

# LTIMindtree

## Uninspiring Q4

LTIMindtree (LTIM) delivered a muted print, impacted by project cancellations in BFSI. The company has been impacted by higher exposure to BFSI including large-client related risks, sub-optimal deal pipeline and an extended period of integration (reflected in limited synergy/executive attrition). We, however, remain positive on LTIM's medium-term prospects. LTIM's strong competencies across the spectrum of services (comparable and even better than some larger peers) as well as its strong large client mining track record can drive growth outperformance vs. larger peers. Margin recovery is premised on growth recovery as drivers such as utilisation and delivery optimization (offshore/sub-con) are not levers. We build 6.4% and 14.3% revenue growth for FY25E and FY26E and an EBITM recovering to 16.0/17.0% for FY25/26E, translating to 17% EPS CAGR over FY24-26E. Cut EPS by 3-5% to factor delayed margin recovery - maintain ADD on LTIM with a TP of INR 5,340, based on 25x FY26E EPS.

- Revenue decline on impact from BFSI and Manufacturing & Resources decline:** LTIM's weak revenue print at USD 1,069mn, -1.3% QoQ (HSIE est. USD 1,077mn), was impacted by 2.8% QoQ drop in BFSI revenue (cancellation of 2 projects in Q4) and a 9.6% sequential drop in Manufacturing & Resources vertical on lower passthrough. For FY24, the BFSI vertical, Tech, Media & Comms vertical and Consumer vertical underperformed the company average, while Manufacturing & Resources outperformed (higher mix of cost efficiency programs).
- Weakness in discretionary offsetting book-to-bill of 1.3x:** LTIM's portfolio mix is changing from being high on discretionary to moving towards cost optimization. This mix led to a steeper growth deceleration in FY24 and a disconnect with book-to-bill and revenue growth – while book-to-bill improved to >1.3x in FY24, revenue growth decelerated from 17.2% to 4.4%. The current deal pipeline has >80% of deals that are on the cost optimization side, which entails more infrastructure services deals that also have margin implications.
- Margin recovery contingent on growth recovery:** Margin decline was due to revenue decline and higher employee expenses (onsite related) leading to 65bps drop in EBITM at 14.7%. Lower furloughs and lower passthrough were a 70bps margin tailwind, offset by -80bps from project cancellation, and higher SG&A impact. Over the past two quarters, LTIM's profitability has taken a severe impact and is now nearly 280bps below pre-merger operating margins of 17.5%. There are limitations in levers such as utilization (near peak) and sub-con (at the lower end). Growth recovery and subsequent improvement in segmental margin (BFSI) can drive the improvement – towards pre-merger margin by FY26E. We're factoring EBITM of 16.0/17.0% for FY25 and FY26E respectively following 15.7% in FY24 – largely gross margin-led expansion of >100bps over FY24-26E. Internal cost management programs to drive pyramid optimization, and pricing can support the targeted levels of 17-18%. Risk remains deferment of the margin improvement timelines owing to muted growth.

### Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Revenue (USD mn)	1,069	1,058	1.1	1,084	(1.3)	4,106	4,287	4,560	5,213
Net Sales	88.93	86.91	2.3	90.17	(1.4)	331.83	355.17	380.82	443.06
EBIT	13.09	14.21	(7.9)	13.86	(5.6)	53.85	55.69	60.93	75.11
APAT	11.01	11.14	(1.2)	11.69	(5.9)	44.10	45.85	51.77	63.22
Diluted EPS (INR)	37.2	37.7	(1.2)	39.6	(5.9)	149.1	155.0	175.0	213.7
P/E (x)						31.7	30.5	27.0	22.1
EV / EBITDA (x)						21.7	20.4	18.2	14.6
RoE (%)						28.6	25.0	24.1	25.5

Source: Company, HSIE Research

## ADD

CMP (as on 24 Apr 2024) INR 4,727

Target Price INR 5,340

NIFTY 22,402

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 5,630	INR 5,340
EPS %	FY25E	FY26E
	-3.9	-5.1

### KEY STOCK DATA

Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / (\$ mn)	1,400/16,806
6m avg traded value (INR mn)	2,598
52 Week high / low	INR 6,443/4,148

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.9)	(9.1)	13.0
Relative (%)	(19.8)	(23.5)	(10.0)

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	68.64	68.60
FIs & Local MFs	12.93	13.58
FPIs	8.65	7.86
Public & Others	9.78	9.96
Pledged Shares	0.00	0.00

Source : BSE

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- **High exposure to BFSI:** LTIM's BFSI vertical is 35% of overall revenue, which has been more severely hit among other verticals. LTIM's high client concentration within the vertical and cost rationalization in large enterprise clients have led to weakness over the past year. Q4 was impacted by 2 project cancellations in the BFSI vertical. LTIM's senior management attrition persists which is also leading to growth deceleration and risk of delayed recovery (*exhibit: 9*).
- **Strong technology partnerships and challenger to Tier-1s:** LTIM has strong technology credentials, and domain/sub-vertical capabilities and is ahead on several competencies than some of the larger peers. LTIM has a strong set of services/domain strengths both from erstwhile LTI (SAP, AWS, Microsoft, BFSI and E&U verticals) and erstwhile Mindtree (front-end digital, data & analytics and product engineering, Microsoft, Adobe, hi-tech vertical, travel and insurance verticals) that can support deeper client mining (a key tenet of revenue synergy that still holds). Deep expertise in sub-verticals, e.g., insurance within BFSI, can also enable durable growth in the medium term.
- **Outlook:** We have factored revenue growth to recover from 4.4% in FY24 to 6.4% and 14.3% in FY25E and FY26E, implying 3.0/3.5% CQGR respectively. LTIM will cross the USD 5bn revenue rate by H1FY26E. Factored EBITM improvement from 15.7% in FY24 to 16.0% and 17.0% in FY25E and FY26E based on gross margin convergence with larger peers supported by growth recovery and better segmental margin (BFSI, Manufacturing & Resources verticals). We lower our estimate to factor in more meaningful margin recovery post FY25E. LTIM's valuations and earnings have corrected, and the risks are adequately priced in at current valuations. At CMP, LTIM trades at 27x and 22x FY25E and FY26E as compared to the historical average of 28x. We maintain ADD on LTIM with a TP of INR 5,340 based on 25x FY26E EPS (INR 214). FCF generation improved in FY24 – FCF/APAT at 105% in FY24 as compared to 50% in FY23 supported by lower DSO.

#### Key highlights from the earnings call

- Q4 order inflow was USD 1.4bn and order inflow in FY24 was USD 5.6bn, up 15.7% YoY. F500 clients stand at 104 with 9 additions in FY24.
- Revenue had a higher than anticipated impact from some of the customers within T40 partially on account of insourcing – LTIM's T40 contributes 58% to revenue. There is the same level of caution in discretionary spending and 80% of the deals in the pipeline are cost takeout/consolidation deals.
- BFSI vertical declined by 2.8% QoQ due to the cancellation of two projects as clients reprioritized their spending which also had an impact on margins. LTIM booked 2 large deals in BFSI in Q4 which is a combination of cost takeout and core transformation and the pipeline in BFSI is strong.
- Senior management attrition is business-as-usual and not related to integration concerns and the company's leadership bandwidth increased with the merger of the two entities.
- Multi-year higher-cost takeout deals tend to have higher offshoring. The comfortable band for the company for utilisation is 85-86%.

**Exhibit 1: Quarterly consolidated Financial Snapshot**

Particulars (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue (USD mn)	1,069	1,057	1.1	1,083	(1.3)	4,287	4,106	4.4
Revenue	88.93	86.91	2.3	90.17	(1.4)	355.17	331.83	7.0
Direct cost	62.42	60.92	2.5	63.22	(1.3)	246.21	232.04	6.1
SG&A Expenses	11.15	9.95	12.1	11.09	0.5	45.08	38.72	16.4
<b>EBITDA</b>	<b>15.36</b>	<b>16.04</b>	<b>(4.2)</b>	<b>15.85</b>	<b>(3.1)</b>	<b>63.87</b>	<b>61.08</b>	<b>4.6</b>
Depreciation	2.27	1.82	24.5	1.99	14.1	8.19	7.23	13.3
<b>EBIT</b>	<b>13.09</b>	<b>14.21</b>	<b>(7.9)</b>	<b>13.86</b>	<b>(5.6)</b>	<b>55.69</b>	<b>53.85</b>	<b>3.4</b>
Other Income	2.24	1.19	88.7	1.77	26.6	6.90	4.54	51.9
Interest Cost	0.68	0.44	56.0	0.61	12.0	2.22	1.50	47.4
FX Gains / (Loss)	(0.16)	(0.52)	(68.6)	0.43	(138.5)	0.12	1.03	(88.5)
<b>PBT</b>	<b>14.48</b>	<b>14.44</b>	<b>0.3</b>	<b>15.45</b>	<b>(6.2)</b>	<b>60.49</b>	<b>57.92</b>	<b>4.4</b>
Tax	3.48	3.30	5.3	3.75	(7.4)	14.64	13.81	6.0
<b>RPAT</b>	<b>11.01</b>	<b>11.14</b>	<b>(1.2)</b>	<b>11.69</b>	<b>(5.9)</b>	<b>45.85</b>	<b>44.10</b>	<b>4.0</b>
<b>APAT</b>	<b>11.01</b>	<b>11.14</b>	<b>(1.2)</b>	<b>11.69</b>	<b>(5.9)</b>	<b>45.85</b>	<b>44.10</b>	<b>4.0</b>

Source: Company, HSIE Research

**Margin Analysis**

MARGIN ANALYSIS %	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)	FY24	FY23	YoY (bps)
Direct cost % Net Sales	70.2	70.1	10	70.1	7	69.3	69.9	(60)
SG&A Expenses % Net Sales	12.5	11.4	109	12.3	23	12.7	11.7	103
Gross Margin %	29.8	29.9	(10)	29.9	(7)	30.7	30.1	60
EBITDA Margin (%)	17.3	18.5	(118)	17.6	(31)	18.0	18.4	(42)
<b>EBIT Margin (%)</b>	<b>14.7</b>	<b>16.4</b>	<b>(164)</b>	<b>15.4</b>	<b>(65)</b>	<b>15.7</b>	<b>16.2</b>	<b>(55)</b>
Tax Rate (%)	24.0	22.9	114	24.3	(30)	24.2	23.9	36
APAT Margin (%)	12.4	12.8	(44)	13.0	(59)	12.9	13.3	(38)

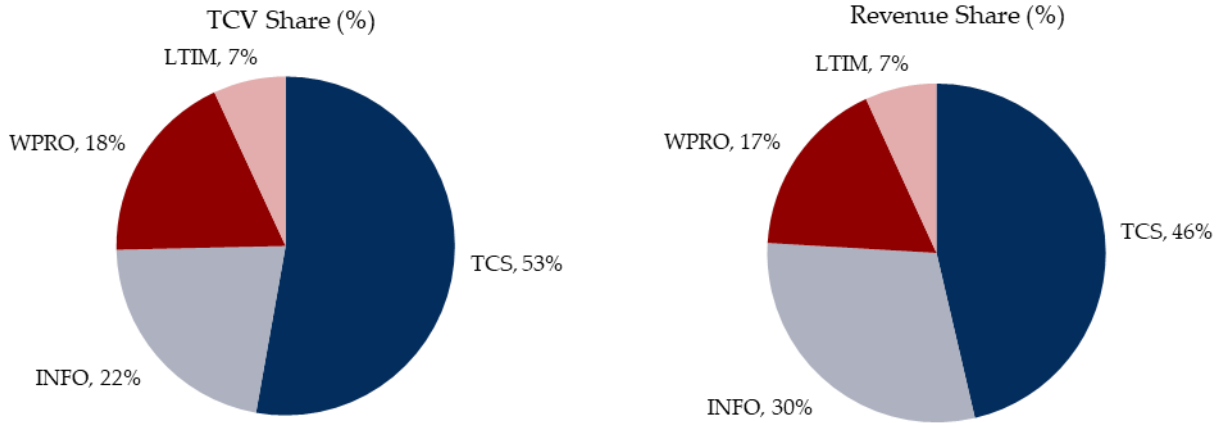
Source: Company, HSIE Research

Exhibit 2: LTIM's growth trend

Revenue growth (QoQ % CC)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
TCS	2.4%	4.0%	3.0%	2.6%	3.5%	4.0%	2.3%	0.6%	0.0%	0.1%	1.0%	1.1%
INFO	4.2%	6.3%	7.0%	1.2%	5.5%	4.0%	2.4%	-3.2%	0.4%	2.3%	-1.0%	-2.2%
WPRO	12.0%	8.1%	3.0%	3.1%	2.1%	4.1%	0.6%	-0.6%	-2.8%	-2.0%	-1.7%	-0.3%
LTIM	5.9%	10.6%	7.5%	3.2%	5.0%	5.5%	1.9%	0.7%	0.1%	1.7%	0.7%	-1.3%

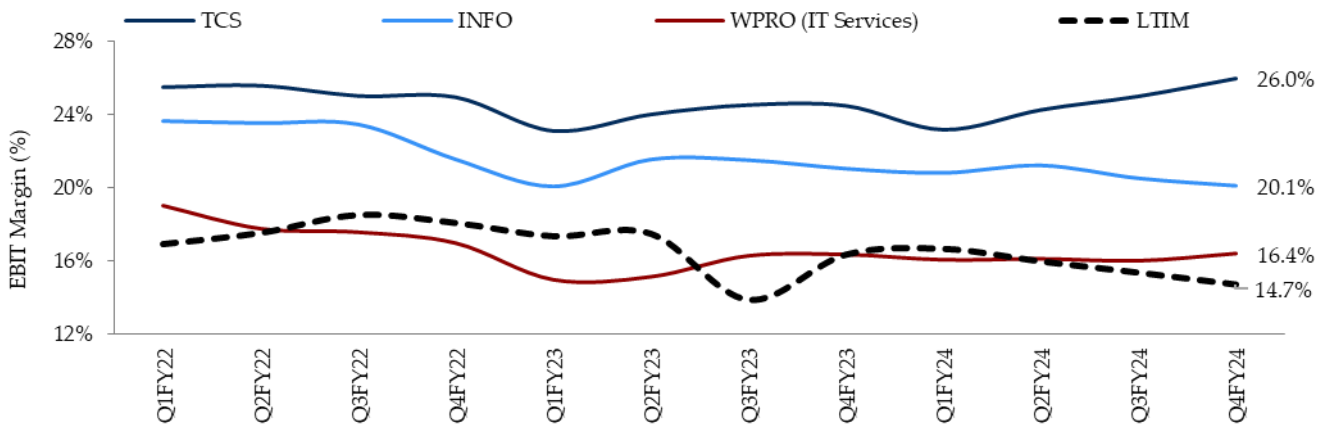
Source: Company, HSIE Research

Exhibit 3: LTIM' TCV & revenue market share



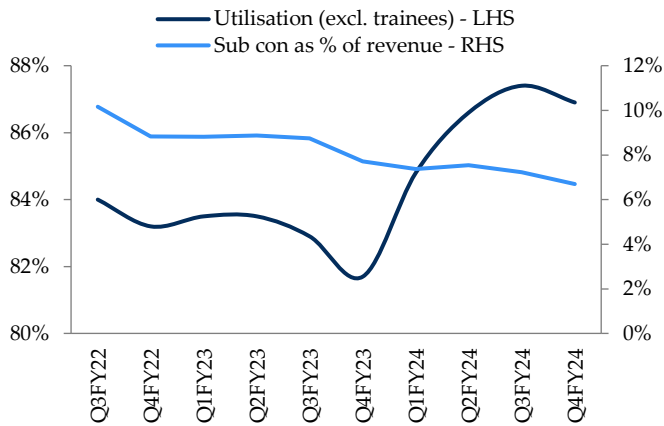
Source: Company, HSIE Research. Note: Infosys TCV represents large deal TCV while others are Total TCV

Exhibit 4: Large scope for margin improvement



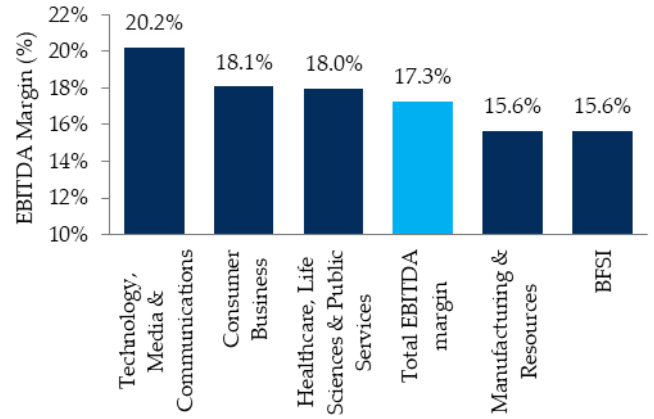
Source: Company, HSIE Research

**Exhibit 5: Limited scope from utilisation & sub-contracting to support margin improvement**



Source: Company, HSIE Research

**Exhibit 6: BFSI and Manufacturing & resources has scope to aid margin improvement**



Source: Company, HSIE Research

**Exhibit 7: LTIM has strong competences**

	Salesforce certified experts (Nos)	AWS certifications	AWS Competencies	AWS Customer launches	ServiceNow certified resources	Adobe certified employees	Google Cloud premier partner	SAP Global Service Partners	Oracle Global SI Partners
Accenture	23,762	2000+	30	2000+	1,861	1,249	Y	Y	Y
Cognizant	11,009	2000+	12	500+	962	1,116	Y	Y	Y
Capgemini	8,491	2000+	13	500+	446	392		Y	
TCS	7,726	2000+	18	500+	462	872	Y	Y	Y
Infosys	6,731	2000+	15	400+	877	448	Y	Y	Y
Wipro	4,731	2000+	12	200+	281	96	Y	Y	Y
HCLT	1,862	2000+	12	200+	322	329	Y	Y	
TECHM	1,822	2000+	10	300+	124	164	Y	Y	
LTIMindtree	1,755	1000+	9	200+	183	132		Y	
Mphasis	623	500+	6	50+	5	1			
Persistent	2,471	1000+	6	50+	3	7	Y		
EPAM	1,380	2000+	6	500+	33	209	Y		

Source: Company, HSIE Research

**Exhibit 8: High credentials in largest enterprise client**

	Accenture	Cognizant	Capgemini	DXC Tech	TCS	Infosys	Wipro	HCL Tech	TECHM	LTIM
Azure	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Developer Tools	Y	Y			Y		Y			Y
Dynamics 365		Y	Y	Y	Y	Y	Y			Y
Dynamics 365 Enterprise		Y	Y	Y	Y	Y	Y	Y	Y	Y
Dynamics AX, GP, NAV, SL		Y			Y	Y	Y		Y	Y
Enterprise Mobility & Security		Y	Y	Y	Y	Y	Y	Y	Y	Y
Exchange		Y			Y	Y	Y			Y
Microsoft 365	Y	Y	Y	Y	Y	Y		Y	Y	Y
Office 365	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Power BI		Y	Y	Y	Y	Y	Y	Y	Y	Y
Project		Y			Y	Y	Y			
SQL	Y	Y			Y	Y	Y			Y
SharePoint	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Skype for Business		Y			Y	Y	Y		Y	
Surface1		Y								
Teams	Y	Y			Y	Y		Y	Y	Y
Visio		Y			Y		Y			
Windows	Y	Y			Y	Y	Y		Y	Y
Yammer		Y					Y			

Source: Company, HSIE Research

**Exhibit 9: Recent management exits and additions at LTIM**

EXIT	Suresh HP	Global Delivery Head - Industry Groups	Left in Mar 2023 (joined Sonata)
EXIT	Radhakrishnan Rajagopalan	SVP & Global Head of Technology Services	Left in Mar 2023
EXIT	Suresh Bethavandu	Chief People Officer	Left in March 2023
EXIT	Siddharth Bohra	Chief Business Officer - Digital Business	Left in June 2023
EXIT	Sriramkumar Kumaresan	Executive Vice President	Left in Jun 2023 (joined Cognizant)
EXIT	Archana Ramanakumar	Global Delivery Head	Left in Jul 2023 (joined Cognizant)
EXIT	Naresh KN	SVP & Global Delivery Head - BFSI	Left In Jul 2023 (joined ITC Infotech)
EXIT	Tridib Barat	EVP - CS & Compliance Officer	Left in Aug 2023
EXIT	Dinesh Bajaj	SVP & Chief Business Officer	Left in Sep 2023
EXIT	Paresh Vankar	EVP & CMO	Left in Oct 2023
EXIT	Dr Raj Pandaya	EVP & Country Head - America Region	Left In Nov 2023
EXIT	Ashish Deshpande	EVP & CBO - Life science	Left in Dec 2023
EXIT	Rashmi Chakraborty	Regional Director, Global Head of Partner Marketing	Left in Jan 2024 (joined Cognizant)
EXIT	Dilip Panjwani	Global Head - Cybersecurity Practice and CoE	Left in Jan 2024 (joined Persistent)
EXIT	Mukund Rao	Chief Business Officer - BFSI	Left In Jan 2024 (joined Xoriant)
EXIT	Vinit Teredesai	Chief Financial Officer	Leaves in April 2024
EXIT	Greg Dietrich	EVP & Head of Regional & Nearshore Delivery	Left in April 2024 (Joined Capgemini)
EXIT	Pankaj Chugh	Head - Digital Transformations and Google Cloud Business Unit	Left in April 2024
EXIT	Raghavendra Parvataraju	EVP – Global Sales	Left in April 2024
NEW	Kedar Joshi	Global Head - Life science BU	Joined in Feb 2023
NEW	Krishnan Iyer	SVP & Chief Growth Officer	Joined in July 2023 - former Cognizant - Global Head of Delivery BFSI
NEW	Anurag Tripathi	Head of Delivery Mexico	Joined in Oct 2023 - former Wipro
NEW	Samir Gosavi	EVP & CBO - Retail & Consumer	Joined in Oct 2023 - former Zensar/Infosys
NEW	Aditi Bannerjee	EVP & CBO - Retail & Consumer	Joined in Nov 2023 - former DXC
NEW	Bipinchandra Ranade	Delivery Head, Life science	Joined in Dec 2023 - former Birlasoft
NEW	Shuchi Sarkar	Chief Marketing Officer	Joined in Jan 2024 - former HP
NEW	Vipul Chandra	Chief Financial Officer	Joined in March 2024 - former L&T Treasury Head
NEW	Chetana Patnaik	Chief Human Resources Officer	Joined in April 2024 - former L&T CHRO

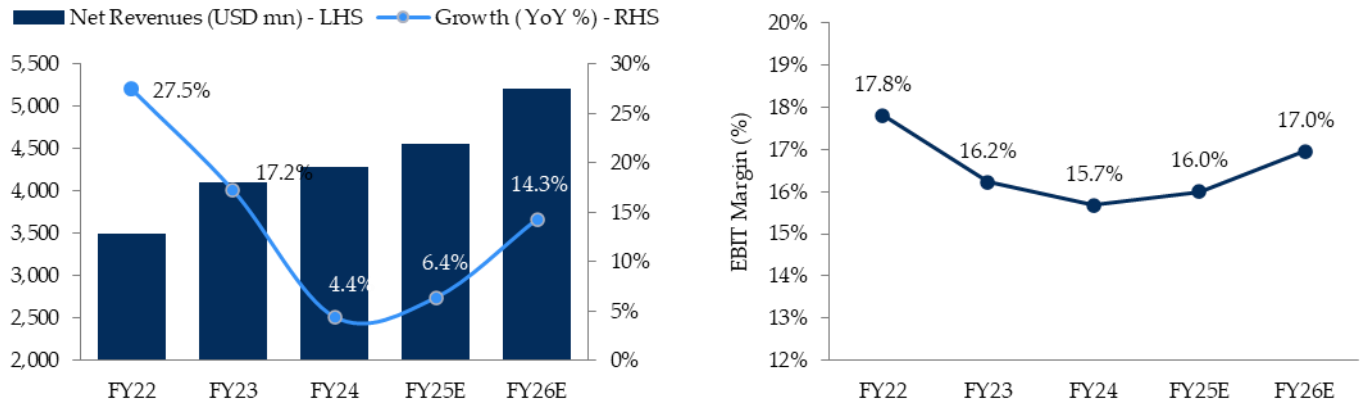
Source: Company, LinkedIn, HSIE Research

**Exhibit 10: Enterprise client trends – high correlation historically**

Enterprise	Revenue growth (YoY %)						
	CY22	Q1CY23	Q2CY23	Q3CY23	Q4CY23	CY24E	CY25E
Citigroup	9%	4%	-17%	5%	3%	3%	2%
Barclays	16%	11%	-6%	5%	-3%	2%	5%
Nordea	1%	17%	20%	15%	1%	2%	-1%
J&J	1%	6%	6%	-10%	-10%	4%	3%
Cisco	3%	14%	16%	8%	-6%	-7%	4%
Chevron	51%	-7%	-28%	-18%	-10%	-2%	5%
P&G	5%	4%	5%	6%	3%	3%	3%
Southwest Airlines	51%	22%	5%	5%	11%	9%	6%
Hilton	52%	33%	19%	13%	7%	10%	8%
Marriot	50%	34%	14%	12%	3%	7%	7%
Microsoft	18%	7%	8%	13%	18%	15%	14%
<b>Median Growth (YoY %)</b>	<b>16%</b>	<b>11%</b>	<b>6%</b>	<b>6%</b>	<b>3%</b>	<b>3%</b>	<b>5%</b>
<b>LTIM growth (YoY %)</b>	<b>17%</b>	<b>12%</b>	<b>8%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>14%</b>

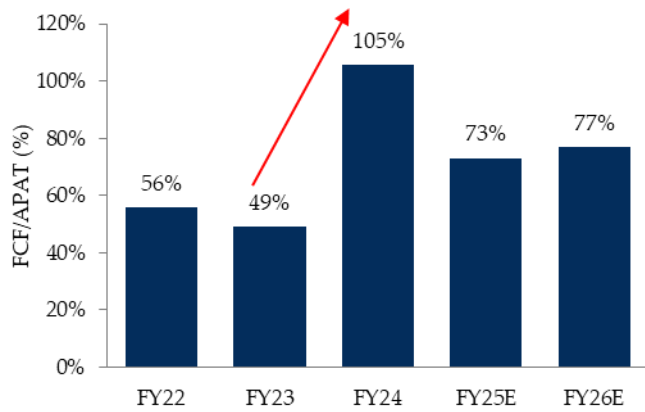
Source: Company, Bloomberg, HSIE Research, Note: the color RED to GREEN represents the degree of underperformance/outperformance on sequential basis

Exhibit 11: Revenue and operating margin trend – recovery pushed out to FY26E



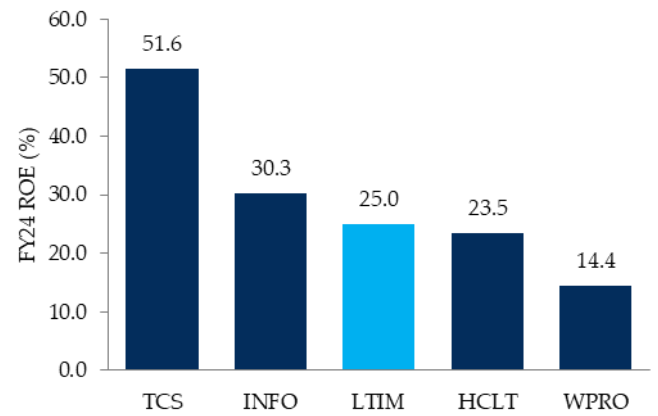
Source: Company, HSIE Research

Exhibit 12: Improved FCF generation on lower DSO



Source: Company, HSIE Research

Exhibit 13: Healthy ROE within peers



Source: Company, HSIE Research

Exhibit 14: Recent deal wins

Enterprise Client	Vertical	Geography	Service
NA	Consumer Business	Sweden	Cloud transformation
NA	Energy & Utilities	Middle East	End-to-end infrastructure-managed services
NA	Banking, Financial Services and Insurance	NA	Application of new technology platform
NA	Banking, Financial Services and Insurance	NA	Implementation of centralised quality engineering
NA	Banking, Financial Services and Insurance	NA	Remediation & Operation as a service engagement
Eurolife FFH	Banking, Financial Services and Insurance	Greece	GenAI and Digital Hubs
NA	Energy & Utilities	Middle East	Digital transformation
NA	Banking, Financial Services and Insurance	NA	Product Development
NA	Energy & Utilities	US	Infrastructure Managed services
NA	Technology, Media & Communications	NA	ServiceNow transformation partner
NA	Energy & Utilities	US	Digital Solutions, Platforms and Operations.
NA	Technology, Media & Communications	NA	Digital transformation
Infinion Technologies	Technology, Media & Communications	Germany	SAP transformation

Source: Company, HSIE Research

**Exhibit 15: LTIM – performance by verticals**

% of revenue	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
BFSI	37.4	38.0	37.5	36.5	35.6	35.1
Technology, Media & Communications	23.6	23.0	23.7	23.8	22.9	24.3
Manufacturing & Resources	17.5	17.5	17.3	17.9	20.3	18.6
Consumer Business	15.2	15.4	15.1	15.3	14.7	15.1
Health, Life science & Public services	6.3	6.1	6.4	6.5	6.5	6.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Growth QoQ %	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
BFSI	5.8	2.7	(1.2)	(1.1)	(1.7)	(2.7)
Technology, Media & Communications	(4.5)	(1.5)	3.2	2.0	(3.0)	4.7
Manufacturing & Resources	10.6	1.0	(1.0)	5.1	14.3	(9.6)
Consumer Business	1.1	2.4	(1.8)	2.9	(3.2)	1.4
Health, Life science & Public services	(6.5)	(2.2)	5.0	3.2	0.8	4.8
<b>Total</b>	<b>2.4</b>	<b>1.0</b>	<b>0.1</b>	<b>1.6</b>	<b>0.8</b>	<b>(1.3)</b>

Growth YoY %	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
BFSI	21.8	20.2	12.3	6.1	(1.4)	(6.6)
Technology, Media & Communications	8.9	3.0	0.9	(1.0)	0.5	6.8
Manufacturing & Resources	9.0	12.6	14.7	16.3	20.1	7.5
Consumer Business	11.0	9.8	4.0	4.6	0.1	(0.8)
Health, Life science & Public services	12.2	5.1	6.4	(0.9)	6.8	14.4
<b>Total</b>	<b>14.0</b>	<b>11.9</b>	<b>8.1</b>	<b>5.2</b>	<b>3.5</b>	<b>1.1</b>

Source: Company, HSIE Research

**Exhibit 16: LTIM – performance by geography**

% of revenue	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	72.3	71.9	73.1	73.4	72.7	73.8
Europe	14.9	15.4	15.2	15.3	14.5	14.6
Rest of World	12.8	12.7	11.7	11.3	12.8	11.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Growth QoQ %	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	1.6	0.5	1.8	2.0	(0.2)	0.2
Europe	4.5	4.4	(1.2)	2.3	(4.5)	(0.6)
Rest of World	4.9	0.2	(7.8)	(1.9)	14.1	(10.6)
<b>Total</b>	<b>2.4</b>	<b>1.0</b>	<b>0.1</b>	<b>1.6</b>	<b>0.8</b>	<b>(1.3)</b>

Growth YoY %	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	19.6	15.8	10.2	6.0	4.1	3.8
Europe	0.5	1.4	7.4	10.3	0.8	(4.1)
Rest of World	2.7	5.3	(2.7)	(4.9)	3.5	(7.6)
<b>Total</b>	<b>14.0</b>	<b>11.9</b>	<b>8.1</b>	<b>5.2</b>	<b>3.5</b>	<b>1.1</b>

Source: Company, HSIE Research



**Exhibit 17: LTIM – client metrics**

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Active Clients (Nos)	723	728	723	737	739	738
New Clients added (Gross)	28	31	19	30	23	30
New Clients added (Net)	4	5	-5	14	2	-1

**Client bucket (Nos)**

USD 1mn+	374	383	388	391	388	394
USD 5mn+	144	146	148	146	149	153
USD 10mn+	81	81	88	90	89	91
USD 20mn+	37	38	40	41	40	40
USD 50mn+	11	13	13	14	12	13
USD 100mn+	2	2	2	2	2	2

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Top-5 Client % of revenue	26.3	25.4	26.7	26.8	27.5	28.3
Top-10 Client % of revenue	33.8	32.9	34.1	34.3	35.3	35.5
Top-20 Client % of revenue	45.3	44.0	44.9	45.2	45.9	45.9
Top-40 Client % of revenue	57.6	56.8	57.2	57.6	58.5	58.0

Client Growth (QoQ %)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Top-5	0.9	(2.4)	5.2	2.0	3.4	1.6
Top 6-10	1.1	1.0	(1.2)	3.0	4.8	(8.9)
Top 11-20	9.1	(2.5)	(2.6)	2.5	(2.0)	(3.2)
Top 21-40	2.4	5.1	(3.8)	2.4	2.4	(5.2)
Non Top-40	1.9	2.9	(0.8)	0.6	(1.4)	(0.1)
<b>Total revenue</b>	<b>2.4</b>	<b>1.0</b>	<b>0.1</b>	<b>1.6</b>	<b>0.8</b>	<b>(1.3)</b>

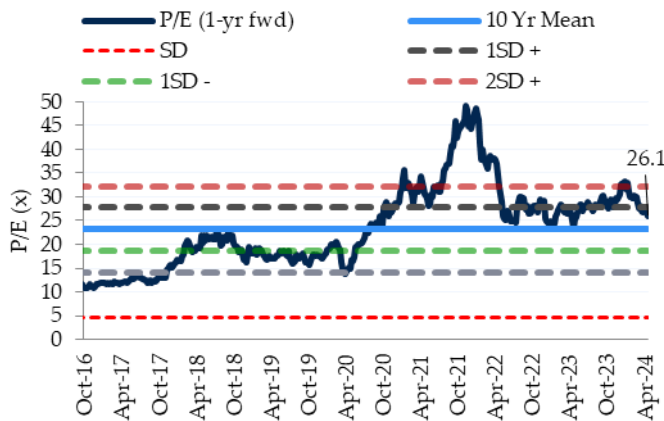
Source: Company, HSIE Research

Exhibit 18: Change in estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	4,590	4,560	(0.7)	5,245	5,213	(0.6)
Revenue	383.39	380.82	(0.7)	445.80	443.06	(0.6)
EBIT	64.25	60.93	(5.2)	80.30	75.11	(6.5)
EBIT margin (%)	16.8	16.0	-76bps	18.0	17.0	-106bps
APAT	53.86	51.77	(3.9)	66.63	63.22	(5.1)
EPS (INR)	182.1	175.0	(3.9)	225.2	213.7	(5.1)

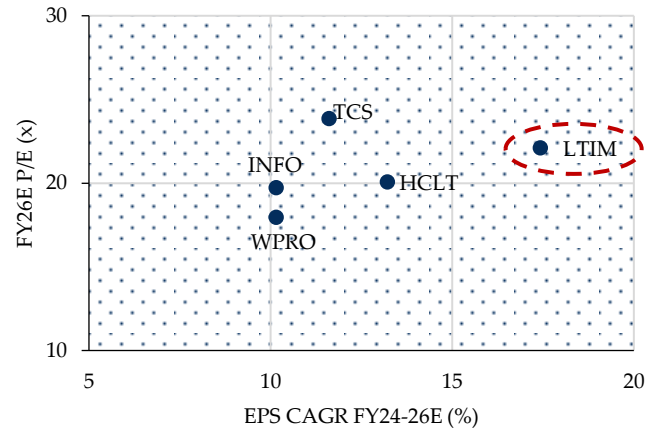
Source: Company, HSIE Research

Exhibit 19: LTIM P/E (1-yr fwd) Trend



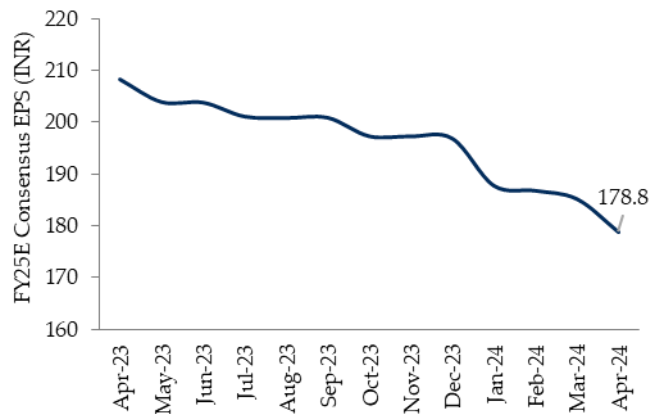
Source: Bloomberg, HSIE Research

Exhibit 20: LTIM valuations factor higher revenue CAGR



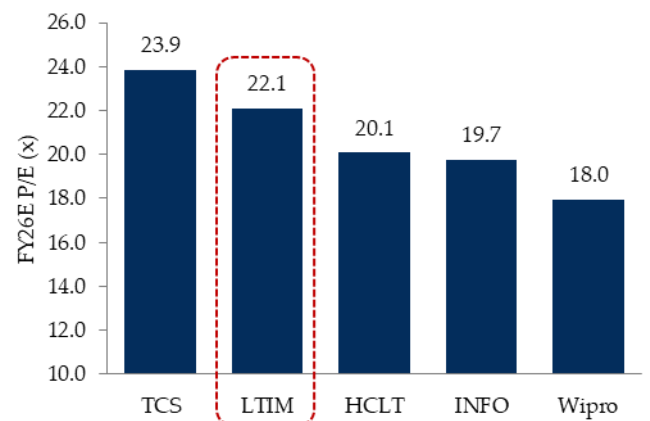
Source: Bloomberg, HSIE Research

Exhibit 21: FY25E consensus earnings trending down



Source: Bloomberg, HSIE Research

Exhibit 22: Valuation vs larger peers



Source: HSIE Research

## Financials

### Consolidated Income Statement

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Revenues (USD mn)</b>	<b>3,502</b>	<b>4,106</b>	<b>4,287</b>	<b>4,560</b>	<b>5,213</b>
<i>Growth (%)</i>	27.5%	17.2%	4.4%	6.4%	14.3%
<b>Net Revenues</b>	<b>261.09</b>	<b>331.83</b>	<b>355.17</b>	<b>380.82</b>	<b>443.06</b>
<i>Growth (%)</i>	28.4%	27.1%	7.0%	7.2%	16.3%
Direct cost	178.27	232.04	246.21	262.69	301.93
SG&A expense	30.33	38.72	45.08	47.68	55.38
<b>EBITDA</b>	<b>52.49</b>	<b>61.08</b>	<b>63.87</b>	<b>70.46</b>	<b>85.75</b>
Depreciation	5.97	7.23	8.19	9.52	10.63
<b>EBIT</b>	<b>46.52</b>	<b>53.85</b>	<b>55.69</b>	<b>60.93</b>	<b>75.11</b>
<b>EBIT Margin (%)</b>	<b>17.8%</b>	<b>16.2%</b>	<b>15.7%</b>	<b>16.0%</b>	<b>17.0%</b>
<i>EBIT Growth (%)</i>	23.2%	15.8%	3.4%	9.4%	23.3%
Other Income (Incl. EO Items)	7.66	5.57	7.02	9.97	10.98
Interest	1.23	1.50	2.22	2.79	2.90
<b>PBT</b>	<b>52.94</b>	<b>57.92</b>	<b>60.49</b>	<b>68.12</b>	<b>83.19</b>
Tax (Incl Deferred)	13.44	13.81	14.64	16.35	19.97
RPAT	39.50	44.10	45.85	51.77	63.22
<b>APAT</b>	<b>39.50</b>	<b>44.10</b>	<b>45.85</b>	<b>51.77</b>	<b>63.22</b>
<i>APAT Growth (%)</i>	29.6%	11.6%	4.0%	12.9%	22.1%
<b>Adjusted EPS (INR)</b>	<b>133.5</b>	<b>149.1</b>	<b>155.0</b>	<b>175.0</b>	<b>213.7</b>
<i>EPS Growth (%)</i>	29.5%	11.6%	4.0%	12.9%	22.1%

Source: Company, HSIE Research

### Consolidated Balance Sheet

YE March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	0.30	0.30	0.30	0.30	0.30
Reserves	142.58	165.63	199.88	229.46	266.06
<b>Total Shareholders Funds</b>	<b>142.87</b>	<b>165.92</b>	<b>200.17</b>	<b>229.76</b>	<b>266.36</b>
Minority Interest	0.06	0.07	0.09	0.11	0.13
Total Debt	0.52	1.25	0.41	0.41	0.41
Net Deferred Taxes	(0.28)	(3.66)	(2.06)	(2.06)	(2.06)
Long Term Provisions & Others	11.87	14.00	17.75	17.75	17.75
<b>TOTAL SOURCES OF FUNDS</b>	<b>155.03</b>	<b>177.58</b>	<b>216.35</b>	<b>245.96</b>	<b>282.58</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	20.31	22.24	35.57	35.97	38.17
CWIP	5.03	9.02	5.51	5.51	5.51
Goodwill & Intangibles	14.42	14.56	14.24	14.67	15.01
Investments	6.51	7.17	19.90	19.90	19.90
Other Non-current assets	9.78	6.32	9.70	9.70	9.70
<b>Total Non-current Assets</b>	<b>56.05</b>	<b>59.29</b>	<b>84.92</b>	<b>85.75</b>	<b>88.29</b>
Inventories	0.04	0.03	0.03	0.03	0.03
<b>Cash &amp; Equivalents</b>	<b>72.34</b>	<b>76.74</b>	<b>95.69</b>	<b>116.06</b>	<b>143.43</b>
Other Current Assets	20.73	22.84	22.42	28.69	30.86
Debtors	56.27	72.25	70.32	75.71	88.03
<b>Total Current Assets</b>	<b>149.39</b>	<b>171.86</b>	<b>188.46</b>	<b>220.49</b>	<b>262.35</b>
Creditors	13.25	12.94	14.94	14.85	17.27
Other Current Liabilities & Prov.	37.15	40.64	42.09	45.44	50.78
<b>Total Current Liabilities</b>	<b>50.40</b>	<b>53.57</b>	<b>57.03</b>	<b>60.28</b>	<b>68.06</b>
<b>Net Current Assets</b>	<b>98.98</b>	<b>118.29</b>	<b>131.44</b>	<b>160.21</b>	<b>194.29</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>155.03</b>	<b>177.58</b>	<b>216.35</b>	<b>245.96</b>	<b>282.58</b>

Source: Company, HSIE Research

**Consolidated Cash Flow**

YE March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
<b>Reported PBT</b>	52.94	57.92	60.49	68.12	83.19
Non-operating & EO items	(1.97)	(2.84)	(4.47)	(7.58)	(8.34)
Interest expenses	1.23	1.50	2.22	2.79	2.90
Depreciation	5.97	7.23	8.19	9.52	10.63
Working Capital Change	(12.19)	(17.65)	5.98	(8.40)	(6.72)
Tax Paid	(13.48)	(15.22)	(15.71)	(16.35)	(19.97)
<b>OPERATING CASH FLOW</b>	<b>32.51</b>	<b>30.95</b>	<b>56.70</b>	<b>48.10</b>	<b>61.70</b>
Capex	(10.53)	(9.35)	(8.33)	(10.36)	(13.17)
<b>Free cash flow (FCF)</b>	<b>21.98</b>	<b>21.60</b>	<b>48.37</b>	<b>37.74</b>	<b>48.53</b>
Investments	(4.64)	6.26	(33.31)	-	-
Non-operating Income	(1.28)	(0.22)	2.51	7.58	8.34
<b>INVESTING CASH FLOW</b>	<b>(16.45)</b>	<b>(3.31)</b>	<b>(39.12)</b>	<b>(2.78)</b>	<b>(4.83)</b>
Debt Issuance/(Repaid)	(3.47)	(3.32)	(4.04)	-	-
Interest Expenses	(0.06)	(0.38)	(0.91)	(2.79)	(2.90)
FCFE	18.45	17.91	43.42	34.96	45.63
Share Capital Issuance	0.00	0.00	0.01	-	-
Dividend	(13.28)	(15.63)	(17.75)	(22.19)	(26.62)
<b>FINANCING CASH FLOW</b>	<b>(16.80)</b>	<b>(19.32)</b>	<b>(22.69)</b>	<b>(24.97)</b>	<b>(29.52)</b>
<b>NET CASH FLOW</b>	<b>(0.75)</b>	<b>8.32</b>	<b>(5.11)</b>	<b>20.35</b>	<b>27.35</b>
<b>Closing Cash &amp; Equivalents</b>	<b>72.34</b>	<b>76.74</b>	<b>95.69</b>	<b>116.06</b>	<b>143.43</b>

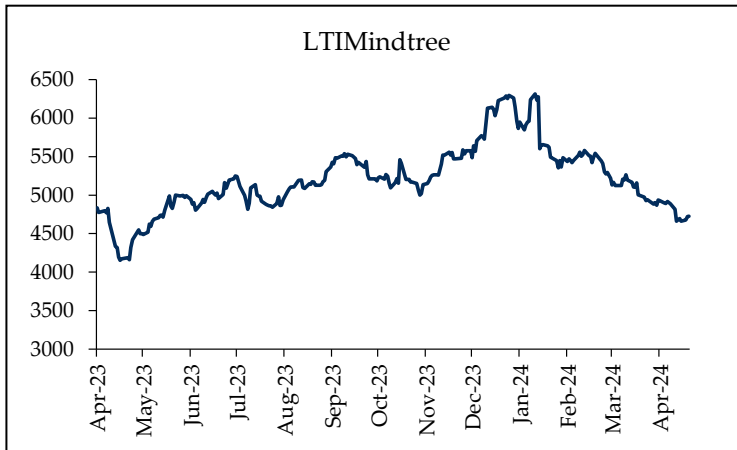
Source: Company, HSIE Research

**Key Ratios**

	FY22	FY23	FY24	FY25E	FY26E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	20.1	18.4	18.0	18.5	19.4
APAT Margin	15.1	13.3	12.9	13.6	14.3
RoE	30.5	28.6	25.0	24.1	25.5
RoIC or Core RoCE	50.0	44.7	38.1	37.0	42.4
RoCE	28.6	27.2	24.1	23.3	24.8
<b>EFFICIENCY</b>					
Tax Rate (%)	25.4	23.9	24.2	24.0	24.0
Fixed Asset Turnover (x)	7.2	8.2	7.4	6.0	6.3
Debtors (days)	79	79	72	73	73
Other current assets (days)	29	25	23	28	25
Payables (days)	19	14	15	14	14
Other current liabilities (days)	52	45	43	44	42
Cash Conversion Cycle (days)	37	46	37	42	42
Net Debt/EBITDA (x)	(1.4)	(1.2)	(1.5)	(1.6)	(1.7)
Net Debt/Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage (x)	38	36	25	22	26
<b>PER SHARE DATA</b>					
EPS (INR/sh)	133.5	149.1	155.0	175.0	213.7
CEPS (INR/sh)	153.7	173.5	182.7	207.2	249.7
DPS (INR/sh)	53	60	65	75	90
BV (INR/sh)	483	561	677	777	900
<b>VALUATION</b>					
P/E	35.4	31.7	30.5	27.0	22.1
P/BV	9.8	8.4	7.0	6.1	5.2
EV/EBITDA	25.3	21.7	20.4	18.2	14.6
OCF/EV (%)	2.5	2.3	4.4	3.8	4.9
FCF/EV (%)	1.7	1.6	3.7	2.9	3.9
FCFE/mkt cap (%)	1.3	1.3	3.1	2.5	3.3
Dividend Yield (%)	1.1	1.3	1.4	1.6	1.9

Source: Company, HSIE Research

**1 Yr Price Movement**



**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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