

India

ADD (no change)

Consensus ratings*: Buy 24 Hold 6 Sell 12

Current price:	Rs4,666
Target price:	Rs5,320
Previous target:	Rs7,238
Up/downside:	14.0%
InCred Research / Consensus:	-14.1%
Reuters:	LRTI.NS
Bloomberg:	LTIM IN
Market cap:	US\$15,797m Rs1,382,454m
Average daily turnover:	US\$30.6m Rs2673.9m
Current shares o/s:	296.0m
Free float:	31.4%

*Source: Bloomberg

Key changes in this note

- Expect 7.3% revenue CAGR over FY25F-27F.
- Expect 13.4% EBIT CAGR over FY25F-27F.
- Expect 13.4% PAT CAGR over FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(21.1)	(24.4)	(12.0)
Relative (%)	(16.8)	(16.5)	(11.2)

Major shareholders	% held
FPI	7.5
LIC	7.1
UTI Flexi Cap Fund	1.1

Research Analyst(s)



Abhishek SHINDADKAR

T (91) 22 4161 1543

E abhishek.shindadkr@incredresearch.com

Vikas SWAMI

T (91) 22 4161 1544

E vikas.swami@incredresearch.com

LTIMindtree Ltd

It's tough out there

- Recent discussions suggest a bit of hesitancy around client commitments.
- Trim EBIT margin as headwinds may outweigh employee juniorization.
- Estimate revision drives our target price lower to Rs5,320 vs. Rs7,238 earlier.

Recent discussions suggest a bit of hesitancy

Our recent interactions with LTIMindtree suggest that despite the usual deal activity in run-the-business, banking financial services and insurance (BFSI) and cost takeout theme, there is a bit of hesitancy around discretionary spending and commitments. This, coupled with a full-quarter impact of pass-back of productivity gains to a hi-tech customer, drives our 4QFY25F revenue growth assumption lower while potential 1) slower global growth, 2) tariff-led client-specific challenges leading to a change in their IT spending pattern, and 3) pass-back of productivity gains led by artificial intelligence (AI) infusion drives our FY25F-FY27F US\$ revenue CAGR and target price lower.

Bookings could aid execution offset by productivity pass-back

Although 3QFY25 record deal intake (US\$1.68bn, up 29% qoq including US\$50m+ new logo win in manufacturing and two large deals in FSI) and 17 new logo addition (several AI-led) could aid 4QFY25F growth, the full-quarter impact of productivity pass-back could moderate reported revenue growth. Further, the timing of leadership change and the associated realignment, potentially, could be a major distraction for senior leadership from a perspective of building the FY26F deal pipeline.

Model 7.3% US\$ CAGR over FY25F-FY27F

We trim 4QFY25F US\$ revenue qoq growth to 0.8% and now model in a 7.3% US\$ revenue CAGR over FY25F-27F, vs. 9.7% earlier, to account for the reasons stated above. Our prior growth assumptions were predicated on demand uptick in the BFSI industry in the US and bottoming out of large customer-specific challenges across key verticals. However, tariff-led uncertainty and potential customer-specific challenges due to execution disruption in the near term, led by realignment and reorganization of roles, are key risks.

Headwinds may outweigh employee juniorization tailwinds

We trim our average FY25F-27F average EBIT margin assumption by 50bp to 15.4% as headwinds from slower revenue growth, potential request of pass-back of productivity gains by other customers, reinitiation of vendor consolidation-led deals and a revisit of the 'America First' policy could outweigh tailwinds from juniorization and INR depreciation.

Retain ADD rating, but with a lower target price of Rs5,320

We now model in a 7.3% US\$ revenue CAGR (9.7% earlier) & 13.4% PAT (Rs) CAGR (16%) over FY25F-27F and increase the discount to Tata Consultancy Services' (TCS) PE/G multiple to 25% (20%) to arrive at a lower target PE/G of 1.95x (2x). The discount is to account for growth moderation. Weak recovery in the FSI vertical, and large account-specific issues or challenges are key downside risks to estimates and target price..

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	331,830	355,170	381,688	415,335	454,211
Operating EBITDA (Rsm)	61,077	63,874	66,567	74,760	83,575
Net Profit (Rsm)	44,083	45,821	46,935	53,562	60,379
Core EPS (Rs)	148.9	154.6	158.1	180.3	203.3
Core EPS Growth	11.6%	3.8%	2.3%	14.0%	12.7%
FD Core P/E (x)	31.33	30.18	29.51	25.88	22.95
DPS (Rs)	60.0	65.0	70.0	88.4	101.6
Dividend Yield	1.29%	1.39%	1.50%	1.89%	2.18%
EV/EBITDA (x)	21.57	20.43	19.28	16.85	14.75
P/FCFE (x)	64.08	31.80	40.31	34.10	29.93
Net Gearing	(38.3%)	(39.0%)	(44.8%)	(49.7%)	(54.0%)
P/BV (x)	8.33	6.91	6.12	5.46	4.88
ROE	28.6%	25.0%	22.0%	22.3%	22.5%
% Change In Core EPS Estimates			(9.91%)	(10.75%)	
InCred Research/Consensus EPS (x)					

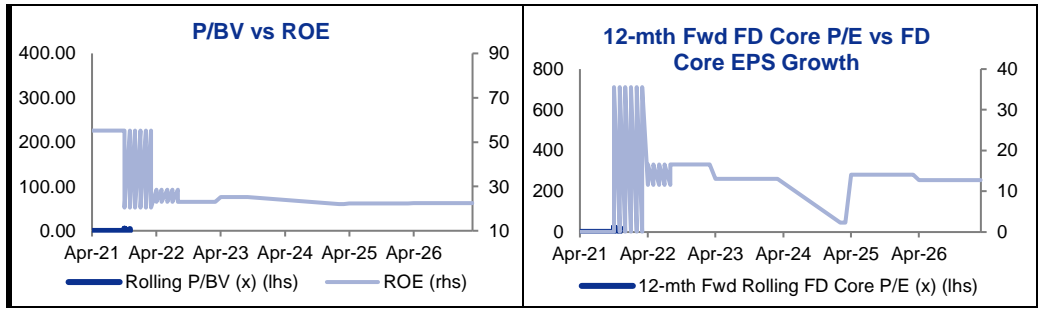
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	4,509	4,533	-0.5	4,802	4,963	-3.3	5,191	5,459	-4.9
Revenue	3,81,688	3,79,200	0.7	4,15,335	4,24,368	-2.1	4,54,211	4,74,956	-4.4
EBIT	56,479	57,590	-1.9	64,377	67,899	-5.2	72,674	78,843	-7.8
EBIT margin (%)	14.8	15.2	(39)bp	15.5	16.0	(50)bp	16.0	16.6	(60)bp
Net PAT	46,935	48,584	-3.4	53,562	56,347	-4.9	60,379	65,350	-7.6
EPS (Rs)	158.0	163.8	-3.4	180.3	190.0	-4.9	203.3	220.3	-7.6

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	381,688	415,335	454,211
Gross Profit	123,031	127,847	136,561	149,521	163,970
Operating EBITDA	61,077	63,874	66,567	74,760	83,575
Depreciation And Amortisation	(7,227)	(8,189)	(10,089)	(10,383)	(10,901)
Operating EBIT	53,850	55,685	56,479	64,377	72,674
Financial Income/(Expense)	4,065	4,802	6,964	7,578	8,432
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	57,915	60,487	63,442	71,955	81,106
Exceptional Items					
Pre-tax Profit	57,915	60,487	63,442	71,955	81,106
Taxation	(13,812)	(14,641)	(16,463)	(18,349)	(20,682)
Exceptional Income - post-tax					
Profit After Tax	44,103	45,846	46,980	53,607	60,424
Minority Interests	(20)	(25)	(45)	(45)	(45)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	44,083	45,821	46,935	53,562	60,379
Recurring Net Profit	44,083	45,821	46,935	53,562	60,379
Fully Diluted Recurring Net Profit	44,083	45,821	46,935	53,562	60,379

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	61,077	63,874	66,567	74,760	83,575
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(17,645)	5,975	(4,543)	(4,867)	(5,610)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	4,235				
Net Interest (Paid)/Received	(1,504)	(2,217)	(2,805)	(2,805)	(2,805)
Tax Paid	(15,217)	(15,707)	(16,463)	(18,349)	(20,682)
Cashflow From Operations	30,946	51,925	42,757	48,739	54,477
Capex	(9,393)	(8,432)	(8,397)	(8,099)	(8,176)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	6,084	(30,689)	9,769	10,383	11,237
Cash Flow From Investing	(3,309)	(39,121)	1,372	2,284	3,061
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(15,627)	(17,753)	(20,730)	(26,245)	(30,189)
Preferred Dividends					
Other Financing Cashflow	(3,690)	(4,935)	(2,805)	(2,805)	(2,805)
Cash Flow From Financing	(19,317)	(22,688)	(23,535)	(29,050)	(32,994)
Total Cash Generated	8,320	(9,884)	20,594	21,973	24,544
Free Cashflow To Equity	21,553	43,493	34,360	40,640	46,302
Free Cashflow To Firm	29,141	15,021	46,933	53,829	60,344

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	119,048	143,778	171,082
Total Debtors	72,245	70,321	75,956	82,236	89,025
Inventories					
Total Other Current Assets	22,875	22,449	22,449	22,452	22,453
Total Current Assets	171,858	188,464	217,453	248,467	282,560
Fixed Assets	30,362	40,237	38,545	36,261	33,536
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	85,474	83,190	80,465
Short-term Debt	1,253	407	407	407	407
Current Portion of Long-Term Debt					
Total Creditors	12,938	14,939	16,031	17,444	18,623
Other Current Liabilities	40,635	42,086	42,086	42,086	42,086
Total Current Liabilities	54,826	57,432	58,524	59,937	61,116
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	76,458	77,871	79,050
Shareholders Equity	165,921	200,172	226,377	253,694	283,883
Minority Interests	71	92	92	92	92
Total Equity	165,992	200,264	226,469	253,786	283,975

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:

- 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.

Sector Ratings

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.

Country Ratings

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.