

LTIMindtree

BSE SENSEX
74,612

S&P CNX
22,545



Stock Info

Bloomberg	LTIM IN
Equity Shares (m)	296
M.Cap.(INRb)/(USDb)	1445.5 / 16.6
52-Week Range (INR)	6768 / 4514
1, 6, 12 Rel. Per (%)	-13/-5/-12
12M Avg Val (INR M)	2587
Free float (%)	31.4

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	381.7	422.9	471.4
EBIT Margin (%)	14.7	15.1	15.9
PAT	47.0	53.9	63.1
EPS (INR)	158.7	182.1	212.8
EPS Gr. (%)	2.5	14.7	16.9
BV/Sh. (INR)	767.6	873.2	996.7

Ratios

RoE (%)	22.0	22.2	22.8
RoCE (%)	18.0	18.5	19.2
Payout (%)	42.0	42.0	42.0

Valuations

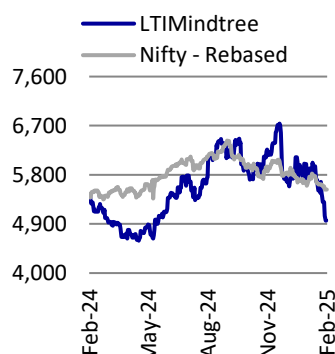
P/E (x)	30.7	26.8	22.9
P/BV (x)	6.4	5.6	4.9
EV/EBITDA (x)	20.0	17.3	14.9
Div Yield (%)	1.4	1.6	1.8

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	68.6	68.6	68.6
DII	15.0	14.9	12.9
FII	7.5	7.4	8.7
Others	9.0	9.1	9.8

FII includes depository receipts

Stock Performance (1-year)



CMP: INR4,879

TP: INR6,600 (+35%)

Buy

Bruised but oversold

LTIMindtree (LTIM) stock has corrected by 22% in the past three months, despite multiple positive developments: US BFS growth recovery, positive QoQ growth trajectory in 9MFY25, and the most important being the appointment of a new CEO, Mr. Venu Lambu. Key reasons for this underperformance include the slower-than-expected discretionary pickup, revenue decline in Microsoft, and uncertainty over margins. The stock now trades at 22x FY27e EPS, vs 22/22/21x for Infosys/TCS/HCLT. We find these valuations as an attractive risk-reward opportunity and like the stock at current levels. In our note ([LTIMINDTREE: Asymmetric risk-reward potential](#), published on 13th Jan), we have pitched LTIM as our top pick for 2025. As seen in Exhibit 1, even in our bear case scenario, LTIM could offer superior or at-par earnings growth vs key large-cap IT names. Our base case scenario now assumes revenue growth of c9% for FY26e and c11.5% for FY27e, but we pare our margin expansion assumptions further to account for more aggressive SG&A investments. We concede that near-term catalysts—weakness in hi-tech in Q4 and management’s time to settle in—preclude an immediate recovery in price, but we reiterate BUY on strong fundamentals and keep our focus on the turnaround. We also cut our target multiple by 10%, in line with our other stocks, to account for lower risk appetite in the current market. Reiterate Buy with a TP of 6,600.

Risk-reward ratio favorable; valuations attractive now

- LTIM currently trades at 22x FY27E EPS; on a blended 12M forward basis, the company is now at a **10% discount to its five-year average**.
- While valuations reflect uncertainty around the Microsoft account, discretionary spend revival, and the risk to margin expansion, the risk-reward has now turned favorable, in our view.
- Even in our bear case, which assumes a meager 6.5-7% YoY cc CAGR for the next two years and minimal margin expansion, LTIM has the potential to generate earnings CAGR on par with other large caps.
- A mild improvement in the demand environment, along with slight margin expansion, could push these earnings growth numbers higher and lead to a notable re-rating from current levels.

New CEO appointment a positive, but benefits may take time

- LTIM’s post-merger top-level attrition and uncertainty around succession plans have been major factors contributing to the stock’s underperformance.
- However, the appointment of Mr. Venu Lambu is a positive and should provide the company with much-needed growth momentum.
- Further, we also believe Mr. Lambu’s appointment will help stem the top-level attrition that has been a major thorn in the side of LTIM (Exhibit 6).
- That said, the new management will take their time to settle in and drive growth, and we believe the actual benefits may accrue in FY27.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Margins a key risk; we pare back our assumptions on SG&A leverage

- Margins remain a key monitorable and the biggest risk to our thesis. It is apparent that post-merger synergies have not been realized to the extent previously anticipated, and a challenging demand environment has made it tougher to expand margins.
- While we believe the model has enough SG&A benefits to drive operating leverage, a sales focus and investment in SG&A would prolong margin recovery for the company.
- We expect margins to recover by c40bp (on a base of 14.7% for FY25e) in FY26e, a much slower expansion trajectory than earlier.

Valuation and view

- We reiterate our BUY rating on LTIM due to its superior offerings in data engineering and ERP modernization, positioning it well to capture pre-GenAI expenditures. We anticipate LTIM to outperform its large-cap peers and expect 9.1%/11.5% CC growth for FY26-FY27.
- LTIM could have managed its top-level churn rate more effectively post-acquisition. Nonetheless, we believe the top-level attrition rate might remain benign going forward. Additionally, margins remain a concern and the biggest risk to our thesis.

Scenario analysis: Estimating the downside

- In our view, if discretionary spending fails to drive demand in the near future and tech-spend revival is delayed, LTIM is projected to grow by a much lower 6.2%/7.5% YoY CC growth in FY26E/FY27, leading to a ~1.5%/1.8% CQGR during these years, with EBIT margins of 14.7% and 15.0%. This could lead to an EPS of INR158.6/173.2/189.7 for FY25E/FY26E/FY27E, translating into an earnings CAGR of 9.4%. We anticipate a potential earnings downgrade of 5-11% for FY26/FY27 from our base case if the bear case materializes. In this case, the stock could be valued at 26x FY27 EPS, yielding a TP of INR 5,000, which could serve as a floor for the stock price.
- A technology upcycle and improvement in demand could enable LTIM to achieve 9.1%/11.5% YoY CC growth and expand EBIT margins by 120bp over FY25E, reaching 15.9% by FY27. In this case, LTIM will be valued at 31x, suggesting an upside of around 35% with a TP of INR6,600.

Exhibit 1: LTIM scenario analysis

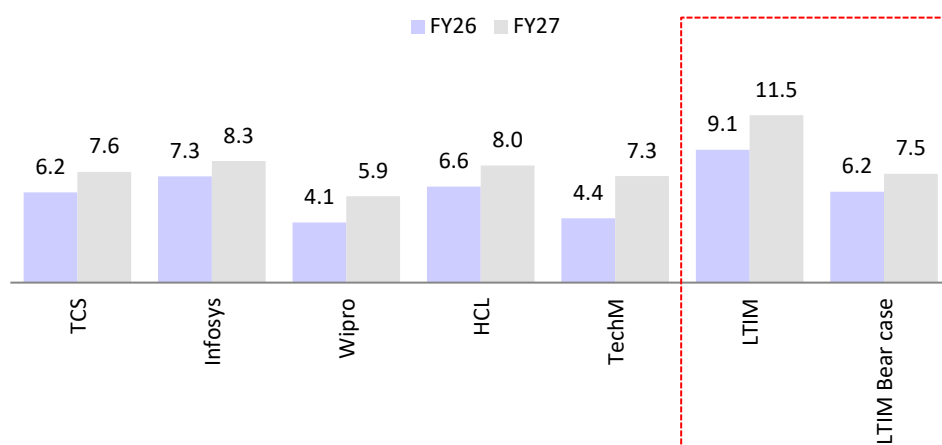
INRm, unless mentioned otherwise	Bear				Base		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (USD m)	4,287	4,514	4,784	5,141	4,517	4,917	5,482
Growth YoY CC (%)		5.1%	6.2%	7.5%	5.2%	9.1%	11.5%
USD/INR	82.84	84.51	86.00	86.00	84.51	86.00	86.00
Revenue	3,55,170	3,81,450	4,11,431	4,42,123	3,81,744	4,22,896	4,71,415
EBITDA	63,874	66,228	71,684	78,433	66,279	75,260	85,416
EBITDA Margin (%)	18.0%	17.4%	17.4%	17.7%	17.4%	17.8%	18.1%
EBIT	55,685	56,146	60,575	66,496	56,189	63,842	75,045
EBIT Margin	15.7%	14.7%	14.7%	15.0%	14.7%	15.1%	15.9%
Tax Rate (%)	24.2%	25.6%	24.5%	24.5%	25.6%	24.5%	24.5%
PAT	45,846	46,996	51,326	56,213	47,032	53,948	63,065
EPS(INR)	154.8	158.6	173.2	189.7	158.7	182.1	212.8
Growth (%)		2.4%	9.2%	9.5%	2.5%	14.7%	16.9%
P/E Multiple		26				31	
TP (Rounded)		5,000				6,600	
Upside/Downside		2%				35%	

Source: MOFSL, Company

Risk-reward ratio favorable; valuations attractive now

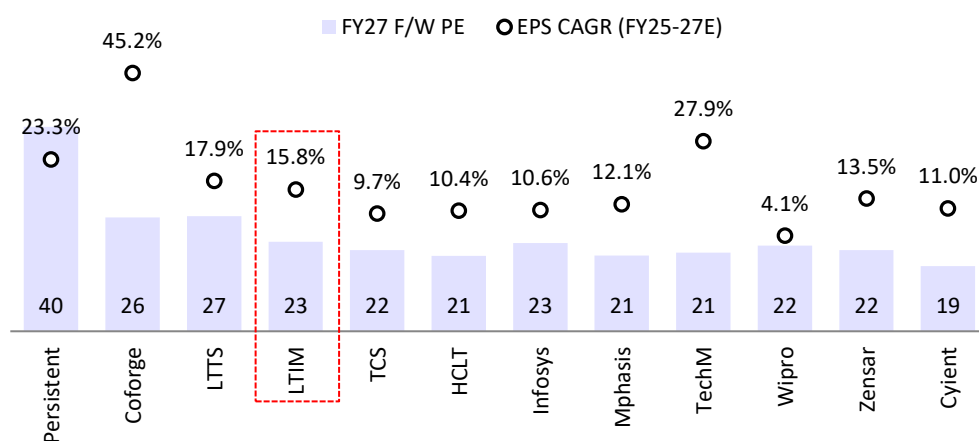
- LTIM currently trades at 22x FY27E EPS; on a blended 12M forward basis, the company is now at a **10% discount to its five-year average**.
- While valuations reflect uncertainty around the Microsoft account, discretionary spend revival, and risk to margin expansion, the risk-reward has now turned favorable, in our view.
- Even in our bear case, which assumes a meager 6.5-7% YoY cc CAGR for the next two years and minimal margin expansion, LTIM has the potential to generate earnings CAGR on par with other large caps.
- A mild improvement in the demand environment, along with slight margin expansion, could push these earnings growth numbers higher and lead to a notable re-rating from current levels.

Exhibit 2: LTIM shall outperform in YoY CC growth among Tier I peers



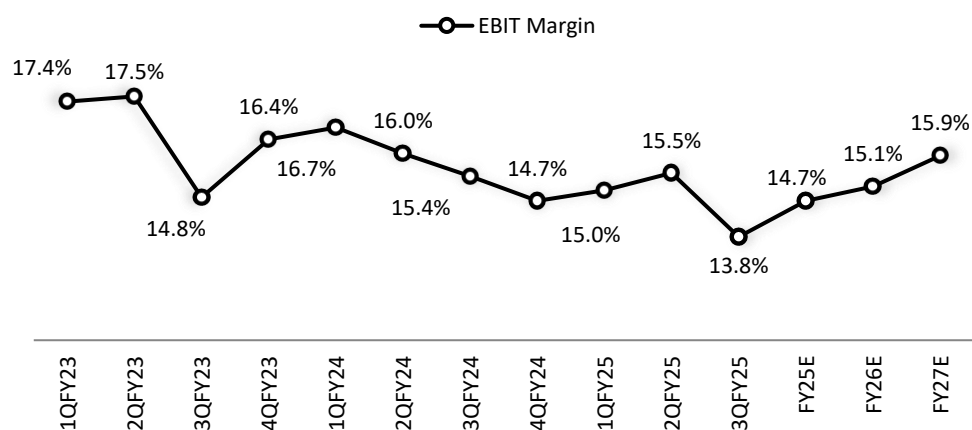
Source: MOFSL Estimates

Exhibit 3: LTIM's undemanding valuation offers a good margin of safety



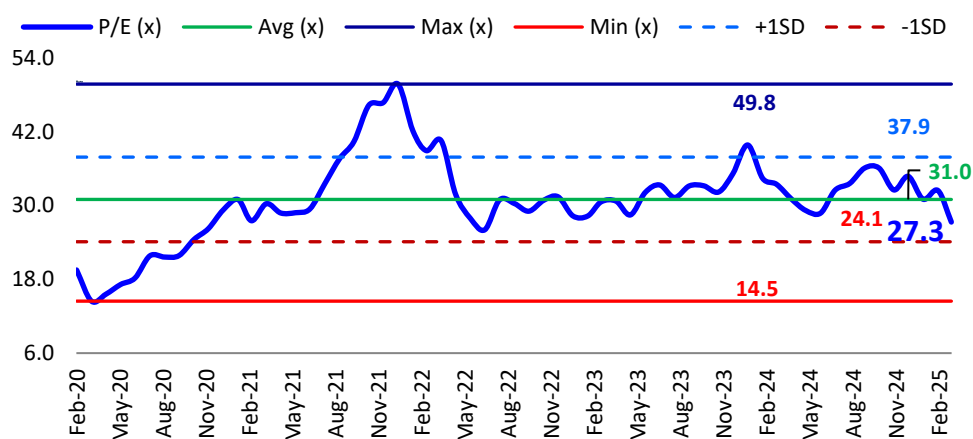
Source: MOFSL Estimates

Exhibit 4: EBIT margins to expand 120bp in FY27 from FY25



Source: MOFSL, Company

Exhibit 5: LTIM now trades at a 10% discount to its five-year average P/E multiple



Source: MOFSL, Bloomberg

New CEO appointment a positive, but benefits may take time

- LTIM's post-merger top-level attrition and uncertainty around succession plans have been major factors contributing to the stock's underperformance.
- However, the appointment of Mr. Venu Lambu is a positive and should provide the company with much-needed growth momentum.
- Further, we also believe Mr. Lambu's appointment will help stem the top-level attrition that has been a major thorn in the side of LTIM (Exhibit 6).
- That said, the new management will take its time to settle in and drive growth, and we believe the actual benefits may accrue in FY27.
- As is natural with any new management team, we expect a few new appointments and exits in the short term.

Exhibit 6: List of leadership exits at LTIM

Name	Original Company	Designation	Joining Date	Resignation Date	New Role and Firm
Rajesh Gharpure	LTI	❖ EVP& Global Delivery leader - Manufacturing	Jun-00	Jan-23	❖ Chief Delivery Officer, Persistent Systems
Anil Rander	LTI	❖ CFO-LTI	Apr-21	Feb-23	❖ Group CFO, Inspira Enterprise India Ltd.
Radhakrishnan Rajgopalan	Mindtree	❖ SVP and Global Head - Digital, Data & Insights, Connected Universe, QE	Jun-20	Mar-23	❖ Tiger Analytics
Suresh HP	Mindtree	❖ Head - Global Delivery Office	Apr-07	Mar-23	❖ Chief Delivery Officer, Sonata Software
Neha Kathuria	Mindtree	❖ Head of Global Marketing	Feb-14	Mar-23	❖ CMO, Infogain
Siddharth Bohra	LTI	❖ CBO - Digital Business	Sep-15	Jun-23	❖ Founder, Startup
Sriramkumar Kumaresan	Mindtree	❖ EVP - Global Head of Cloud and Security	Jul-20	Jun-23	❖ Head, Cloud Infra & Security, CTSH
Kunal Dhingra	LTI	❖ CTO & Global Head	Jul-18	Jun-23	❖ CTO, RBL Bank
Naresh KN (Mindtree)	Mindtree	❖ SVP, Global Delivery Head - BFS	Apr-10	Jul-23	❖ President, Chief Account Officer, ITC Infotech
Archana Ramanakumar	LTI	❖ EVP & Global Delivery Head, Life Sciences	Jul-20	Jul-23	❖ SVP & Global Head of Industry Solutions, CTSH
Tridib Barat	LTI	❖ Company Secretary and Compliance Officer	Dec-21	Aug-23	❖ VP & Company Secretary, Chambal Fertilisers
Dinesh Bajaj	LTIMindtree*	❖ SVP & Chief Business Officer	Nov-22	Sep-23	❖ EVP, Qualitest
Paresh Vankar	LTIMindtree*	❖ Chief Marketing Officer	Jan-23	Oct-23	❖ Not available
Raj Pandya	LTI	❖ Head, America Region	Jun-93	Nov-23	❖ CEO, Quantum Integrators
Ashish Deshpande	LTI	❖ CBO - Lifesciences	Jun-21	Dec-23	❖ Chief Revenue Officer, HSO
Milind Shah	LTI	❖ Chief Business Officer, Global Captive Centers	Mar-08	Dec-23	❖ Managing Director, Randstad
Mukund Rao	Mindtree	❖ CBO - BFSI	Aug-20	Jan-24	❖ President, Global Markets, Xoriant
Dilip Panjwani	LTI	❖ Global Head, Cybersecurity Practice	Nov-22	Jan-24	❖ Head of Cyber Security Service Line, Persistent
Vinit Teredesai	Mindtree	❖ CFO	Jun-20	Apr-24	❖ CFO, Persistent Systems
Manoj Shikarkhane	LTI	❖ CHRO	Aug-15	Apr-24	❖ Not available
Raghavendra Parvataraju	LTI	❖ Head, Hi-tech and Services	Nov-22	Apr-24	❖ CEO and Founder, Stealth Startup
Mr. Pankaj Chugh	LTI	❖ Head, Google Cloud BU	May-15	Apr-24	❖ President & COO, 66degrees
Mr. Gregory Dietrich	LTI	❖ Executive Vice President - Global Sales	Aug-20	Apr-24	❖ COO, Cloud & Infra Services, North America, Capgemini
Mr. Sudhir Chaturvedi	LTIM	❖ President -Global Markets	Sept-16	Jan-25	❖ Chief Growth Officer, NTT Data
Mr. Rohit Kedia	LTIM	❖ Chief Growth Officer	Nov-22	Feb-25	❖ CEO, Xoriant
Mr. Vikas Gaur	LTIM	❖ Chief Delivery Officer	Jul-23	Feb-25	❖ Not Available

Source: Company, MOFSL, LinkedIn; Note: *Joined after the merger

Exhibit 7: New hires/promotions

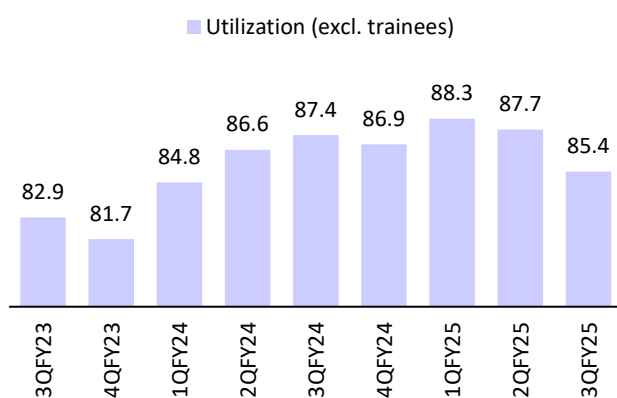
Designation	Current Designate	History
CEO	Venugopal Lambu	❖ Previously President of LTIM until 2023, before moving to CEO at Randstad Digital; replaces current CEO, Debashis Chatterjee
VP& Global Delivery leader - Manufacturing	Naushad Khambhawala	❖ Associated with LTI for over two decades
CFO-LTI	Position now merged; currently headed by Vipul Chandra	
CTO	Aan Chauhan	❖ Previously worked as the CTO of Mindtree
Company Secretary and Compliance Officer (LTI)	Angana Arora	❖ Associated with L&T Group for over a decade
VP and Chief Business Officer – Retail, Consumer Goods and Distribution	Samir Gosavi	❖ Previously worked in Zensar and Infosys
Chief Marketing Officer	Shuchi Sarkar	❖ Previously worked in HP & AWS
CBO - Lifesciences	Aditi Banerjee	❖ Over 25 years of experience, previously with Accenture and HCLT
CBO - BFSI	Harsh Naidu	❖ Promoted internally, associated with LTI for over two decades
CFO	Vipul Chandra	❖ Promoted from the Head of Treasury in Corporate Finance, previously in Citi Bank
CHRO	Chetana Patnaik	❖ Promoted from Head - Human Resources, L&T - Transportation Infrastructure
Principal Director, Head GCP Practice	Vinay Padegaonkar	❖ Associated with LTIM for over a decade

Source: Company, MOFSL, LinkedIn

Margins a key risk; we pare back our assumptions on SG&A leverage

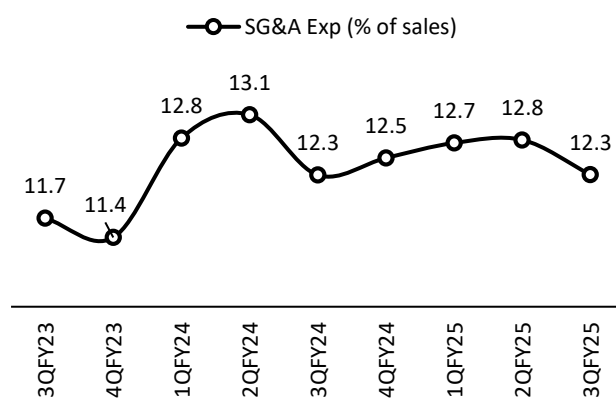
- **Margin expansion remains a critical concern to our thesis.** The anticipated post-merger synergies have not materialized as expected, compounded by a challenging demand environment that complicates margin expansions.
- LTIM's re-rating hinges on significant margin recovery, primarily through volume increases, as few other levers are invisible aside from revenue growth.
- While we believe the model has enough SG&A benefits to drive operating leverage, a sales focus and investment in SG&A would prolong margin recovery for the company.
- We expect margins to recover by c40bp (on a base of 14.7% for FY25e) in FY26e, a much slower expansion trajectory than earlier.

Exhibit 8: Utilization dipped in 3Q due to furloughs and hires...



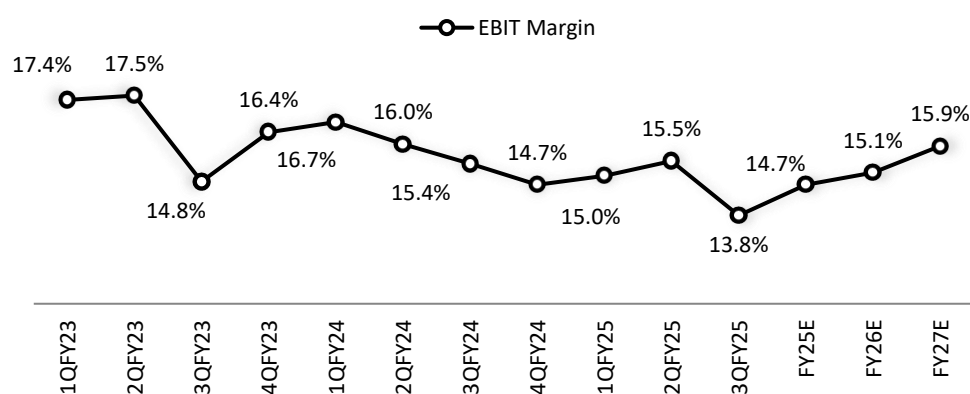
Source: MOFSL, Company

Exhibit 9: ...SG&A could remain elevated as new management invests in sales



Source: MOFSL, Company

Exhibit 10: EBIT margins to expand to 15.9% by FY27, a flatter recovery path compared to our earlier assumptions



Source: MOFSL, Company

Financials and valuations

Income Statement						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales	2,69,413	2,86,287	2,61,086	3,31,830	3,55,170	3,81,744	4,22,896	4,71,415
Change (%)	12.2	6.3	(8.8)	27.1	7.0	7.5	10.8	11.5
Cost of Services	1,77,967	1,95,985	1,78,271	2,32,037	2,46,214	2,67,641	2,96,042	3,29,429
Gross Profit	91,446	90,302	82,815	99,793	1,08,956	1,14,103	1,26,853	1,41,986
SG&A Expenses	36,068	26,759	30,330	37,915	45,082	47,824	51,593	56,570
EBITDA	55,378	63,543	52,485	61,878	63,874	66,279	75,260	85,416
% of Net Sales	20.6	22.2	20.1	18.6	18.0	17.4	17.8	18.1
Depreciation	8,239	8,520	5,971	7,227	8,189	10,090	11,418	10,371
EBIT	47,139	55,023	46,514	54,651	55,685	56,189	63,842	75,045
% of Net Sales	17.5	19.2	17.8	16.5	15.7	14.7	15.1	15.9
Other Income	1,796	3,410	6,426	4,065	4,802	7,058	7,612	8,485
PBT	48,934	58,434	52,940	58,716	60,487	63,247	71,454	83,530
Tax	8,780	14,262	13,439	13,812	14,641	16,214	17,506	20,465
Rate (%)	17.9	24.4	25.4	23.5	24.2	25.6	24.5	24.5
Minority Interest	0	0	0	11	25	0	0	0
Extraordinary	0	-571	0	800	0	0	0	0
Adjusted PAT	40,154	44,172	39,501	44,904	45,846	47,032	53,948	63,065
Change (%)	-3	10	-11	14	2	3	15	17

Balance Sheet						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	174	175	296	296	296	296	296	296
Reserves	53,866	72,859	1,42,576	1,65,625	1,99,876	2,27,161	2,58,459	2,95,046
Net Worth	54,040	73,034	1,42,872	1,65,921	2,00,172	2,27,457	2,58,755	2,95,342
Minority Interest	11	37	57	71	92	92	92	92
Other liabilities	10,886	7,697	11,972	14,143	17,934	17,919	17,954	17,996
Capital Employed	64,937	80,768	1,54,901	1,80,135	2,18,198	2,45,468	2,76,801	3,13,430
Net Block	12,104	10,481	13,772	17,823	21,224	19,134	15,716	13,344
Intangibles	7,684	9,241	14,861	15,452	15,078	15,078	15,078	15,078
Other LT Assets	5,170	6,056	27,805	29,789	50,798	46,880	49,884	53,426
Curr. Assets	63,290	81,313	1,49,386	1,71,897	1,88,530	2,13,742	2,49,727	2,90,183
Current Investments	22,186	36,282	57,882	53,349	77,494	92,494	1,12,494	1,32,494
Debtors	27,541	26,906	56,271	72,284	70,387	66,936	74,152	82,659
Cash & Bank Balance	5,252	7,594	14,462	23,389	18,200	24,955	30,844	39,396
Other Current Assets	8,311	10,531	20,771	22,875	22,449	29,357	32,238	35,634
Current Liab. & Prov	23,311	26,323	50,923	54,826	57,432	49,366	53,604	58,602
Trade payables	7,269	8,277	13,250	12,938	14,939	9,544	10,572	11,785
Other liabilities	13,454	14,504	31,381	33,754	34,007	31,336	34,546	38,330
Provisions	2,588	3,542	6,292	8,134	8,486	8,486	8,486	8,486
Net Current Assets	39,979	54,990	98,463	1,17,071	1,31,098	1,64,376	1,96,123	2,31,581
Application of Funds	64,937	80,768	1,54,901	1,80,135	2,18,198	2,45,468	2,76,801	3,13,430

Pro Forma P&L statement for the combined entity (LTIM) from FY20 to FY21

* Standalone (LTI) Balance Sheet from FY20 to FY21

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EPS	89.4	98.9	133.5	151.8	154.8	158.7	182.1	212.8
Cash EPS	107.8	117.8	153.7	173.5	182.5	192.8	220.6	247.8
Book Value	120.3	161.5	483.0	560.9	676.0	767.6	873.2	996.7
DPS	22.7	37.6	63.9	60.0	65.0	66.6	76.4	89.4
Payout %	25.4	38.0	47.9	39.5	42.0	42.0	42.0	42.0
Valuation (x)								
P/E	54.5	49.3	36.5	32.1	31.5	30.7	26.8	22.9
Cash P/E	45.2	41.4	31.7	28.1	26.7	25.3	22.1	19.7
EV/EBITDA	39.0	34.0	26.1	22.1	21.1	20.0	17.3	14.9
EV/Sales	8.0	7.5	5.2	4.1	3.8	3.5	3.1	2.7
Price/Book Value	40.5	30.2	10.1	8.7	7.2	6.4	5.6	4.9
Dividend Yield (%)	0.5	0.8	1.3	1.2	1.3	1.4	1.6	1.8
Profitability Ratios (%)								
RoE	78.0	70.4	36.6	26.1	24.4	22.0	22.2	22.8
RoCE	67.2	57.1	29.5	24.9	21.2	18.0	18.5	19.2
Turnover Ratios								
Debtors (Days)	37.31	34.30	79	80	72	64	64	64
Fixed Asset Turnover (x)	22.3	27.3	19.0	18.6	16.7	20.0	26.9	35.3

Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
CF from Operations	18,748	21,292	44,695	48,591	50,720	57,123	65,366	73,436
Cash for Working Capital	-2,313	2,704	-12,188	-17,645	5,975	-7,621	-8,826	-10,406
Net Operating CF	16,435	23,996	32,507	30,946	56,695	49,502	56,540	63,030
Net Purchase of FA	-2,426	-2,665	-10,529	-9,346	-8,330	-8,000	-8,000	-8,000
Free Cash Flow	14,009	21,331	21,978	21,600	48,365	41,502	48,540	55,030
Net Purchase of Invest.	-4,007	-13,895	-5,924	6,037	-30,791	-15,000	-20,000	-20,000
Net Cash from Invest.	-6,433	-16,560	-16,453	-3,309	-39,121	-23,000	-28,000	-28,000
Proc. from equity issues	0	1	2	12	0	0	0	0
Proceeds from LTB/STB	-3,221	230	-3,529	-3,702	-4,947	0	0	0
Dividend Payments	-5,679	-5,319	-13,277	-15,627	-17,753	-19,747	-22,650	-26,478
Cash Flow from Fin.	-8,900	-5,088	-16,804	-19,317	-22,700	-19,747	-22,650	-26,478
Exchange difference	0	-6	21	607	-63	0	0	0
Net Cash Flow	1,102	2,342	-729	8,927	-5,189	6,755	5,889	8,552
Opening Cash Bal. + Merger Adj.	4,150	5,252	15,191	14,462	23,389	18,200	24,955	30,844
Add: Net Cash	1,102	2,342	-729	8,927	-5,189	6,755	5,889	8,552
Closing Cash Bal.	5,252	7,594	14,462	23,389	18,200	24,955	30,844	39,396

E: MOFSL Estimates

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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