

LTIMindtree Ltd.

BUY

Sector: IT

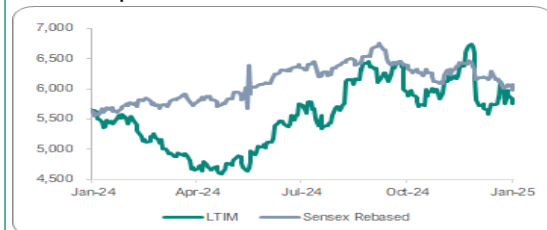
29th January 2025

Key Changes	Target ▲	Rating ▲	Earnings ▼	Target	Rs. 6,673
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	LTIM:IN	76,533	LTIM	540005	12 Months
				CMP	Rs. 5,881
				Return	+13%

Data as of: 29-01-2025

Company Data			
Market Cap (Rs. cr)	174,601		
52 Week High — Low (Rs.)	6,765-4,518		
Enterprise Value (Rs. cr)	174,582		
Outstanding Shares (cr)	29.6		
Free Float (%)	31.0		
Dividend Yield (%)	1.1		
6m average volume (cr)	0.05		
Beta	1.1		
Face value (Rs.)	1.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	68.6	68.6	68.6
FII's	7.3	7.4	7.4
MFs/Insti	14.2	14.9	15.0
Public	9.3	8.6	8.4
Others	0.6	0.6	0.6
Total	100.0	100.0	100.0
Promoters' pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-30%	-0.1%	1.9%
Absolute Sensex	-6.5%	-5.9%	6.2%
Relative Return	3.5%	5.8%	-4.3%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	38,386	43,037	48,716
Growth (%)	8.1	12.1	13.2
EBITDA	6,776	7,949	9,167
EBITDA Margin (%)	17.7	18.5	18.8
PAT Adjusted	4,733	5,583	6,484
Growth (%)	3.3	18.0	16.1
Adjusted EPS	159.8	188.4	218.8
Growth (%)	3.3	18.0	16.1
P/E	36.8	31.2	26.8
P/B	7.3	6.3	5.4
EV/EBITDA	25.2	21.4	18.5
ROE (%)	20.3	20.5	20.4
D/E	0.1	0.1	0.1

Strong order inflow to drive future performance

LTIMindtree Ltd (LTIM) is a global information technology (IT) consulting and digital solutions company focusing on verticals such as banking, financial services and insurance (BFSI), retail, travel and hospitality, manufacturing and resources, health, and hi-tech.

- Consolidated revenue increased 7.1% YoY to Rs. 9,661cr in Q3FY25, driven by growth in the BFSI and High-Tech, Media & Entertainment segments.
- All the segments logged growth in this quarter. While BFSI grew 10.1% YoY, technology, media, and communication rose 10.7% YoY, manufacturing and resources clocked 1.9% growth YoY, and customer business and healthcare, life sciences & public services verticals grew 2.2%.
- EBITDA increased marginally by 0.5% YoY to Rs. 1,593cr, but EBITDA margin declined 110bps YoY owing to higher employee expenses (+11% YoY).
- Reported PAT fell 7.1% YoY to Rs. 1,087cr, primarily due to muted EBITDA during the quarter.
- Order inflows stood at a record high of USD 1.68bn, a 29% increase QoQ. LTIM had 742 active clients as of Dec 31, 2024.

Outlook & Valuation

LTIM reported growth across all its segments in Q3FY25, but profit margins fell due to increased expenses. Strong order pipeline along with cost reduction and vendor consolidation, expected to support its revenue and margins in the future. Thus, the company giving a positive outlook for FY25 and FY26. The company's partnership with voicing.ai's agentic AI is expected to reduce the cost and provide superior service to the clients. With increasing number of deals and sustained growth in BFSI sector, the company expects to improve the profit margins in the future. Hence, **we upgrade our rating to BUY on the stock with a rolled forward target price of Rs. 6,673 using a target multiple of 30.5x P/E on FY27E adj. EPS.**

Quarterly Financials Consol.

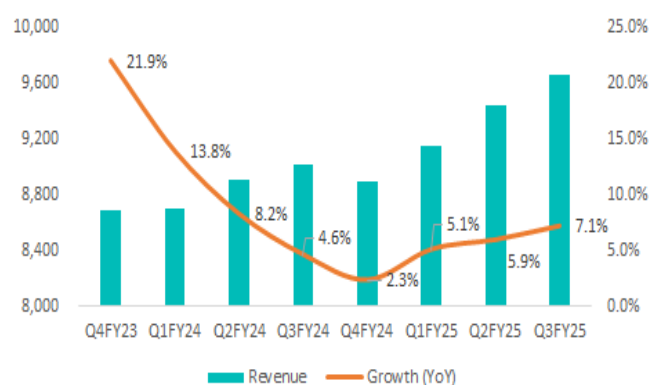
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	9,661	9,017	7.1	9,433	2.4	28,236	26,624	6.1
EBITDA	1,593	1,585	0.5	1,699	-6.2	4,899	4,852	1.0
Margin (%)	16.5	17.6	-110bps	18.0	-150bps	17.3	18.2	-90bps
EBIT	1,329	1,386	-4.1	1,458	-8.9	4,158	4,260	-2.4
PBT	1,473	1,545	-4.7	1,687	-12.7	4,685	4,600	1.8
Rep. PAT	1,087	1,169	-7.1	1,252	-13.2	3,473	3,484	-0.3
Adj PAT	1,085	1,169	-7.1	1,251	-13.2	3,470	3,482	-0.3
EPS (Rs.)	36.6	39.4	-7.1	42.2	-13.2	117.0	117.7	-0.6



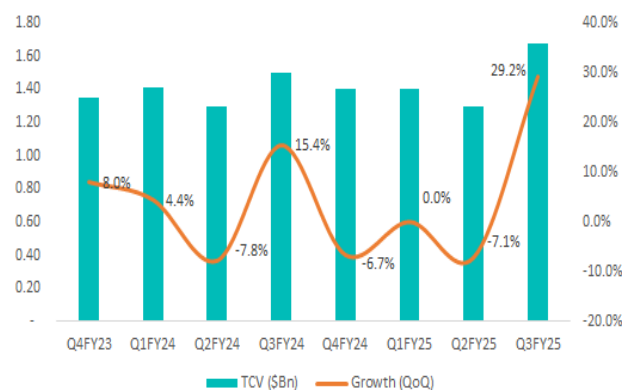
Key Concall Highlights

- In Q3Y25, the company added 2,362 employees, a 6.3% increase compared with the previous year-end. Total headcount at the quarter-end was 86,800.
- Cash conversion metrics improved during the quarter. Operating cash flow to PAT ratio increased to 126.3% from 74.2% in Q2FY25. Free cash flow to PAT ratio also increased to 106.8% from 54.5% in Q2FY25.
- The company won a deal worth USD 50 million in Q3FY25, which will manage the customer's application stack, ERP and infrastructure using the AI platform.
- The quarter recorded the highest number of orders to date, including new logos in the manufacturing sector (USD 50 million) and two deals in the banking and financial services sector. The company also opened 17 new logos.
- The company strengthened its partnerships to enhance its AI-led transformative services during the quarter. It has partnered with GitHub, Microsoft and AWS to accelerate AI-driven software engineering and drive digital transformation for global enterprises.

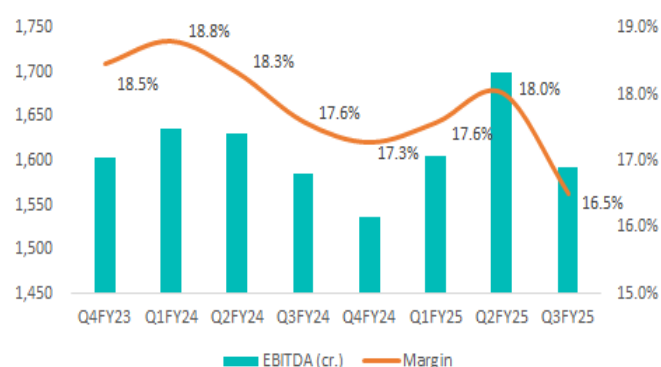
Revenue



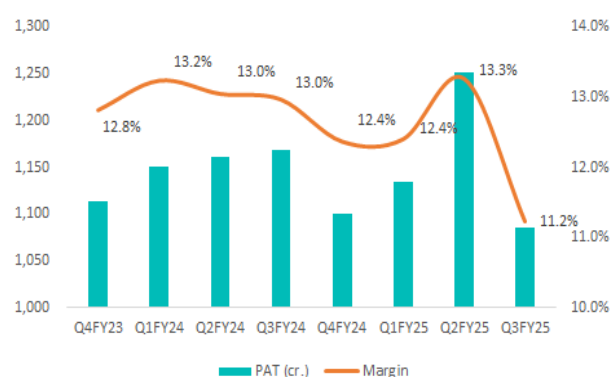
Total Contract Value



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	38,283	43,333	38,386	43,037	48,716	0.3	(0.7)
EBITDA	7,092	8,097	6,776	7,949	9,167	-4.5	-1.8
Margins (%)	18.5	18.7	17.7	18.5	18.8	-80bps	-20bps
Adj. PAT	5,025	5,712	4,733	5,583	6,484	-5.8	-2.3
EPS	169.7	192.9	159.8	188.4	218.8	-5.8	-2.3



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	33,183	35,517	38,386	43,037	48,716
% change	27.1	7.0	8.1	12.1	13.2
EBITDA	6,108	6,387	6,776	7,949	9,167
% change	16.4	4.6	6.1	17.3	15.3
Depreciation	723	819	976	1,098	1,181
EBIT	5,385	5,569	5,800	6,851	7,987
Interest	150	222	283	319	323
Other Income	557	702	800	920	990
PBT	5,792	6,049	6,317	7,452	8,654
% change	9.4	4.4	4.4	18.0	16.1
Tax	1,381	1,464	1,579	1,863	2,163
Tax Rate (%)	23.8	24.2	25.0	25.0	25.0
Reported PAT	4,410	4,585	4,738	5,589	6,490
PAT att. to common shareholders	4,408	4,582	4,733	5,583	6,484
Adjustment	-	-	-	-	-
Adj PAT	4,408	4,582	4,733	5,583	6,484
% change					
No. of shares (cr)	29.6	29.6	29.6	29.6	29.6
Adj EPS (Rs.)	149.0	154.7	159.8	188.4	218.8
% change	11.7	3.8	3.3	18.0	16.1
DPS (Rs.)	40.0	65.0	47.9	56.5	65.7

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Deprn.	5,133	5,404	5,714	6,687	7,671
Non-cash adj.	-482	-661	-609	-1,797	-1,671
Changes in W.C	-1,557	927	-439	-693	-827
C.F. Operation	3,095	5,670	4,666	4,197	5,173
Capital exp.	-935	-833	-979	-1,097	-1,242
Change in inv.	626	-3,331	-1,998	-999	-500
Other invest.CF	-22	251	0	0	0
C.F – Investment	-331	-3,912	-2,977	-2,097	-1,742
Issue of equity	0	1	-	-	-
Issue/repay debt	67	-87	25	25	25
Dividends paid	-1,563	-1,775	-1,420	-1,675	-1,945
Other finance.CF	-436	-408	-83	-319	-323
C.F – Finance	-1,932	-2,269	-1,478	-1,969	-2,243
Chg. in cash	832	-511	211	131	1,189
Closing cash	2,339	1,820	2,031	2,163	3,351

Balance Sheet

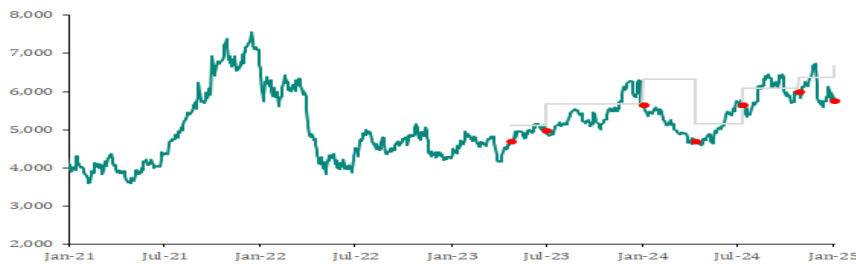
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	2,339	1,820	2,031	2,163	3,351
Accounts Receivable	5,623	5,706	6,142	6,929	7,892
Inventories	3	3	4	4	5
Other Cur. Assets	9,220	11,317	12,159	14,270	16,254
Investments	717	1,990	3,989	4,988	5,487
Gross Fixed Assets	4,447	5,778	6,757	7,855	9,097
Net Fixed Assets	2,224	3,557	3,443	3,296	3,212
CWIP	813	467	584	730	875
Intangible Assets	1,545	1,508	1,524	1,540	1,557
Other Assets	631	970	1,027	1,038	1,049
Total Assets	23,496	27,563	31,104	35,139	39,847
Current Liabilities	5,357	5,703	5,699	5,794	5,930
Provisions	35	16	17	19	20
Debt Funds	1,313	1,768	1,993	2,018	2,043
Other Liabilities	192	51	50	51	50
Equity Capital	30	30	30	30	30
Reserves & Surplus	16,570	19,997	23,315	27,229	31,774
Shareholder's Fund	16,599	20,026	23,344	27,258	31,804
Total Liabilities	23,496	27,563	31,104	35,139	39,847
BVPS (Rs.)	561	676	788	920	1,073

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	18.4	18.0	17.7	18.5	18.8
EBIT margin (%)	16.2	15.7	15.1	15.9	16.4
Net profit mgn.(%)	13.3	12.9	12.3	13.0	13.3
ROE (%)	26.6	22.9	20.3	20.5	20.4
ROCE (%)	30.1	25.6	22.9	23.4	23.6
W.C & Liquidity					
Receivables (days)	61.9	58.6	58.4	58.8	59.1
Inventory (days)	-	-	-	-	-
Payables (days)	14.2	15.4	14.2	13.4	12.9
Current ratio (x)	3.1	3.3	3.5	4.0	4.6
Quick ratio (x)	2.3	2.5	2.7	3.1	3.5
Turnover & Leverage					
Gross asset T.O (x)	7.9	6.9	6.1	5.9	5.7
Total asset T.O (x)	1.5	1.4	1.3	1.3	1.3
Int. coverage ratio (x)	35.8	25.1	20.5	21.5	24.7
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	4.2	4.1	4.4	4.0	3.5
EV/EBITDA (x)	22.9	22.9	25.2	21.4	18.5
P/E (x)	31.9	31.9	36.0	30.5	26.3
P/BV (x)	8.5	7.3	7.3	6.3	5.4



Recommendation Summary (last 3 years)



Dates	Rating	Target
15-May-23	HOLD	5,112
20-Jul-23	BUY	5,665
23-Jan-24	BUY	6,320
2-May-24	HOLD	5,155
31-Jul-24	HOLD	6,097
14-Nov-24	HOLD	6,364
29-Jan-25	BUY	6,673

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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