

July 17, 2023

**RESULT REPORT Q1 FY24** | Information Technology

# LTIMindtree Ltd

## Mixed performance for the quarter along with robust deal booking

### Result Synopsis

LTIMindtree (LTIM) reported mixed financial performance for the quarter. While, the revenue growth was slightly below estimate, EBIT margin came above expectation. It reported constant currency growth of 0.1% QoQ, led by BFSI vertical (up 12.1% YoY); Manufacturing and Resources (up 14.9% YoY). On reported basis, revenue grew by 0.1% QoQ in INR terms (up 0.1% QoQ in USD terms). There was sequential improvement in EBIT margin (up 32 bps QoQ) led by lower SG&A cost. Employee attrition continues to moderate as LTM attrition decreased by 240 bps QoQ to 17.8%.

The multiyear tech adoption cycle broadly remains intact led by adoption of cloud and data analytics. However, the clients remain cautious regarding the evolving macroeconomic situation and are taking more time for decision making, thus resulting in slowdown in discretionary IT investments. This continues to impact near term revenue performance. We expect revenue growth to pick up from H2FY24 led by robust deal booking and strong deal pipeline. Employee attrition is expected to come down going ahead and should support operating margin. We estimate revenue CAGR of 14.4% over FY23-25E with average EBIT margin of 17.9%. We maintain our BUY rating on the stock with revised target price of Rs 6,190/share at 29.0x on FY25E EPS. The stock trades at PER of 30.0x/24.1x on FY24E/FY25E EPS.

### Result Highlights

- Reported revenue of Rs 87.0bn (up 0.1% QoQ in INR terms; up 0.1% QoQ in USD terms). The growth was led by BFSI vertical (up 12.1% YoY); Manufacturing and Resources (up 14.9% YoY). Hitech, Media and Entertainment stood strong for the quarter (up 3.2% QoQ). The cc growth was 0.1% QoQ.
- EBIT margin increased by 32 bps QoQ to 16.7%, led by decrease in SG&A Expenses.
- Reported healthy order inflow of \$1.41bn for the quarter (\$1.06 Bn in Q4FY23).
- Added 19 new clients compared to 31 new clients added in Q4FY23.
- Number of employees was down 1,808 QoQ to 82,738; LTM attrition was down 240 bps QoQ to 17.8%.
- Utilization (excluding trainees) was up 310 bps QoQ to 84.8%. Offshore effort mix increased by 10 bps QoQ to 85.2%.
- DSO remained flat QoQ to 60 days.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	87,021	88,177	87,690	-1.3%	-0.8%
EBITDA	16,355	17,106	15,150	-4.4%	8.0%
EBITDA Margin (%)	18.79%	19.40%	17.28%	-61 bps	152 bps
Adjusted PAT	11,523	11,881	11,960	-3.0%	-3.7%

Source: Company, YES Sec

Reco	: <b>BUY</b>
CMP	: Rs 5,135
Target Price	: Rs 6,190
Potential Return	: + 20.6%

### Stock data (as on July 17, 2023)

Nifty	19,711
52 Week h/l (Rs)	5430 / 3833
Market cap (Rs/USD mn)	1506905 / 18371
Outstanding Shares (mn)	296
6m Avg t/o (Rs mn):	2,287
Div yield (%):	1.4
Bloomberg code:	LTIM IN
NSE code:	LTIM

### Stock performance



### Shareholding pattern (As of Mar'23 end)

Promoter	68.7%
FII+DII	20.1%
Others	11.2%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	6,190	5,364

### Δ in earnings estimates

	FY24E	FY25E
EPS (New)	170.9	213.4
EPS (Old)	173.2	214.6
% change	-1.3%	-0.5%

### Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	331,830	370,774	434,201
YoY Growth	27.1%	11.7%	17.1%
EBIDTA	61,077	72,254	90,314
YoY Growth	16.4%	18.3%	25.0%
PAT	44,050	50,663	63,272
YoY Growth	11.5%	15.0%	24.9%
ROE	28.5%	27.6%	28.1%
EPS	149	171	213
P/E	34.6	30.0	24.1
BV	560	681	839
P/BV	9.2	7.5	6.1

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## Exhibit 2: Quarterly snapshot Console: Increase in margin in the quarter on lower SG&A

Particulars (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	yoy%	qoq %
Sales (\$ mn)	944.7	979.5	1,021.9	1,046.7	1,057.5	1,058.7	8.1	0.1
Sales	71,286	76,442	82,278	86,200	86,910	87,021	13.8	0.1
EBITDA	14,510	14,936	16,356	13,748	16,037	16,355	9.5	2.0
EBITDA %	20.4	19.5	19.9	15.9	18.5	18.8	-74 bps	34 bps
Depreciation	1,616	1,717	1,959	1,781	1,823	1,847	7.6	1.3
EBIT	12,894	13,219	14,397	11,967	14,214	14,508	9.8	2.1
EBIT Margin %	18.1	17.3	17.5	13.9	16.4	16.7	-62 bps	32 bps
PBT	14,807	14,684	15,630	13,106	14,442	15,364	4.6	6.4
Tax	3,716	3,672	3,740	3,099	3,301	3,841	4.6	16.4
PAT	11,091	11,012	11,890	10,007	11,141	11,523	4.6	3.4
NPM (%)	15.6	14.4	14.5	11.6	12.8	13.2	-116 bps	42 bps

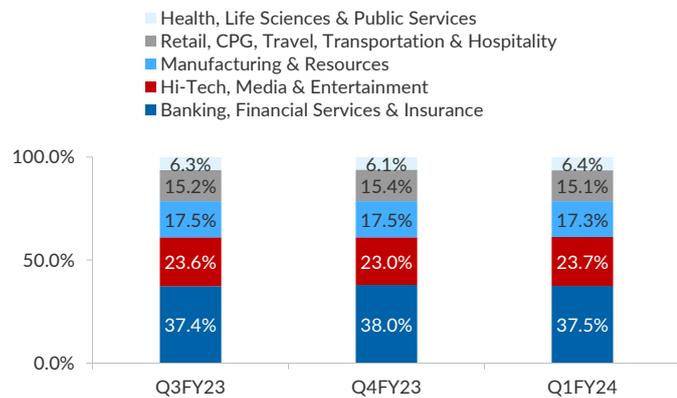
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- LTIM is anticipating increase in spending and investment by clients to come back in a couple of quarters thereby translating to better revenue growth in H2FY24.
- Media, Hitech & Healthcare verticals are showing positive trends and include deals related to Generative AI.
- Manufacturing clients remain cautious; however continuously investing in cloud transformation to move towards Industry 4.0.
- Launched an inhouse Generative AI platform – Canvas.AI which is secured, easy to use and have many industry specific use cases.
- Attrition to show downward trend on an LTM basis over next few quarters. Wage hike expected to be inline with industry standards and may impact Q2FY24 Margins.
- LTIM expects to exit the year with an EBIT Margin in range of 17% to 18%.
- Deal Pipeline grew 10% QoQ despite the macroeconomic uncertainties.
- LTIM won a vendor consolidation deal in Hitech vertical and a large deal in BFSI vertical through cross selling and up selling thereby taking advantage of synergies.
- Retail vertical still shows signs of softness. Hitech vertical bottomed out a couple of quarters back and expected to trend upwards in the coming quarters.

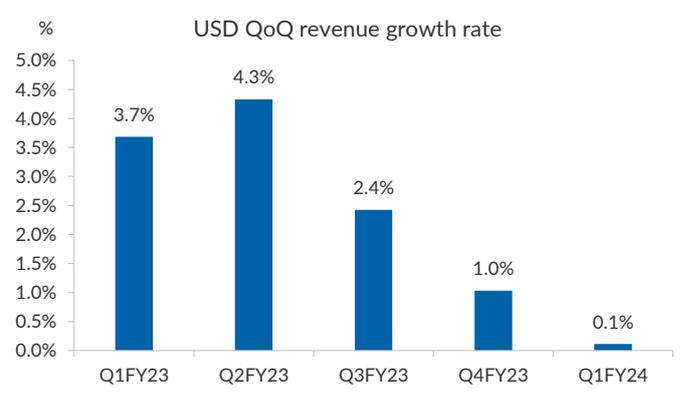
**STORY IN CHARTS**

**Exhibit 3: Growth was led by BFSI and Manufacturing vertical**



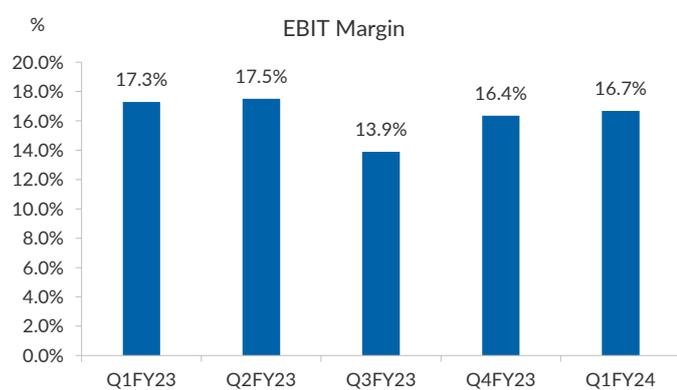
Source: Company, YES Sec

**Exhibit 4: Sequential revenue growth was impacted due to near term weakness in demand environment**



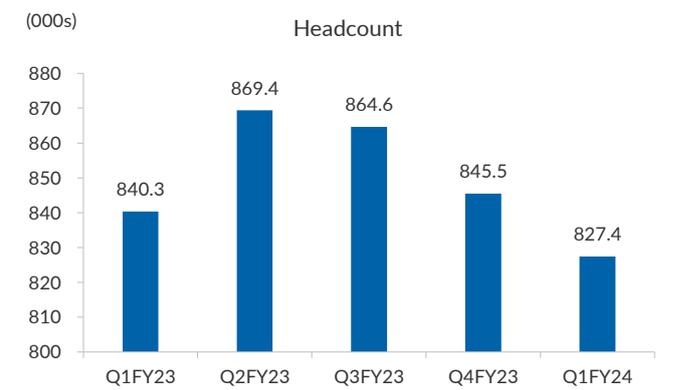
Source: Company, YES Sec

**Exhibit 5: Margin improved sequentially on lower SG&A**



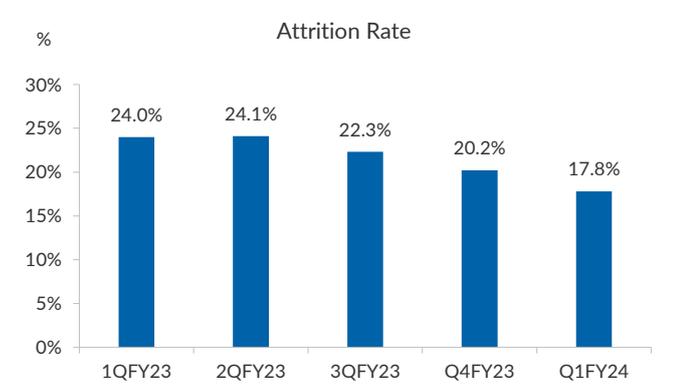
Source: Company, YES Sec

**Exhibit 6: Dip in total headcount for the quarter**



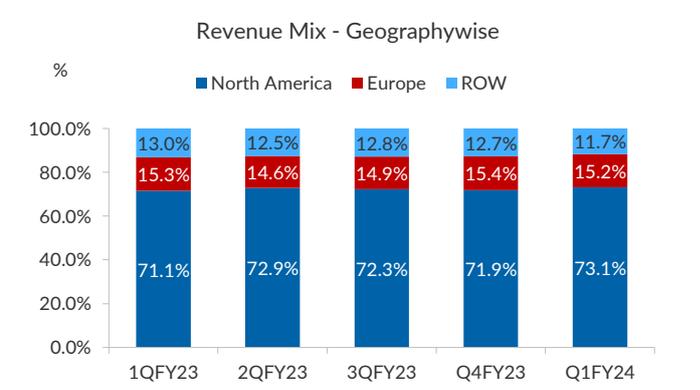
Source: Company, YES Sec

**Exhibit 7: Employee attrition continues to moderate**



Source: Company, YES Sec

**Exhibit 8: Americas contribute bulk of revenue**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 9: Balance Sheet

Y/e March 31 (Rs mn)	FY22	FY23	FY24E	FY25E
Share capital	296	296	296	296
Reserves & surplus	142,576	165,625	201,447	248,394
Shareholders' funds	142,872	165,921	201,743	248,690
Minority Interests and others	57	71	71	71
Non-current liabilities	11,972	14,143	9,483	9,429
Other non-current liabilities	11,972	14,143	9,483	9,429
Current liabilities	50,923	54,826	67,982	74,606
ST borrowings, Curr maturity	519	1,253	1,253	1,253
Other current liabilities	50,404	53,573	66,729	73,353
Total (Equity and Liabilities)	205,824	234,961	279,279	332,796
Non-current assets	56,438	63,103	64,306	65,585
Fixed assets (Net block)	28,125	33,922	34,540	35,189
Non-current Investments	6,513	7,165	7,165	7,165
Long-term loans and advances	0	0	0	0
Other non-current assets	21,800	22,016	22,601	23,231
Current assets	149,345	171,858	214,973	267,211
Cash & current investment	72,344	76,738	89,577	121,714
Other current assets	77,042	95,120	125,396	145,497
Total (Assets)	205,824	234,961	279,279	332,796

Source: Company, YES Sec

### Exhibit 10: Income Statement

Y/e March 31 (Rs mn)	FY22	FY23	FY24E	FY25E
Net sales	261,087	331,830	370,774	434,201
Operating expenses	(208,601)	(270,753)	(298,520)	(343,888)
EBITDA	52,486	61,077	72,254	90,314
Depreciation	(5,971)	(7,280)	(8,231)	(9,770)
EBIT	46,515	53,797	64,023	80,544
Other income	6,424	4,065	3,528	3,819
Profit before tax	52,939	57,862	67,551	84,363
Tax (current + deferred)	(13,439)	(13,812)	(16,888)	(21,091)
Reported Profit / (Loss)	39,500	44,050	50,663	63,272
Adjusted net profit	39,500	44,050	50,663	63,272

Source: Company, YES Sec

## Exhibit 11: Cash Flow Statement

Y/e March 31 (Rs mn)	FY22	FY23	FY24E	FY25E
Profit before tax	52,939	57,862	67,551	84,363
Depreciation	5,971	7,280	8,231	9,770
Change in working capital	(17,369)	(14,226)	(17,102)	(13,459)
Total tax paid	(10,991)	(17,848)	(17,144)	(21,365)
Others	(6,424)	(4,065)	(3,528)	(3,819)
Cash flow from oper. (a)	24,126	29,003	38,008	55,489
Capital expenditure	(20,491)	(13,077)	(8,849)	(10,418)
Change in investments	(23,189)	5,901	(4,742)	(5,216)
Others	683	7,531	3,210	3,474
Cash flow from inv. (b)	(42,997)	355	(10,382)	(12,160)
Free cash flow (a+b)	(18,871)	29,358	27,627	43,329
Equity raised/(repaid)	121	0	0	0
Debt raised/(repaid)	105	734	0	0
Dividend (incl. tax)	(13,277)	(15,627)	(14,822)	(16,304)
Others	42,742	(3,559)	(4,708)	(104)
Cash flow from fin. (c)	29,691	(18,452)	(19,529)	(16,408)
Net chg in cash (a+b+c)	10,820	10,906	8,097	26,921

Source: Company, YES Sec

## Exhibit 12: Ratio Analysis

Y/e March 31	FY22	FY23	FY24E	FY25E
<b>Growth(%)</b>				
Revenue Growth	NA	27.1	11.7	17.1
EBITDA Growth	NA	16.4	18.3	25.0
EBIT Growth	NA	15.7	19.0	25.8
Net Profit Growth	NA	11.5	15.0	24.9
<b>Profitability Ratios(%)</b>				
EBITDA Margin	20.1	18.4	19.5	20.8
EBIT margin	17.8	16.2	17.3	18.6
Net Profit margin	15.1	13.3	13.7	14.6
RoA	NA	24.4	24.9	26.3
RoE	NA	28.5	27.6	28.1
RoCE	NA	31.9	32.5	34.1
<b>Liquidity Ratios</b>				
Net debt/Equity (x)	(0.5)	(0.5)	(0.4)	(0.5)
Current ratio (x)	2.9	3.1	3.2	3.6
Quick ratio (x)	2.9	3.1	3.2	3.6
<b>Valuation Ratios</b>				
PER(x)	32.0	34.6	30.0	24.1
PCE(x)	27.8	29.7	25.8	20.8
Price/Book(x)	8.9	9.2	7.5	6.1
EV/EBITDA(x)	22.7	23.7	19.8	15.5

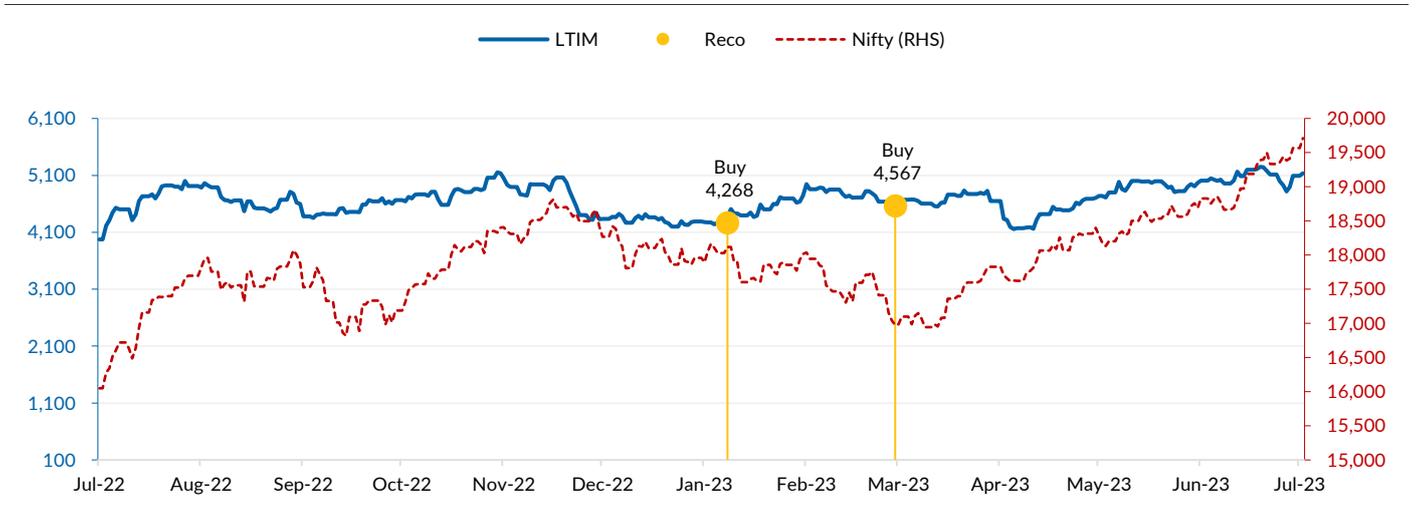
Source: Company, YES Sec

## Exhibit 13: Dupont Analysis

Dupont Analysis	FY22	FY23	FY24E	FY25E
Net margin(%)	NA	13.3	13.7	14.6
Asset turnover (x)	NA	1.5	1.4	1.4
Leverage factor (x)	NA	1.4	1.4	1.4
Return on Equity(%)	NA	28.5	27.6	28.1

Source: Company, YES Sec

## Recommendation Tracker



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