

India

ADD (no change)

Consensus ratings*: Buy 22 Hold 6 Sell 11

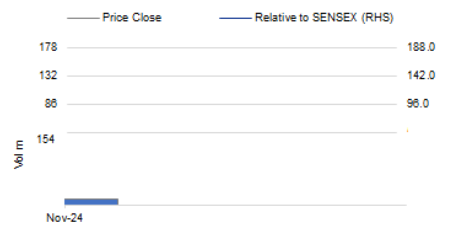
Current price:	Rs6,227
Target price:	Rs7,238
Previous target:	Rs7,264
Up/downside:	16.2%
InCred Research / Consensus:	12.2%

Reuters:	LRTI.NS
Bloomberg:	LTIM IN
Market cap:	US\$21,869m
	Rs1,844,382m
Average daily turnover:	US\$36.5m
	Rs3081.4m
Current shares o/s:	296.0m
Free float:	31.3%

*Source: Bloomberg

Key changes in this note

- Expect 9.7% revenue CAGR over FY25F-27F.
- Expect 17% EBIT CAGR over FY25F-27F.
- Expect 16% PAT CAGR over FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.5	8.3	13.8
Relative (%)	4.7	10.6	(6.2)

Major shareholders	% held
FPI	7.4
LIC	7.0
UTI Flexi Cap Fund	1.1

Research Analyst(s)



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LTIMindtree Ltd

Analyst day takeaways + trimming 3QFY25F

- Aiming at 11-13% CAGR to achieve US\$10bn revenue by FY31F/32F.
- Commentary on large accounts, deals and verticals was encouraging.
- Reiterates immediate goal of achieving 17-18% EBIT margin.

Aiming at US\$10bn revenue by FY31F/32F

We attended LTIMindtree’s analyst meet at its Mensa Campus in Navi Mumbai. ‘Elevating Outcomes’ with artificial intelligence or AI in everything was the underlying theme wherein the company articulated the impact of AI & provided a deep dive on the progress of its three-pronged strategy and key growth initiatives to navigate the AI wave. LTIMindtree aims to achieve US\$10bn revenue by 1) leveraging strong foundation (large verticals BFSI & technology, mining 100+ Fortune 500 client base, horizontal capabilities of data & analytics, experience, core, cloud, and top-tier partnerships), 2) pivoting to AI in everything approach, 3) achieving 2x growth in large verticals BFSI & technology and 3x in others (manufacturing & resources, consumer, healthcare & life science), & 4) strategic acquisitions. The timeframe implies 11-13% CAGR.

Commentary on large deals was encouraging

LTIMindtree highlighted that large-deal conversations continue to be AI-driven and that it aims to double down efforts on 1) MINECRAFT 2.0 (maximize growth from Focus-100 accounts & expand this list), 2) ASPIRE (improve the cross and up-sell ratio beyond 5.9x), 3) PROJECT EVEREST (proactive large deal-making; 45+ in the last 18 months), and 4) PROJECT NEO (open and scale new logos; 150+ in the last 18 months and 20+ opened with AI opportunities). Large-deal pipeline (US\$5bn+; definition changed to US\$25m+ vs. US\$20m+ earlier) commentary was encouraging, both from a size (14 US\$100m+ and 21 in US\$50-100m+ deals) and nature (23% transformation-led, 10% empanelment, 17% vendor consolidation, 2% GCC & 48% cost optimization) perspective.

Tinkering 3Q/4QFY25F revenue to account for furloughs

Although the expected ramp-up of the US\$200m TCV deal (renewal + scope expansion), potential ramp-up in BFSI deals in final stages and the seasonal pass-through could aid 3QFY25F revenue, we remain cautious of furloughs (as three verticals witnessing furloughs account for ~80% of the revenue). Hence, we trim our 3Q/4QFY25F qoq growth to 1.5%/2% qoq vs. 2.1%/2.5% earlier. The medium-term EBIT margin target remains at 17-18%, with an upward bias, while the impact from the drop in utilization due to furloughs & hiring and wage hike (~200bp) could outweigh the tailwinds in 3QFY25F.

Earnings adjustment drives a marginal cut in our TP to Rs7,238

We continue to model ~9.7% US\$ revenue CAGR & 16% PAT (Rs) CAGR over FY25F-27F and retain target PE/G multiple of 2x. However, adjustments to 2HFY25F drive a modest change in our absolute estimates and target price. Weak recovery in the FSI vertical, large account-specific issues or challenges and/or furlough are downside risks.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	331,830	355,170	379,200	424,368	474,956
Operating EBITDA (Rsm)	61,077	63,874	67,208	78,084	90,242
Net Profit (Rsm)	44,083	45,821	48,584	56,347	65,350
Core EPS (Rs)	148.9	154.6	163.8	190.0	220.3
Core EPS Growth	11.6%	3.8%	6.0%	16.0%	16.0%
FD Core P/E (x)	41.81	40.28	38.02	32.78	28.26
DPS (Rs)	60.0	65.0	70.0	93.1	110.2
Dividend Yield	0.96%	1.04%	1.12%	1.49%	1.77%
EV/EBITDA (x)	29.14	27.68	25.95	22.03	18.75
P/FCFE (x)	85.52	42.44	52.48	45.04	37.65
Net Gearing	(38.3%)	(39.0%)	(45.1%)	(49.4%)	(53.6%)
P/BV (x)	11.12	9.23	8.10	7.19	6.38
ROE	28.6%	25.0%	22.7%	23.2%	23.9%
% Change In Core EPS Estimates			(6.67%)	(5.98%)	
InCred Research/Consensus EPS (x)					

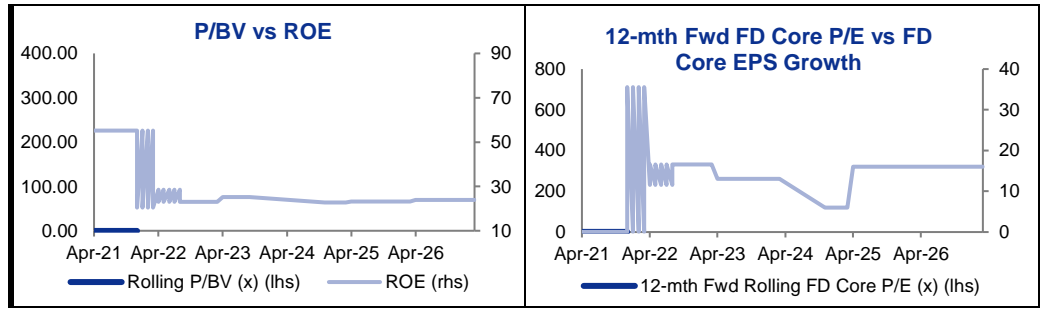
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Change in InCred estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	New	Old	% change	New	Old	% change	New	Old	% change
US\$ revenue	4,533	4,551	-0.4	4,963	4,983	-0.4	5,459	5,480	-0.4
Revenue	3,79,200	3,80,674	-0.4	4,24,368	4,26,010	-0.4	4,74,956	4,76,780	-0.4
EBIT	57,590	57,815	-0.4	67,899	68,162	-0.4	78,843	79,146	-0.4
EBIT margin (%)	15.2	15.2	(0)bp	16.0	16.0	(0)bp	16.6	16.6	0bp
Net PAT	48,584	48,782	-0.4	56,347	56,573	-0.4	65,350	65,610	-0.4
EPS (Rs)	163.8	164.5	-0.4	190.0	190.7	-0.4	220.3	221.2	-0.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	331,830	355,170	379,200	424,368	474,956
Gross Profit	123,031	127,847	133,971	152,772	173,359
Operating EBITDA	61,077	63,874	67,208	78,084	90,242
Depreciation And Amortisation	(7,227)	(8,189)	(9,618)	(10,185)	(11,399)
Operating EBIT	53,850	55,685	57,590	67,899	78,843
Financial Income/(Expense)	4,065	4,802	7,709	7,776	8,917
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	57,915	60,487	65,298	75,675	87,760
Exceptional Items					
Pre-tax Profit	57,915	60,487	65,298	75,675	87,760
Taxation	(13,812)	(14,641)	(16,683)	(19,297)	(22,379)
Exceptional Income - post-tax					
Profit After Tax	44,103	45,846	48,615	56,378	65,381
Minority Interests	(20)	(25)	(31)	(31)	(31)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	44,083	45,821	48,584	56,347	65,350
Recurring Net Profit	44,083	45,821	48,584	56,347	65,350
Fully Diluted Recurring Net Profit	44,083	45,821	48,584	56,347	65,350

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	61,077	63,874	67,208	78,084	90,242
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(17,645)	5,975	(4,152)	(6,667)	(7,417)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	4,235				
Net Interest (Paid)/Received	(1,504)	(2,217)	(2,833)	(2,833)	(2,833)
Tax Paid	(15,217)	(15,707)	(16,683)	(19,297)	(22,379)
Cashflow From Operations	30,946	51,925	43,539	49,287	57,613
Capex	(9,393)	(8,432)	(8,342)	(8,275)	(8,549)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	6,084	(30,689)	10,542	10,609	11,750
Cash Flow From Investing	(3,309)	(39,121)	2,199	2,334	3,201
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(15,627)	(17,753)	(20,727)	(27,610)	(32,675)
Preferred Dividends					
Other Financing Cashflow	(3,690)	(4,935)	(2,833)	(2,833)	(2,833)
Cash Flow From Financing	(19,317)	(22,688)	(23,560)	(30,443)	(35,508)
Total Cash Generated	8,320	(9,884)	22,179	21,178	25,306
Free Cashflow To Equity	21,553	43,493	35,197	41,011	49,064
Free Cashflow To Firm	29,141	15,021	48,571	54,454	63,647

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	76,738	95,694	120,675	144,651	172,758
Total Debtors	72,245	70,321	75,461	84,025	93,091
Inventories					
Total Other Current Assets	22,875	22,449	22,449	22,452	22,453
Total Current Assets	171,858	188,464	218,585	251,128	288,303
Fixed Assets	30,362	40,237	38,961	37,051	34,202
Total Investments	7,165	19,902	19,902	19,902	19,902
Intangible Assets	15,452	15,078	15,078	15,078	15,078
Total Other Non-Current Assets	10,124	11,949	11,949	11,949	11,949
Total Non-current Assets	63,103	87,166	85,890	83,980	81,131
Short-term Debt	1,253	407	407	407	407
Current Portion of Long-Term Debt					
Total Creditors	12,938	14,939	15,926	17,823	19,473
Other Current Liabilities	40,635	42,086	42,086	42,086	42,086
Total Current Liabilities	54,826	57,432	58,419	60,316	61,966
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	14,143	17,934	17,934	17,934	17,934
Total Non-current Liabilities	14,143	17,934	17,934	17,934	17,934
Total Provisions					
Total Liabilities	68,969	75,366	76,353	78,250	79,900
Shareholders Equity	165,921	200,172	228,029	256,766	289,441
Minority Interests	71	92	92	92	92
Total Equity	165,992	200,264	228,121	256,858	289,533

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	27.1%	7.0%	6.8%	11.9%	11.9%
Operating EBITDA Growth	16.4%	4.6%	5.2%	16.2%	15.6%
Operating EBITDA Margin	18.4%	18.0%	17.7%	18.4%	19.0%
Net Cash Per Share (Rs)	214.77	263.02	347.24	428.07	522.83
BVPS (Rs)	560.18	674.85	768.77	865.65	975.81
Gross Interest Cover	35.80	25.12	20.33	23.97	27.83
Effective Tax Rate	23.8%	24.2%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	40.3%	42.0%	42.7%	49.0%	50.0%
Accounts Receivables Days	70.68	73.26	70.16	68.59	68.06
Inventory Days					
Accounts Payables Days	22.89	22.38	22.97	22.68	22.57
ROIC (%)	53.6%	43.3%	41.6%	47.8%	53.1%
ROCE (%)	24.6%	21.3%	18.5%	19.4%	20.2%
Return On Average Assets	18.6%	16.5%	14.8%	15.8%	16.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.