

**SELL**

TP: Rs 3,837 | ▼ 15%

**LTIMINDTREE**

| IT Services

| 24 April 2025

## New CEO. Execution is key

- Venu Lambu, part of erstwhile Mindtree, joins as CEO. Strategies sound similar. Only execution matters as LTIM has not lived up to promise
- 4QFY25 disappointed due to macro. 1QFY26 indicated to be a growth quarter (QoQ) with improved margin. Big order wins hinted at
- Cut estimates for FY26/FY27 on both revenue and margins. Retain Target PE multiple (10% discount to that of TCS) and retain SELL

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**LTIM has disappointed post-merger:** While pre-merger LTI and Mindtree individually did well (possibly flaws were hidden due to the covid related demand surge), the performance post-merger of the two entities has been disappointing, both on revenue growth and on margins. The market's hope that it would grow ahead of Tier-1 peers and probably closer to its Tier-2 peers was dashed in both FY24 and FY25. EBIT margins have also come off from the levels of where they were immediately post-merger.

**New CEO, but numbers must follow:** Venu Lambu, who was head of sales in the erstwhile Mindtree (pre-merger), joins the merged entity as the new CEO designate. His strategy (see inside for details) does not sound very different from what we heard from the company during its recent analyst meet in November 2024. While 1QFY26 is expected to be a growth quarter with margin expansion (QoQ), we would wait for consistent execution before lifting our estimates and target PE multiples. There have been too many false starts in the not-too-distant past.

**Cut estimates:** We cut USD revenue numbers for both FY26/FY27 and pare margin expectations considering the weak macro due to Tariffs and DOGE and weak execution. We think self-cannibalization due to Gen AI, vendor consolidation pressures etc will keep growth muted in the near term. We do not want to give the new CEO the benefit of doubt until we see some good numbers on revenue, margins and TCV.

**Target PE multiple remains constrained due to weak execution:** We currently assign a 10% discount to the target PE multiple of TCS to arrive at the Target PE multiple of LTIM (19.2x), which we maintain from our last report. Assigning this to FY27 EPS we arrive at a TP of Rs3837 and retain our SELL rating as we believe the current valuation (26x on 12 month forward basis) is unjustified for weak execution.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	LTIM IN/Rs 4,537
Market cap	US\$ 16.5bn
Free float	31%
3M ADV	US\$ 22.4mn
52wk high/low	Rs 6,768/Rs 3,802
Promoter/FPI/DII	69%/7%/15%

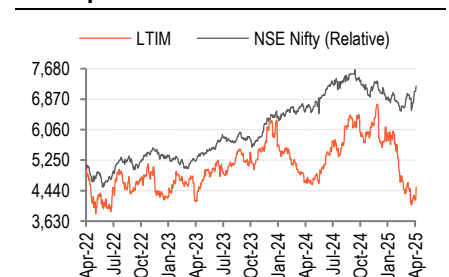
Source: NSE | Price as of 23 Apr 2025

## Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	355,170	380,081	405,642
EBITDA (Rs mn)	63,874	64,949	72,054
Adj. net profit (Rs mn)	48,063	48,809	54,188
Adj. EPS (Rs)	154.6	153.4	174.6
Consensus EPS (Rs)	154.6	159.2	188.0
Adj. ROAE (%)	26.3	22.9	22.4
Adj. P/E (x)	29.4	29.6	26.0
EV/EBITDA (x)	21.7	21.3	19.3
Adj. EPS growth (%)	3.8	(0.8)	13.8

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## New CEO's strategy

### Lambu outlined three key initiatives.

- (1) Sales Transformation. This centers around simplifying the service line sales structure, strengthening leadership in high potential businesses, reimagining value creation with partners and customers, and exploring new sales models in the AI economy targeting a larger portion of clients cost base than just IT. Clients, according to LTIM are increasingly seeking multi-service, multi-delivery and multi-geographical solutions. This has led to a revamp of its large deal organization.
- (2) To focus on proactive integration of new age technologies into clients IT system as well as its own service delivery processes, it says it has devised a robust go to market strategy spearheaded by Nachiket Deshpande, President of Global AI Services Strategic Deal and Partnerships. Nachiket will be based in the US.
- While these two initiatives focus on revenue maximization, the third initiative, 'Fit for future', primarily aims at enhancing agility and profitability. It involves re-baselining of operational costs, both direct and indirect. The goal is to relook at the existing team structures and aligns processes and reshape them towards reducing the extra layers where possible, leading to agility and operational efficiency with the innovative use of AI. The program will target productivity improvement in areas like sales, delivery and business enablement units.

## Key Points from the quarter and the earnings call

### FY25

- CC revenue growth stood at 5% compared to 4.2% in FY24
- Revenue was US\$4.5bn, reflecting 4.8% YoY growth in US\$ terms
- Total order inflow was US\$6bn, up 6%
- Operating margin stood at 14.5%, a decline of 120bps YoY
- PAT margin for FY25 was 12.1% versus 12.9% in FY24

### Vertical performance

- BFSI (36.1% of FY25 revenue) grew 4.6% YoY, driven by regulatory and data transformation priorities, cost optimization, and vendor consolidation
- Technology, media and communications (24.5% of FY25 revenue) grew 8.7% YoY in US\$ terms
- Manufacturing and resources (19% of FY25 revenue) grew 7.2% YoY, supported by large deals focused on ERP transformation and managed services
- Consumer business (14.3% of FY25 revenue) degrew 0.5% YoY, with TTH impacted by client-specific slowdowns
- Health, life sciences and public services declined 3% YoY, mainly due to healthcare segment weakness

### Geographic performance:

- North America grew 7.1% YoY
- Europe declined 1.2% YoY
- Rest of the world declined 1.7% YoY

### 4QFY25

- CC Revenue declined 0.6% QoQ (our estimate was 1% growth) and grew 6.3% YoY. Revenue decline in 4QFY25 driven by two primary factors: completion of productivity passback for a specific large account, and lower-than-anticipated volume ramp-ups across other parts of the business
  - Productivity passback impact was expected and has now been fully completed in 4Q, removing this overhang going into 1QFY26
  - Despite a healthy order book, anticipated volume growth did not materialize due to macroeconomic factors and delays in deal closures
  - Several deals expected to close in 4Q shifted to 1Q, contributing to revenue shortfall
- The operating margin stood at 13.8. Impacted by lower than anticipated revenue growth
- Order inflow was US\$1.6bn
- Total headcount was 84,307 and Attrition was 14.4%
- PAT margin for 4Q FY25 was 11.5% versus 11.2% in 3Q FY25
- Over 4,700 freshers onboarded during FY25 as part of pyramid correction strategy
- Final dividend of INR45 per share
- Quick wins are expected from both the Fit for Future and sales transformation initiatives in FY26. Focus is on enhancing current practices to align with evolving client expectations and improve sales execution efficiency

### Other Points

- Macro uncertainty observed in 4QFY25 continues into 1QFY26
- Outlook for manufacturing sector was described as steady and growth-oriented in the short term. Retail sector experiencing active discussions around strategic deals and engagements.
  - No material impact observed directly due to tariff changes
  - Discretionary spending in retail remains muted, consistent with previous quarters
  - Clients in both sectors are maintaining a wait-and-watch approach amid uncertainty

- Cost saving, vendor consolidation, and tech modernization are key focus areas in both manufacturing and retail verticals
- Order booking momentum expected to continue and improve in FY26 compared to FY25. Engagements with large clients, particularly in the retail sector, are at an advanced stage with potential for significant deal closures
- Revenue impact from recent deal wins expected to begin reflecting from 1QFY26. Further contribution to revenue from strategic deal pursuits anticipated from 2QFY26 onwards
- Decline in healthcare vertical attributed to cyclical impacts related to project-based nature of business in healthcare and public services
- Demand outlook remains intact with three primary drivers:
  - Cost optimization initiatives
  - Vendor consolidation opportunities as clients aim to streamline their vendor base
  - Technology modernization driven by clients preparing for scaled adoption of AI
- Headcount reduction in 4QFY25 resulted from prior additions in 2Q and 3Q FY25 which were made in anticipation of growth; focus was on deploying those existing resources. Going forward, headcount growth is not expected to be linear with revenue growth due to increasing AI-led productivity
- Seasonality in FY26 is expected to follow similar patterns as previous years, based on past order book closure and pipeline. External variables, such as client demand shifts and duration of macro uncertainty, may influence the growth
- The management said that one or two leadership exits have been successfully backfilled. No current risk perceived regarding leadership exits
- 'Fit for Future' program, focused on agility and cost optimization, contributing to improvement in margins. Significant reductions in non-manpower expenses observed over recent quarters, particularly in SG&A, as part of early wins from the program. Additional efficiencies expected from manpower cost side through span of control adjustments, workforce management optimization, and talent process improvements
- Short-term focus is on achieving growth in 1QFY26, with confidence expressed in meeting this objective. Medium-term ambition aligns with the organization's aspiration for industry-leading growth
- No pricing reset has occurred with its largest high-tech client (we believe Microsoft). Margin impact attributed to productivity passback, as previously communicated in 3Q, which did not affect segment margins

**View on the Indian IT Services sector:** We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**).and reiterated that view with an update on 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**)

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

### Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty. The tariffs, the conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

**Higher for longer interest rate environment:** One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit (due to economic slowdown concerns, not enough gains from DOGE,etc) US 10-year yields rose. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, will lead to slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

**Gen AI – value compressive in the near term:** Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen

limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

**Massive hyper scaler AI capex should accentuate re-alignment in IT spend:**

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS.

**Higher competition:** Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

**Weak TCV:** The weaker TCV for most players in 9MFY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a limited set of large clients in FY25 or the need to set off large pass-through items.

**How we are valuing companies:** We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

## Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

**Fig 1 – Quarterly results: Comparison of actuals with estimates**

Y/E Mar (Rsmn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25E	Dev (%)
Net Sales (USD mn)	1,069	1,139	1,131	5.8	(0.7)	1,144	(1.2)
Net Sales	88,929	96,609	97,717	9.9	1.1	98,985	(1.3)
Software Expenses (Direct Costs)	62,423	68,785	70,440	12.8	2.4	70,849	(0.6)
% of Sales	70.2	71.2	72.1			71.6	
Gross Margin	26,506	27,824	27,277	2.9	(2.0)	28,137	(3.1)
% of Sales	29.8	28.8	27.9			28.4	
Operating Expenses (Selling, General & Administration Expenses)	11,149	11,891	11,315	1.5	(4.8)	11,409.4	(0.8)
% of Sales	12.5	12.3	11.6			11.5	
EBIT	13,087	13,289	13,454	2.8	1.2	14,180	(5.1)
EBIT Margin (%)	14.7	13.8	13.8			14.3	
Other Income	1,396	1,436	1,839	31.7	28.1	2,205	(16.6)
PBT	14,483	14,725	15,293	5.6	3.9	16,385	(6.7)
Provision for Tax	3,476	3,858	4,007	15.3	3.9	4,293	(6.7)
Effective Tax Rate	24.0	26.2	26.2			26.2	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	11,007	10,867	11,286	2.5	3.9	12,092	(6.7)
NPM (%)	12.4	11.2	11.5			12.2	

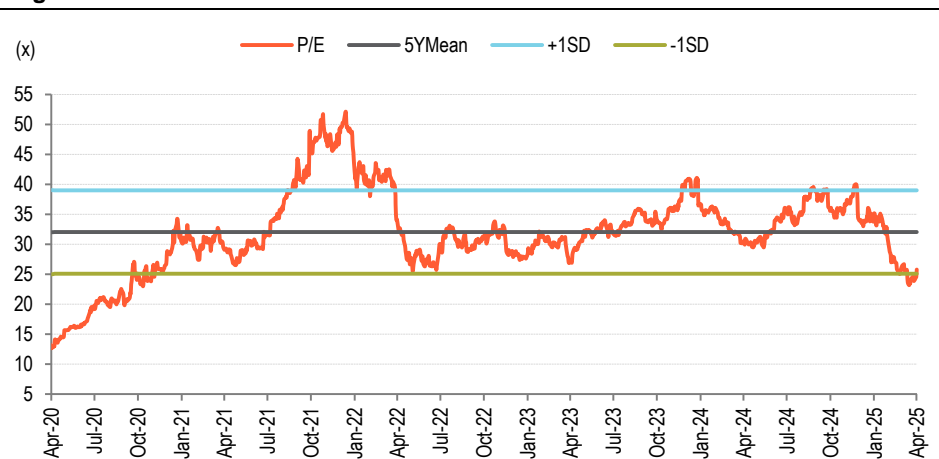
Source: Company, BOBCAPS Research

**Fig 2 – Revised Estimates**

LTIM	New		Old		Change (%)	
Change in estimates	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	87.3	89.3	87.3	89.3	0.0	0.0
USD Revenue (USD mn)	4,649	4,974	4,666	5,101	(0.4)	(2.5)
USD Revenue Growth (%)	3.5	7.0	3.4	9.3		
Revenue (Rsmn)	405,642	443,992	407,137	455,371	(0.4)	(2.5)
EBIT (Rsmn)	60,699	68,976	62,732	72,750	(3.2)	(5.2)
EBIT Margin (%)	15.0	15.5	15.4	16.0		
PAT (Rsmn)	54,188	62,125	54,803	63,576	(1.1)	(2.3)

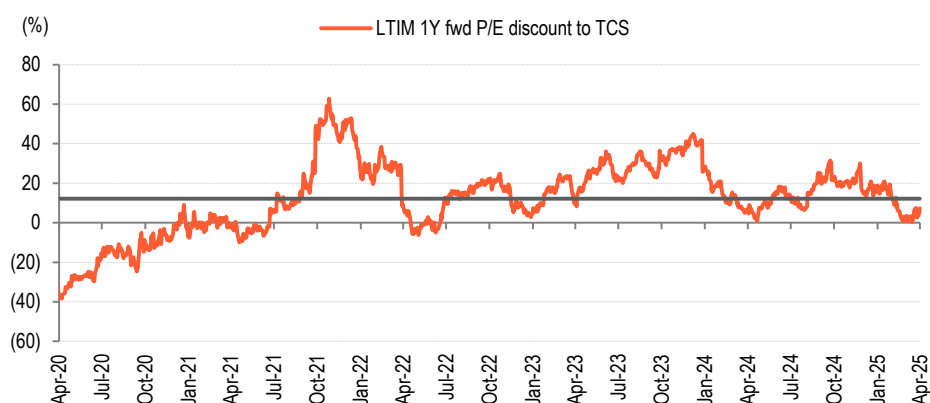
Source: Company, BOBCAPS Research

**Fig 3 – 5 Year PE trend**



Source: Company, BOBCAPS Research

**Fig 4 – Premium/ Discount to TCS**



Source: Company, BOBCAPS Research

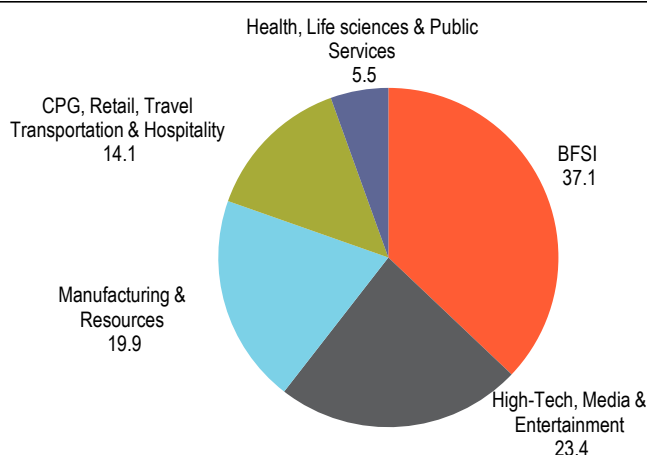
**Fig 5 – P&L at a glance**

(YE March)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Average INR/USD</b>	<b>60.8</b>	<b>61.2</b>	<b>65.9</b>	<b>67.0</b>	<b>64.5</b>	<b>70.0</b>	<b>71.4</b>	<b>74.2</b>	<b>75.0</b>	<b>80.7</b>	<b>82.8</b>	<b>84.6</b>	<b>87.3</b>	<b>89.3</b>
<b>Net Sales (USD mn)</b>	<b>809</b>	<b>813</b>	<b>887</b>	<b>970</b>	<b>1,132</b>	<b>1,349</b>	<b>1,525</b>	<b>1,670</b>	<b>3,502</b>	<b>4,106</b>	<b>4,287</b>	<b>4,493</b>	<b>4,649</b>	<b>4,974</b>
<b>-Growth (%)</b>	<b>-</b>	<b>0.5</b>	<b>9.1</b>	<b>9.3</b>	<b>16.7</b>	<b>19.1</b>	<b>13.0</b>	<b>9.5</b>	<b>109.7</b>	<b>17.2</b>	<b>4.4</b>	<b>4.8</b>	<b>3.5</b>	<b>7.0</b>
Net Sales	49,205	49,780	58,463	65,009	73,065	94,458	108,786	123,698	261,086	331,830	355,170	380,081	405,642	443,992
-Growth (%)	-	1.2	17.4	11.2	12.4	29.3	15.2	13.7	111.1	27.1	7.0	7.0	6.7	9.5
Cost of Sales & Services	32,473	34,128	38,230	42,122	49,124	61,643	73,589	82,193	178,271	232,037	246,214	268,217	288,681	309,367
Gross Margin	16,732	15,652	20,233	22,887	23,941	32,815	35,197	41,505	82,815	99,793	108,956	111,864	116,961	134,625
% of sales	34.0	31.4	34.6	35.2	32.8	34.7	32.4	33.6	31.7	30.1	30.7	29.4	28.8	30.3
SG& A	5,259	5,607	10,000	10,583	12,065	13,980	14,905	14,254	30,330	38,715	45,082	46,915	44,907	54,294
% of sales	10.7	11.3	17.1	16.3	16.5	14.8	13.7	11.5	11.6	11.7	12.7	12.3	11.1	12.2
EBITDA	11,473	10,044	10,233	12,304	11,876	18,835	20,292	27,251	52,485	61,078	63,874	64,949	72,054	80,331
% of sales	23.3	20.2	17.5	18.9	16.3	19.9	18.7	22.0	20.1	18.4	18.0	17.1	17.8	18.1
Depreciation and Amortisation	1,300	1,579	1,738	1,780	1,563	1,471	2,731	3,325	5,971	7,227	8,189	9,915	11,355	11,355
% of sales	2.6	3.2	3.0	2.7	2.1	1.6	2.5	2.7	2.3	2.2	2.3	2.6	2.8	2.6
<b>EBIT</b>	<b>10,173</b>	<b>8,465</b>	<b>8,495</b>	<b>10,524</b>	<b>10,313</b>	<b>17,364</b>	<b>17,561</b>	<b>23,926</b>	<b>46,514</b>	<b>53,851</b>	<b>55,685</b>	<b>55,034</b>	<b>60,699</b>	<b>68,976</b>
<b>EBIT Margin (%)</b>	<b>20.7</b>	<b>17.0</b>	<b>14.5</b>	<b>16.2</b>	<b>14.1</b>	<b>18.4</b>	<b>16.1</b>	<b>19.3</b>	<b>17.8</b>	<b>16.2</b>	<b>15.7</b>	<b>14.5</b>	<b>15.0</b>	<b>15.5</b>
Gross other income (incl Forex gains/(loss))	-833	915	1,914	1,855	4,225	3,021	3,291	2,743	8,892	7,073	9,236	12,686	15,518	18,248
Interest cost	305	104	59	17	123	106	826	788	1,233	1,504	2,217	2,789	2,790	3,043
PBT	9,034	9,276	10,350	12,362	14,415	20,279	20,026	25,881	54,173	59,420	62,704	64,931	73,428	84,181
-PBT margin (%)	18.4	18.6	17.7	19.0	19.7	21.5	18.4	20.9	20.7	17.9	17.7	17.1	18.1	19.0
Provision for tax	1,943	1,666	1,983	2,649	3,290	5,122	4,825	6,500	13,439	13,812	14,641	16,122	19,239	22,057
Effective tax rate (%)	21.5	18.0	19.2	21.4	22.8	25.3	24.1	25.1	24.8	23.2	23.3	24.8	26.2	26.2
<b>Net profit</b>	<b>7,091</b>	<b>7,609</b>	<b>8,367</b>	<b>9,713</b>	<b>11,125</b>	<b>15,157</b>	<b>15,201</b>	<b>19,381</b>	<b>40,734</b>	<b>45,608</b>	<b>48,063</b>	<b>48,809</b>	<b>54,188</b>	<b>62,125</b>
<b>-Growth (%)</b>	<b>-</b>	<b>7.3</b>	<b>10.0</b>	<b>16.1</b>	<b>14.5</b>	<b>36.2</b>	<b>0.3</b>	<b>27.5</b>	<b>110.2</b>	<b>12.0</b>	<b>5.4</b>	<b>1.6</b>	<b>11.0</b>	<b>14.6</b>
<b>-Net profit margin (%)</b>	<b>14.4</b>	<b>15.3</b>	<b>14.3</b>	<b>14.9</b>	<b>15.2</b>	<b>16.0</b>	<b>14.0</b>	<b>15.7</b>	<b>15.6</b>	<b>13.7</b>	<b>13.5</b>	<b>12.8</b>	<b>13.4</b>	<b>14.0</b>

Source: Company, BOBCAPS Research

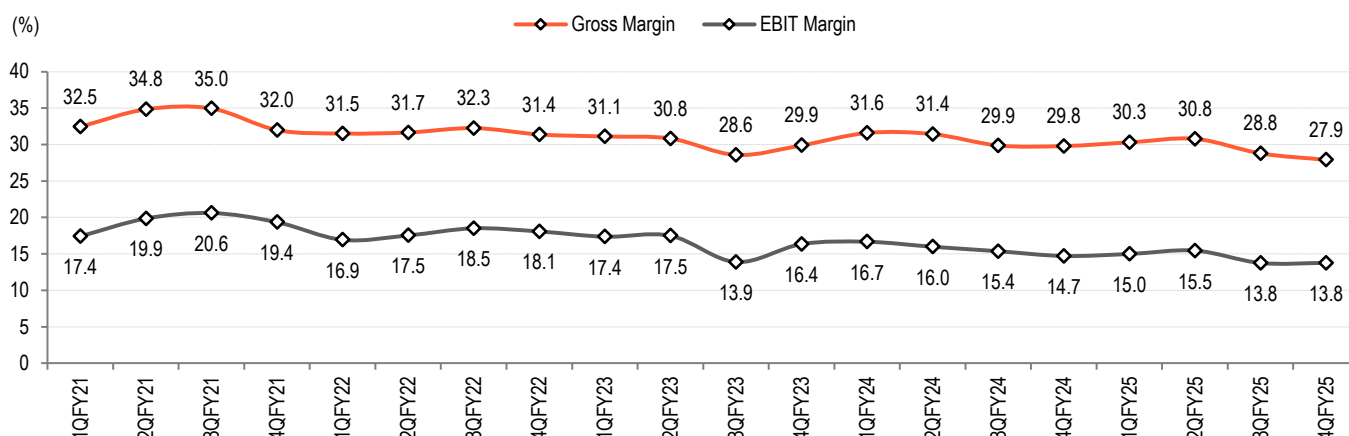


**Fig 6 – Vertical Mix for 4QFY25**



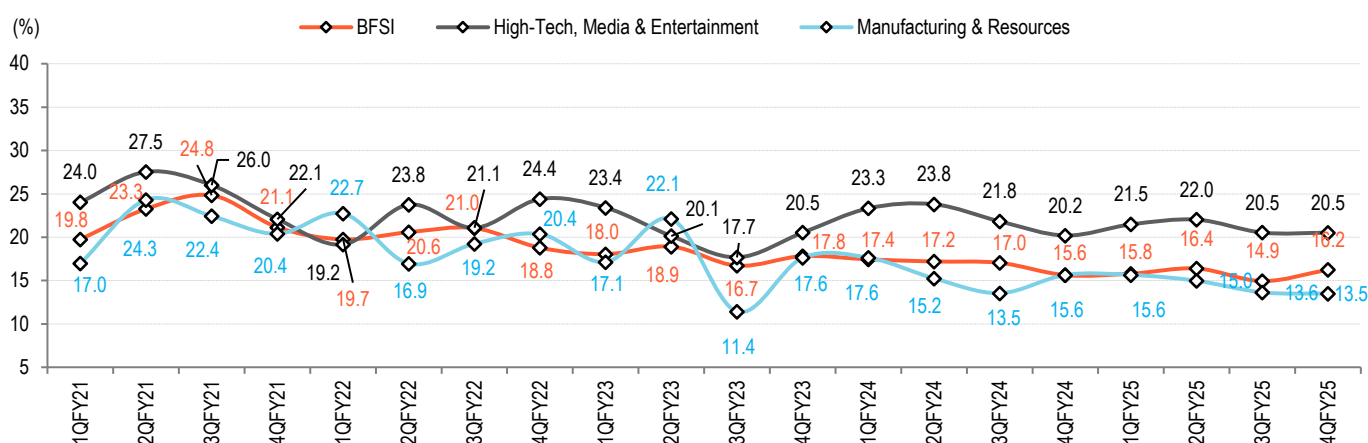
Source: Company, BOBCAPS Research

**Fig 7 – Gross Margin and EBIT Margin**



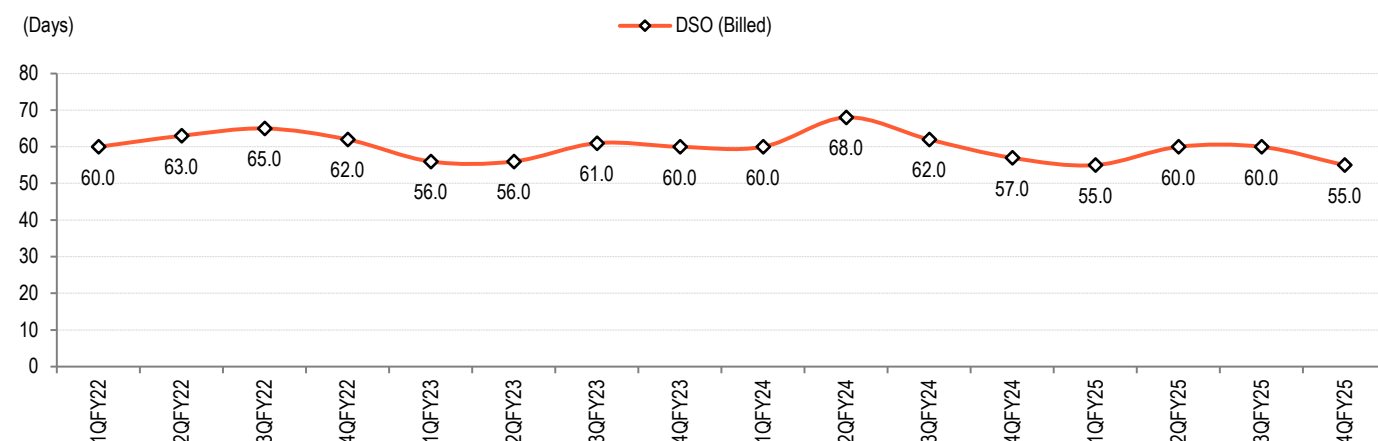
Source: Company, BOBCAPS Research

**Fig 8 – EBITDA margin trends of the top 3 revenue segments**



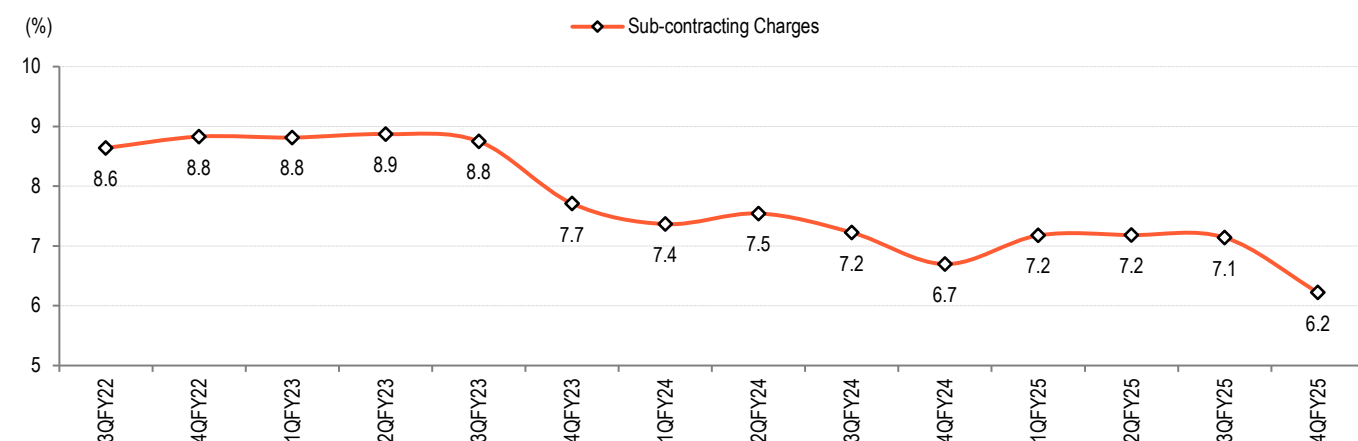
Source: Company, BOBCAPS Research

**Fig 9 – DSO trend**



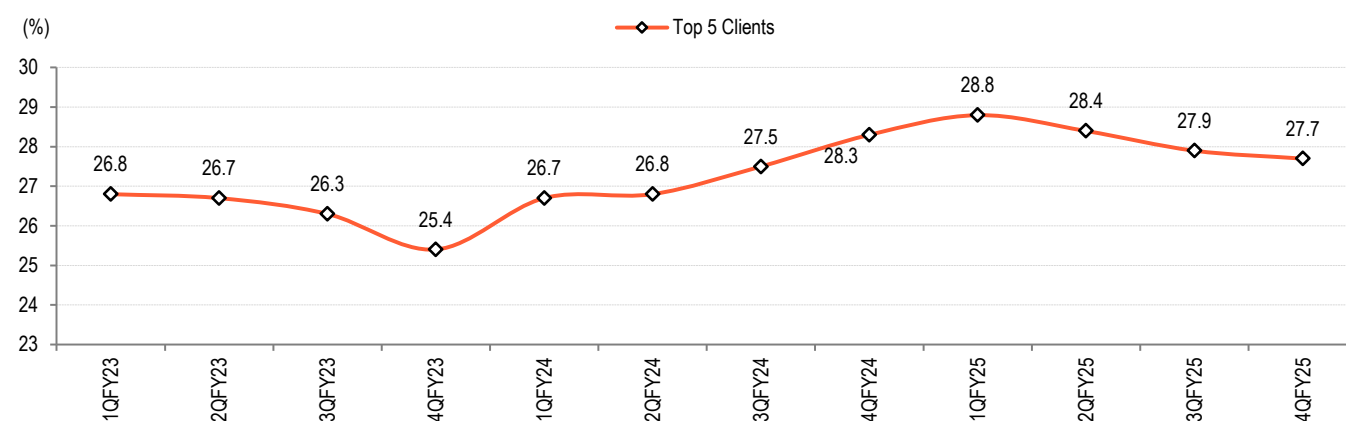
Source: Company, BOBCAPS Research

**Fig 10 – Sub-contracting charges**



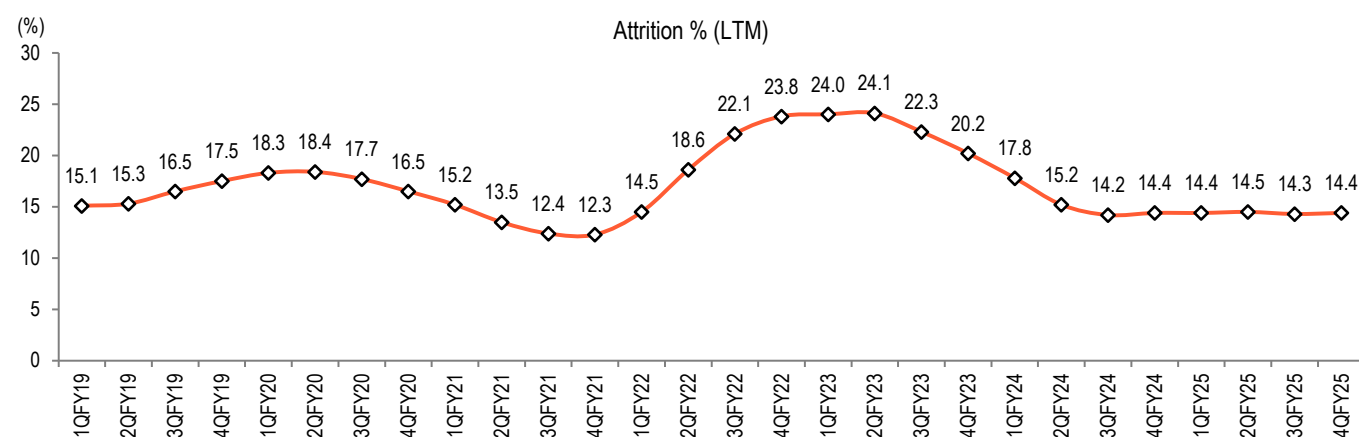
Source: Company, BOBCAPS Research

**Fig 11 – Top 5 client concentration (%)**



Source: Company, BOBCAPS Research

**Fig 12 – Attrition trend on a QoQ basis (%)**



Source: Company, BOBCAPS Research

**Fig 13 – Quarterly Snapshot**

Year to 31 March (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
INR/USD	78.0	80.5	82.4	82.2	82.2	82.8	83.2	83.2	83.4	83.7	84.8	86.4
Revenue (in USDmn)	980	1,022	1,047	1,058	1,059	1,076	1,084	1,069	1,096	1,127	1,139	1,131
Revenue	76,442	82,278	86,200	86,910	87,021	89,054	90,166	88,929	91,426	94,329	96,609	97,717
Gross margin	23,787	25,374	24,645	25,987	27,502	28,006	26,942	26,506	27,711	29,052	27,824	27,277
SGA	8,850	9,018	10,897	9,950	11,147	11,693	11,093	11,149	11,650	12,059	11,891	11,315
Depreciation and Amortisation	1,664	1,959	1,781	1,823	1,847	2,082	1,990	2,270	2,352	2,411	2,644	2,508
EBIT	13,273	14,397	11,967	14,214	14,508	14,231	13,859	13,087	13,709	14,582	13,289	13,454
Revenue Related Forex gain/loss	861	198	490	(523)	(123)	(21)	426	(164)	134	751	132	232
Other income	915	1,413	1,028	1,187	1,439	1,453	1,769	2,240	2,137	2,238	1,993	2,280
Interest	311	378	379	436	460	470	607	680	724	703	689	673
PBT	14,738	15,630	13,106	14,442	15,364	15,193	15,447	14,483	15,256	16,868	14,725	15,293
Tax	3,672	3,740	3,099	3,301	3,841	3,570	3,754	3,476	3,905	4,352	3,858	4,007
PAT	11,066	11,890	10,007	11,141	11,523	11,623	11,693	11,007	11,351	12,516	10,867	11,286
EPS	37.4	40.2	33.8	37.6	38.9	39.2	39.4	37.1	38.2	42.2	36.6	36.4
<b>YoY Growth (%)</b>												
USD Revenue	25.5	19.1	14.0	11.9	8.1	5.2	3.5	1.1	3.5	4.8	5.1	5.8
INR Revenues			25.3	21.9	13.8	8.2	4.6	2.3	5.1	5.9	7.1	9.9
Gross profit			11.0	16.1	15.6	10.4	9.3	2.0	0.8	3.7	3.3	2.9
EBIT			(6.1)	10.2	9.3	(1.2)	15.8	(7.9)	(5.5)	2.5	(4.1)	2.8
Net profit			(4.7)	0.5	4.1	(2.2)	16.8	(1.2)	(1.5)	7.7	(7.1)	2.5
<b>QoQ Growth (%)</b>												
USD Revenues	3.7	4.3	2.4	1.0	0.1	1.6	0.8	(1.3)	2.5	2.8	1.1	(0.7)
INR Revenues			4.8	0.8	0.1	2.3	1.2	(1.4)	2.8	3.2	2.4	1.1
EBIT			(16.9)	18.8	2.1	(1.9)	(2.6)	(5.6)	4.8	6.4	(8.9)	1.2
Net profit			(15.8)	11.3	3.4	0.9	0.6	(5.9)	3.1	10.3	(13.2)	3.9
<b>Margins (%)</b>												
Gross margin	31.1	30.8	28.6	29.9	31.6	31.4	29.9	29.8	30.3	30.8	28.8	27.9
EBIT	17.4	17.5	13.9	16.4	16.7	16.0	15.4	14.7	15.0	15.5	13.8	13.8
PAT	14.5	14.5	11.6	12.8	13.2	13.1	13.0	12.4	12.4	13.3	11.2	11.5
SGA	11.6	11.0	12.6	11.4	12.8	13.1	12.3	12.5	12.7	12.8	12.3	11.6

Source: Company, BOBCAPS Research

**Fig 14 – Key Metrics**

P and L (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue	76,442	82,278	86,200	86,910	87,021	89,054	90,166	88,929	91,426	94,329	96,609	97,717
EBIT	13,273	14,397	11,967	14,214	14,508	14,231	13,859	13,087	13,709	14,582	13,289	13,454
PAT	11,066	11,890	10,007	11,141	11,523	11,623	11,693	11,007	11,351	12,516	10,867	11,286
<b>Revenue by Vertical (%)</b>												
BFSI	36.1	36.2	37.4	38.0	37.5	36.5	35.6	35.1	35.2	35.6	36.4	37.1
High-Tech, Media & Entertainment	25.4	25.3	23.6	23.0	23.7	23.8	22.9	24.3	25.6	25.4	23.7	23.4
Manufacturing & Resources	16.3	16.2	17.5	17.5	17.3	17.9	20.3	18.6	18.5	18.1	19.3	19.9
CPG, Retail, Travel Transportation & Hospitality	15.7	15.4	15.2	15.4	15.1	15.3	14.7	15.1	14.5	14.5	14.3	14.1
Health, Life sciences & Public Services	6.6	6.8	6.3	6.1	6.4	6.5	6.5	6.9	6.2	6.4	6.3	5.5
<b>Geographic Mix (%)</b>												
North America	71.7	72.9	72.3	71.9	73.1	73.4	72.7	73.8	75.1	75.0	74.7	74.5
Europe	15.3	14.6	14.9	15.4	15.2	15.3	14.5	14.6	14.4	14.4	13.8	13.6
RoW	13.0	12.5	12.8	12.7	11.7	11.3	12.8	11.6	10.5	10.6	11.5	11.9
<b>Effort mix (%)</b>												
Onsite	14.7	14.7	14.9	14.9	14.8	14.8	15.0	15.1	15.4	15.5	15.4	15.1
Off shore	85.3	83.5	85.1	85.1	85.2	85.2	85.0	84.9	84.6	84.5	84.6	84.9
Utilization (%) (including Trainees)	83.5	83.5	82.9	81.7	84.8	86.6	87.4	86.9	88.3	87.7	85.4	85.8
<b>Clients Concentration (%)</b>												
Top 5 Clients	26.8	26.7	26.3	25.4	26.7	26.8	27.5	28.3	28.8	28.4	27.9	27.7
Top 10 Clients	34.5	34.3	33.8	32.9	34.1	34.3	35.3	35.5	35.7	35.0	34.5	34.3
Top 20 Clients	45.5	45.1	45.3	44.0	44.9	45.2	45.9	45.9	46.2	45.8	45.5	44.8
Top 40 Clients	58.7	57.4	57.6	56.8	57.2	57.6	58.5	58.0	58.9	58.2	58.1	57.2
<b>Client Profile</b>												
Number of Active Clients	708	719	723	728	723	737	739	738	748	742	742	741
New Clients Added	43	22	28	31	19	30	23	30	27	22	23	26
100 Million dollar +	2	2	2	2	2	2	2	2	2	2	2	2
50 Million dollar +	10	11	11	13	13	14	12	13	12	12	13	14
20 Million dollar +	40	38	37	38	40	41	40	40	43	42	39	40
10 Million dollar +	79	77	81	81	88	90	89	91	87	88	90	89
5 Million dollar +	130	137	144	146	148	146	149	153	148	154	152	154
1 Million dollar +	337	361	374	383	388	391	388	394	390	392	401	410
Employee Number	84,030	86,936	86,462	84,546	82,738	83,532	82,471	81,650	81,934	84,438	86,800	84,307
Net employee addition	4,436	2,906	(474)	(1,916)	(1,808)	794	(1,061)	(821)	284	2,504	2,362	(2,493)
Attrition LTM (%)	24.0	24.1	22.3	20.2	17.8	15.2	14.2	14.4	14.4	14.5	14.3	14.4
Revenue (USD mn)	979.5	1,021.9	1,046.7	1,057.5	1,058.7	1,075.5	1,083.7	1,069.4	1,096.2	1,126.6	1,138.7	1,131.0
USD-INR	77.95	80.51	82.35	82.18	82.20	82.80	83.20	83.16	83.40	83.73	84.84	86.40
TCV (US\$ mn)			1250	1350	1410	1300	1500	1390	1400	1300	1680	1600

Source: Company, BOBCAPS Research

**Fig 15 – QoQ and YoY growth of various parameters**

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>QoQ Growth (%)</b>												
<b>Geographical Data</b>												
North America	7.0	6.1	1.6	0.5	1.8	2.0	(0.2)	0.2	4.3	2.6	0.7	(0.9)
Europe	(6.7)	(0.4)	4.5	4.4	(1.2)	2.3	(4.5)	(0.6)	1.1	2.8	(3.1)	(2.1)
RoW	(0.2)	0.3	4.9	0.2	(7.8)	(1.9)	14.1	(10.6)	(7.2)	3.8	9.7	2.8
<b>Verticals</b>												
BFSI	5.4	4.6	5.8	2.7	(1.2)	(1.1)	(1.7)	(2.7)	2.8	3.9	3.3	1.2
High-Tech, Media & Entertainment	5.3	3.9	(4.5)	(1.5)	3.2	2.0	(3.0)	4.7	8.0	2.0	(5.7)	(1.9)
Manufacturing & Resources	(2.9)	3.7	10.6	1.0	(1.0)	5.1	14.3	(9.6)	2.0	0.6	7.8	2.4
CPG, Retail, Travel Transportation & Hospitality	3.7	2.3	1.1	2.4	(1.8)	2.9	(3.2)	1.4	(1.6)	2.8	(0.3)	(2.1)
Health, Life sciences & Public Services	6.9	7.5	(5.1)	(2.2)	5.0	3.2	0.8	4.8	(7.9)	6.1	(0.5)	(13.3)
<b>Client Metrics</b>												
Top 5 Clients	9.0	3.9	0.9	(2.4)	5.2	2.0	3.4	1.6	4.3	1.3	(0.7)	(1.4)
Top 10 Clients	6.8	3.7	0.9	(1.7)	3.8	2.2	3.7	(0.8)	3.1	0.8	(0.4)	(1.3)
Top 20 Clients	5.3	3.4	2.9	(1.9)	2.2	2.3	2.3	(1.3)	3.2	1.9	0.4	(2.2)
Top 40 clients	4.2	2.0	2.8	(0.4)	0.8	2.3	2.3	(2.2)	4.1	1.6	0.9	(2.2)
<b>YoY Growth (%)</b>												
<b>Geographical Data</b>												
North America	27.1	24.5	19.6	15.8	10.2	6.0	4.1	3.8	6.4	7.0	8.0	6.8
Europe	16.4	(0.7)	0.5	1.4	7.4	10.3	0.8	(4.1)	(1.9)	(1.4)	0.0	(1.5)
RoW	28.5	16.3	2.7	5.3	(2.7)	(4.9)	3.5	(7.6)	(7.1)	(1.7)	(5.6)	8.5
<b>Verticals</b>												
BFSI	27.3	23.5	22.1	19.8	12.3	6.1	(1.4)	(6.6)	(2.8)	2.2	7.4	11.8
High-Tech, Media & Entertainment	27.5	21.0	8.9	3.0	0.9	(1.0)	0.5	6.8	11.8	11.8	8.7	1.8
Manufacturing & Resources	17.6	10.8	9.0	12.6	14.7	16.3	20.1	7.5	10.7	5.9	(0.1)	13.2
CPG, Retail, Travel Transportation & Hospitality	29.7	11.8	11.0	9.8	4.0	4.6	0.1	(0.8)	(0.6)	(0.7)	2.2	(1.2)
Health, Life sciences & Public Services	21.8	26.5	10.5	6.7	4.8	0.6	6.8	14.4	0.3	3.1	1.8	(15.7)
<b>Client Metrics</b>												
Top 5 Clients	25.1	25.6	17.5	11.5	7.7	5.6	8.3	12.7	11.7	11.0	6.6	3.5
Top 10 Clients	21.3	21.2	13.3	9.9	6.8	5.2	8.1	9.1	8.4	6.9	2.7	2.2
Top 20 Clients	22.8	19.3	14.2	9.9	6.7	5.5	4.9	5.5	6.5	6.1	4.2	3.2
Top 40 clients	24.3	17.0	11.1	8.9	5.3	5.6	5.2	3.3	6.6	5.8	4.4	4.3

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Total revenue</b>	<b>331,830</b>	<b>355,170</b>	<b>380,081</b>	<b>405,642</b>	<b>443,992</b>
EBITDA	61,078	63,874	64,949	72,054	80,331
Depreciation	7,227	8,189	9,915	11,355	11,355
EBIT	53,851	55,685	55,034	60,699	68,976
Net interest inc./(exp.)	(1,504)	(2,217)	(2,789)	(2,790)	(3,043)
Other inc./(exp.)	7,073	9,236	12,686	15,518	18,248
Exceptional items	0	0	0	0	0
EBT	59,420	62,704	64,931	73,428	84,181
Income taxes	13,812	14,641	16,122	19,239	22,057
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>45,608</b>	<b>48,063</b>	<b>48,809</b>	<b>54,188</b>	<b>62,125</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>45,608</b>	<b>48,063</b>	<b>48,809</b>	<b>54,188</b>	<b>62,125</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	0	0	0	0	0
Other current liabilities	31,467	30,980	31,075	63,800	67,790
Provisions	8,134	8,486	9,691	9,691	9,691
Debt funds	1,774	318	554	554	554
Other liabilities	27,665	35,674	37,997	38,422	38,891
Equity capital	296	296	296	296	296
Reserves & surplus	165,625	199,876	226,687	256,078	288,755
Shareholders' fund	165,921	200,172	226,983	256,374	289,051
<b>Total liab. and equities</b>	<b>234,961</b>	<b>275,630</b>	<b>306,300</b>	<b>368,842</b>	<b>405,977</b>
Cash and cash eq.	23,389	18,200	20,623	70,793	83,330
Accounts receivables	72,284	70,387	76,882	80,672	90,845
Inventories	33	30	28	28	28
Other current assets	28,773	32,379	38,106	39,849	44,530
Investments	66,651	98,768	111,515	119,515	127,515
Net fixed assets	5,131	15,037	15,946	13,723	13,967
CWIP	8,126	4,669	5,818	5,818	5,818
Intangible assets	11,892	11,927	12,036	12,036	12,036
Deferred tax assets, net	6,143	5,220	5,303	5,564	6,266
Other assets	12,539	19,013	20,043	20,843	21,643
<b>Total assets</b>	<b>234,961</b>	<b>275,630</b>	<b>306,300</b>	<b>368,842</b>	<b>405,977</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash flow from operations</b>	<b>38,186</b>	<b>80,673</b>	<b>54,672</b>	<b>67,401</b>	<b>65,659</b>
Capital expenditures	(4,435)	(10,310)	(8,400)	(8,400)	(8,400)
Change in investments	5,985	(32,117)	(12,747)	(8,000)	(8,000)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>1,550</b>	<b>(42,427)</b>	<b>(21,147)</b>	<b>(16,400)</b>	<b>(16,400)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	1,525	(1,456)	236	0	0
Interest expenses	(1,504)	(2,217)	(2,789)	(2,790)	(3,043)
Dividends paid	(17,752)	(19,234)	(19,866)	(24,798)	(29,447)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(17,731)</b>	<b>(22,907)</b>	<b>(22,419)</b>	<b>(27,587)</b>	<b>(32,490)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>8,927</b>	<b>(5,189)</b>	<b>2,423</b>	<b>50,170</b>	<b>12,536</b>
<b>Closing cash &amp; cash eq.</b>	<b>23,389</b>	<b>18,200</b>	<b>20,623</b>	<b>70,793</b>	<b>83,330</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	149.1	154.9	153.7	174.8	200.4
Adjusted EPS	149.0	154.6	153.4	174.6	200.1
Dividend per share	60.0	65.0	65.0	80.0	95.0
Book value per share	561.0	676.8	732.7	827.5	932.9

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	4.2	3.9	3.6	3.4	3.1
EV/EBITDA	22.8	21.7	21.3	19.3	16.9
Adjusted P/E	30.5	29.4	29.6	26.0	22.7
P/BV	8.1	6.7	6.2	5.5	4.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.8	76.7	75.2	73.8	73.8
Interest burden (PBT/EBIT)	110.3	112.6	118.0	121.0	122.0
EBIT margin (EBIT/Revenue)	16.2	15.7	14.5	15.0	15.5
Asset turnover (Rev./Avg TA)	150.6	139.1	130.6	120.2	114.6
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.4
<b>Adjusted ROAE</b>	<b>29.5</b>	<b>26.2</b>	<b>22.8</b>	<b>22.4</b>	<b>22.8</b>

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	27.1	7.0	7.0	6.7	9.5
EBITDA	16.4	4.6	1.7	10.9	11.5
Adjusted EPS	11.7	3.8	(0.8)	13.8	14.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	18.4	18.0	17.1	17.8	18.1
EBIT margin	16.2	15.7	14.5	15.0	15.5
Adjusted profit margin	13.7	13.5	12.8	13.4	14.0
Adjusted ROAE	29.5	26.3	22.9	22.4	22.8
ROCE	22.6	20.9	18.4	16.8	16.3

### Working capital days (days)

Receivables	80	72	74	73	75
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

### Ratios (x)

Gross asset turnover	64.7	23.6	23.8	29.6	31.8
Current ratio	3.1	3.1	3.3	2.6	2.8
Net interest coverage ratio	NA	NA	NA	NA	NA
<b>Adjusted debt/equity</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.3)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

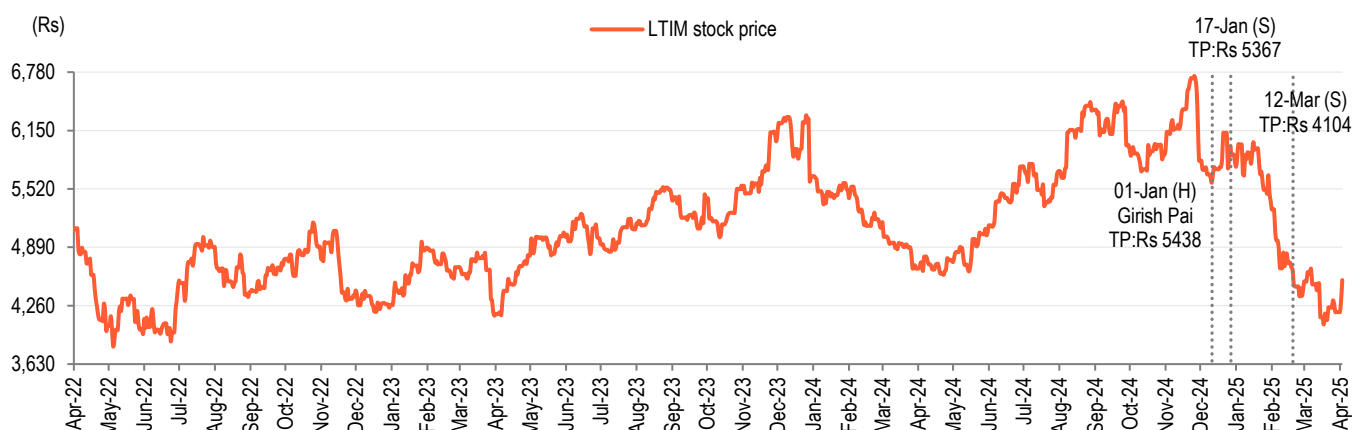
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): LTIMINDTREE (LTIM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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