

BONANZA WEALTH MANAGEMENT RESEARCH



27th December 2024

LTIMindtree Ltd. – BUY

CMP : Rs.5,700.0

Target Price : Rs.6,925.0

Upside : 20.9%

Stop Loss : Rs.4,902.0 (Closing basis)

Investment Thesis

- LTIMindtree Ltd. (LTIMindtree) is a global technology consulting and digital solutions company that helps clients transform business models, accelerate innovation and enhance growth through digital technologies and extensive domain expertise. It has demonstrated strong revenue growth, achieving a 2.3% QoQ growth in CC term for Q2FY25, led by significant growth across verticals such as Healthcare and BFSI. It has also secured a record-breaking \$200mn deal in the manufacturing vertical, boosting its TCV to \$1.3bn for the quarter. These reflect the company's successful execution and adaptability, particularly in securing large deals in a challenging macroeconomic environment. LTIMindtree's robust deal pipeline and recent deal wins will support it to sustain growth and meet client demand for both cost optimization and digital transformation services.
- LTIMindtree's continued investment in AI, cloud solutions and ERP modernization is a strategic asset as more enterprises prioritize data-driven transformation. Its AI adoption initiative along with 40+ active clients on its platform and a dedicated AI innovation center in partnership with IBM, underscores its strong positioning in the digital transformation space. By embedding AI in its service offerings, LTIMindtree enhances its value proposition for clients looking to harness data-driven insights and automation. This focus aligns with market demand for next-generation technologies, making LTIMindtree a strong player in the evolving digital services landscape.
- Recent interest rate cuts in the US is expected to support increased tech spending in the sector, boosting LTIMindtree's growth momentum. It has witnessed improved discretionary spending, particularly in digital transformation projects, enhancing its growth prospects in BFSI. LTIMindtree's expertise in next-gen technologies provides a competitive edge and positioned it to secure high-value projects. Given strong track record in BFSI, along with the anticipated sustained demand, LTIMindtree stands to maintain its growth trajectory in the sector.

Financials

- LTIMindtree's revenue and PAT grew by CAGR of 30.3% and 24.8%, respectively during FY19-24 led by growth in the BFSI and Manufacturing verticals as well as AI embedded in deals and ERP modernization.

Consol. (Rs.Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	2,61,087	3,31,830	3,55,170	3,83,584	4,29,614
EBITDA	52,285	60,947	63,736	69,472	79,198
EBITDA Margin (%)	20.0%	18.4%	17.9%	18.1%	18.4%
PAT	39,483	44,083	45,821	49,945	56,937
EPS (Rs.)	133.4	148.9	154.8	168.7	192.4
P/E (x)	42.7	38.3	36.8	33.8	29.6
RoE (%)	28.0%	27.4%	23.3%	23.5%	24.8%

Stock Data

Market Cap (Rs. Mn)	16,88,050
Market Cap (\$ Mn)	19,904.60
Shares O/S (in Mn)	296.0
Avg. Volume (3 month)	4,19,000
52-Week Range (Rs.)	6,767.95 / 4,513.55

Shareholding Pattern

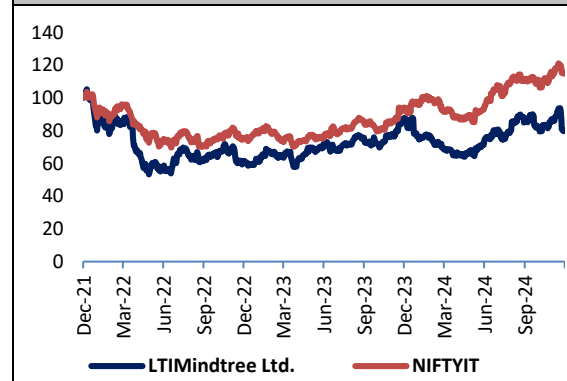
Promoters	68.60%
FII's	7.39%
Institutions	14.79%
Others (incl. body corporate)	9.22%

Key Ratios

Div Yield	1.1%
TTM PE	36.3x
ROE	23.3%
TTM EPS (Rs.)	157.1/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	-7.6%	11.1%	-8.1%
NIFTY IT	-1.0%	23.3%	23.0%



- LTIMindtree has reported revenue at US\$1.13bn, up 2.8% QoQ in dollar term and 2.3% QoQ in CC term led by Healthcare, up by 5.9% QoQ, followed by BFSI (3.9% QoQ), Technology, Media & Comms (1.9% QoQ) and Retail (2.6% QoQ).
- On the geographical front, North America, contributing 75% of revenue, improved by 2.6% QoQ in CC term while Europe, accounting for 14% of revenue, grew by 2.2% QoQ and RoW, generating 10.5% of revenue grew by 4.4% QoQ.
- EBIT margin grew by 50 bps QoQ to 15.5% in Q2FY25 due to absence of one off visa expense which LTIMindtree incurred in Q1FY25.
- LTIMindtree's deal wins were steady in Q2FY25 with bookings of US\$1.3bn, including a multi-year large deal of US\$200mn TCV in Manufacturing vertical.

Key Business Highlights

- LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation and maximize growth by harnessing digital technologies.
- LTIMindtree leverages its extensive domain and technology expertise to help enterprises across various industries reimagine their business models and drive digital transformation.
- LTIMindtree's service offerings encompass a wide range of areas including digital engineering, enterprise applications, cybersecurity and quality engineering. It is focused on integrating advanced technologies such as generative AI into its solutions to enhance operational efficiency and customer engagement.

Valuation

LTIMindtree's diversified service offerings across industry verticals, including BFSI, Manufacturing, Healthcare and Consumer, demonstrate its ability to capture growth across various sectors. The diversified exposure helps mitigate sector-specific risks and highlights its strategic position in areas with consistent demand for digital transformation. With a global client base and a broad service portfolio, it is well-positioned to leverage expected rise in digital spending across sectors going ahead.

LTIMindtree's operational efficiency has led to steady improvements in margins, with a 50bps rise in EBIT margin to 15.5% in Q2FY25. Although there are anticipated margin pressures due to wage hikes and operational costs in upcoming quarters, LTIMindtree's focus on cost and efficiency improvements is expected to alleviate some of these pressures. LTIMindtree's emphasis on scalable digital solutions and automation through AI-driven platforms will support sustainable margin growth in the long term, as these tools enhance productivity and streamline operations.

LTIMindtree is currently trading at Rs. 5,700.00 which near 15.0% down from its 52-week high of Rs. 6,767.95. It currently commands a PE of 36.3x against a 5-Yr Median PE of 33.9x. With strong deal pipeline, vendor consolidations and cost takeout deals, a marginal uptick in discretionary spend along with superior offerings in data engineering and ERP modernization, we are assigning **BUY** rating to LTIMindtree Ltd. (LTIMindtree) and value at 36.0x FY26E EPS of Rs.192.40 to arrive at target price of Rs.6,925.00, an upside of over 21.0%.

Risk & Concern

- Rupee appreciation and/or adverse cross-currency movements may impact margins of LTIMindtree.
- Recession in the US or Europe may impact demand environment and moderate the pace of tech spending.
- Rising subcontracting cost may impact the company's operating margins negatively.

Graphs & Charts

Figure 1: Net Sales Trend

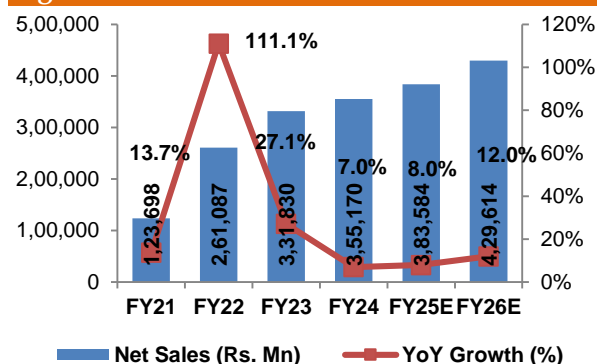


Figure 2: EBITDA & EBITDA Margin Trend

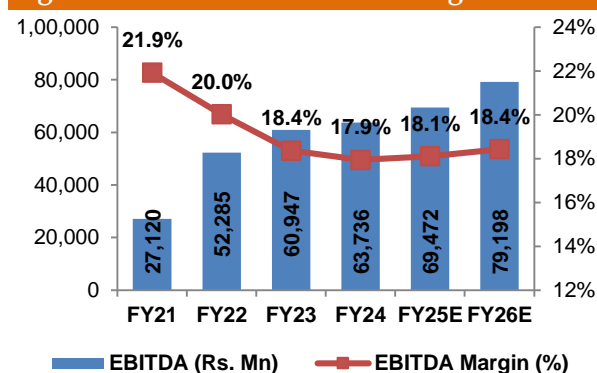


Figure 3: PAT Trend

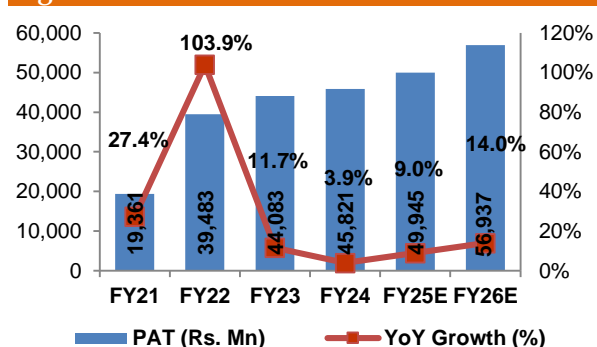
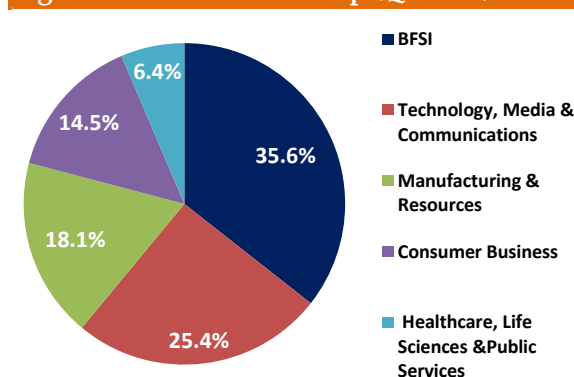


Figure 4: Revenue Brake-up (Q2FY25)



Name
Jainam Doshi

Designation
Research Analyst

Disclosure: M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

Disclaimer: This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently sent or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : | CASH | DERIVATIVE | CURRENCY DERIVATIVE | COMMODITY SEGMENT |
| CDSL: | 120 33500 | NSDL: | IN 301477 | | PMS: INP 000000985 | AMFI: ARN -0186