8	180.5
P/E (x)						44.7	35.9	29.5	24.9	21.5
EV / EBITDA (x)						32.1	23.3	20.9	16.7	14.2
RoE (%)						29.5	29.8	28.5	28.5	28.3

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE Mar (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	2,482	2,502	0.8	2,885	2,899	0.5
Revenue	193.10	195.15	1.1	227.88	228.98	0.5
EBIT	33.06	33.63	1.7	38.23	38.68	1.2
EBIT margin (%)	17.1	17.2	11bps	16.8	16.9	11bps
APAT	26.91	27.30	1.5	31.18	31.63	1.5
EPS (INR)	153.5	155.8	1.5	177.9	180.5	1.5

Source: Company, HSIE Research

BUY

CMP (as on 14 Jul 2022)	INR 3,874
Target Price	INR 5,230
NIFTY	15,939

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,150	INR 5,230
EPS %	FY23E +1.5	FY24E +1.5

KEY STOCK DATA

Bloomberg code	LTI IN
No. of Shares (mn)	175
MCap (INR bn) / (\$ mn)	679/9,126
6m avg traded value (INR mn)	2,370
52 Week high / low	INR 7,595/3,733

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(35.9)	(45.3)	(7.9)
Relative (%)	(27.4)	(32.5)	(8.9)

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	74.05	74.03
FIs & Local MFs	7.15	8.10
FPIs	10.08	8.42
Public & Others	8.72	9.45
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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ACC

Weak operating show; working capital stretch

We maintain BUY on ACC, with a lower TP of INR 2,380/share (12x its Mar-24E consolidated EBITDA). The upcoming expansions in the central market will boost its volume growth visibility from CY23 onwards. ACC is also increasing its green power mix and alternative fuel usage to mitigate the impact of rising fuel costs. In Q2CY22, while consolidated revenue rose 15% YoY (on a low base), EBITDA/APAT fell 51/61% YoY on sharp energy cost inflation. Working capital stretch led to ACC reporting negative OCF of INR 7.6bn in H1CY22 (vs INR +4.2/ 24.1bn during H1/H2CY21).

- **Q2CY22 performance:** On a low base, volume increased 11% YoY. NSR rose 3% QoQ due to better pricing gains in north and central markets. Opex shot up 9/20% QoQ/YoY on a spike in fuel and freight costs. Thus, unitary EBITDA fell 31/57% QoQ/YoY to INR 540/MT. RMC revenue rose by 53% YoY on a 43% volume uptick.
- **Expansion update and working capital:** ACC accelerated its Capex spend to INR 10.85bn in H1CY22. It expects to commission 2.7/1mnMT clinker/cement capacities in Ametha, MP, in Q4CY22. By H1CY23, it will commission another 2.2mn MT SGU in UP, thus increasing its cement capacity to 39mn MT in CY23. Post ongoing 39MW WHRS installations across Jamul, Kymore and Ametha, ACC's green power share will rise to 15%. Thereafter, it will add another 29MW at its Chanda and Wadi plants (order placed). By CY25, it expects to increase its WHRS capacity to 90MW, thus boosting its margin. ACC reported negative OCF of INR 7.6bn in H1CY22 (vs INR +4.2/ 24.1bn during H1/H2CY21) due to stretched working capital. Inventory/trade receivable amounts have jumped ~60/120% vs Dec-21. We have cut our CY22/23/24E EBITDA estimates by 11/6/5%, factoring in cost pressure in Q2CY22.

Consolidated financial summary

YE Dec (INR bn)	Q2 CY22	Q2 CY21	YoY (%)	Q1 CY22	QoQ (%)	CY20	CY21	CY22E	CY23E	CY24E
Sales (mn MT)	7.56	6.84	10.5	7.71	(1.9)	25.53	28.87	30.72	34.01	35.76
NSR (INR/MT)	5,395	5,307	1.7	5,228	3.2	5,023	5,161	5,437	5,431	5,537
EBITDA (INR/MT)	540	1,258	(57.1)	779	(30.8)	782	960	1,011	650	846
Net Sales	44.68	38.85	15.0	44.27	0.9	156.58	137.86	161.52	180.78	199.85
EBITDA	4.26	8.69	(51.0)	6.35	(32.8)	24.13	24.84	29.98	20.80	29.68
APAT	2.27	5.69	(60.1)	3.96	(42.6)	12.78	14.09	19.18	12.07	17.40
AEPS (INR)	12.1	30.3	(60.1)	21.1	(42.6)	68.1	75.0	102.1	64.3	92.7
EV/EBITDA (x)						14.8	13.9	11.0	15.7	11.5
EV/MT (INR bn)						10.82	10.44	9.58	8.82	8.67
P/E (x)						31.6	28.7	21.1	33.5	23.2
RoE (%)						11.4	11.6	14.2	8.2	10.9

Source: Company, HSIE Research

Estimates revision summary

INR Bn	CY22E Old	CY22E Revised	Chg %	CY23E Old	CY23E Revised	Chg %
Net Sales	180.8	180.8	-	199.9	199.9	-
EBITDA	23.4	20.8	-10.9	31.5	29.7	-5.8
APAT	14.0	12.1	-13.5	18.7	17.4	-7.2

Source: Company, HSIE Research

BUY

CMP (as on 14 Jul 2022) INR 2,160

Target Price INR 2,380

NIFTY 15,939

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,515	INR 2,380
EBITDA revision %	CY22E (10.9)	CY23E (5.8)

KEY STOCK DATA

Bloomberg code	ACC IN
No. of Shares (mn)	188
MCap (INR bn) / (\$ mn)	406/5,452
6m avg traded value (INR mn)	1,170
52 Week high / low	INR 2,589/1,900

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.2)	(8.4)	3.8
Relative (%)	6.2	4.4	2.8

SHAREHOLDING PATTERN (%)

	Mar-22	Jun-22
Promoters	54.53	54.53
FIs & Local MFs	19.99	20.81
FPIs	12.75	12.11
Public & Others	12.73	12.54
Pledged Shares	0.0	0.0

Source : BSE

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	L&T Infotech	MBA	NO
Amit Chandra	L&T Infotech	MBA	NO
Vinesh Vala	L&T Infotech	MBA	NO
Rajesh Ravi	ACC	MBA	NO
Keshav Lahoti	ACC	CA	NO

Disclosure:

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