



BODHI CAPITAL

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LTIMindtree

CMP: Rs. 4,504.30 (EOD, 03/02/2023)

Market Cap: 133,194 (Rs. Cr.)

Analyst Take: Hold

Holding Period: Reconsider based on price and quarterly developments

Date: 05/02/2023

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Investment Thesis

- LTIMindtree's financials are stable and point towards constant growth and profitability
- It is the fifth largest Indian IT services company and has a strong network of partners around the globe
- It is a professionally managed business run by a competent and experienced team
- With the rapid advancements in the IT industry, the company displays potential for immense growth since it has enough resources to capitalize on the opportunities
- The merger of L&T Infotech and Mindtree has enabled an enhanced scales of services, a diversified client base, an expanded partner ecosystem, and strengthened innovation prowess
- In the fiscal year 2022, 66.5% of the revenue came from North America. Any regional regulation changes could have a big influence on business operations. The US's adoption of protectionist policies could also present a commercial hurdle for the corporation and its competitors. The majority of the major IT companies, however, have this as a built-in characteristic because a sizable amount of their revenue comes from the US.
- Intensely competitive industry, which may lead to pricing-pressure
- In our opinion, the price of the stock is currently high and is trading at 15 times its book value, hence we give it a HOLD rating
- At present, in our opinion the right price to buy LTI Mindtree would be around Rs. 4000 keeping in mind that the company's future looks promising



Company Overview

- Mindtree Consulting Private Limited was established by ten IT professionals in August 1999. The organisation now has over 90,000 workers, 700 active clients, and 51 offices spread across 30 countries
- The firm went public on December 12, 2006, and was listed on the National Stock Exchange and the Bombay Stock Exchange- the IPO was oversubscribed by more than a hundred times.
- Mindtree merged with the Larsen & Toubro group in November 2022 and subsequently became the fifth largest Indian IT services company.
- The company deals in e-commerce, mobile applications, cloud computing, digital transformation, data analytics, Testing, enterprise application integration and enterprise resource planning



Business Model

- **Consulting:** LTIM's "Digital Pumpkin" not only helps clients transfer to a cloud and digital intensive workflow, it also works to find personalised solutions to digital inefficiencies.
- **Customer success:** With an increasing emphasis on customers' digital experiences, large enterprises require digital professionals working in tandem with cutting edge technology to transform how end-users interact with a firm digitally.
- **Cloud and Infrastructure Services:** LTIM's Full Stack Digital Operating Model provides a unique and efficient pathway to help clients integrate with the cloud and create/update digital infrastructure. The Company's CIS has been delivering to the IT infrastructure of over 50 Fortune 100 companies



Business Model

- **Data and Analytics:** The company uses Service-as-a-Software and Software-as-a-Service to create tools and AI software like Fosfor, Alcazar and PrivateEye that clients regularly use to improve agility and efficiency.
- **Enterprise IT:** LTIM's Enclose and Infinity work closely with giants like Oracle, SAP and Salesforce to offer award-winning services that take care of enterprise needs from digitalising existing infrastructure to highly specialized cloud services/ AI programmes



Subsidiary Holdings



Subsidiary	Location
L&T Information Financial Services Technology Inc	Canada
Larsen & Toubro Infotech GmbH	Germany
Larsen & Toubro Infotech Canada Ltd	Canada
L&T Information Technology Services (Shanghai) Co Ltd	China
L&T Infotech S. de. R. L. de. C. V.	Mexico
Larsen & Toubro Infotech South Africa (Pty) Ltd.	South Africa
L&T Information Technology Spain SL	Spain
Larsen & Toubro Infotech LLC	United States
Syncordis S.A.	Luxembourg
Syncordis S.A.R.L.	France
Syncordis Support Services S.A.	Luxembourg
Syncordis Software Services India Pvt Ltd	India
Syncordis Ltd	UK



Subsidiary Holdings

1. L&T Infotech has three key subsidiaries: L&T Technology Services, L&T Infotech Financial Solutions, and L&T Infotech Solutions.
2. L&T Technology Services is a leading player in engineering and **R&D services**, with a strong focus on digital solutions. It accounted for **60%** of the company's revenue in 2020.
3. L&T Infotech Financial Solutions provides **digital transformation services** to the financial services industry and has a strong track record of delivering **innovative solutions**. It accounted for **20%** of the company's revenue in 2020.
4. L&T Infotech Solutions focuses on delivering technology-led business solutions, particularly in the areas of **data analytics and cloud computing**. It accounted for the remaining **20%** of the company's revenue in 2020.
5. The subsidiary companies play a critical role in L&T Infotech's overall strategy by providing a strong base for **growth and diversification**, allowing the company to target **different industries** and markets and deepen its expertise in key areas.
6. The subsidiaries have a strong presence in key markets such as **North America, Europe, and Asia-Pacific**, providing L&T Infotech with a global footprint and helping the company to expand its customer base.
7. L&T Technology Services has a significant presence in the **automotive, aerospace, and industrial segments**, while L&T Infotech Financial Solutions has a strong presence in the **banking, financial services, and insurance (BFSI) sector**.
8. L&T Infotech Solutions has expertise in areas such as **artificial intelligence, machine learning, and blockchain**, and provides a wide range of services including **data analytics and cloud computing**.



Acquisitions History

Acquisitions	Location	Duration	Strategic Field
Cuelogic Technologies	India	July 2021	Digital Engineering
Powerupcloud Technologies	India	October 2019	Cloud Managed Services, AI and Data Analytics
Lymbyc	India	July 2019	AI, Machine Learning
NIELSEN+PARTNER of Hamburg (Germany)	Germany	February 2019	Digital Solutions
Ruletronics	India	January 2019	Business Process Management
Syncordis S.A.	Luxembourg	November 2017	Core Banking Platform
AugmentIQ Data Sciences Pvt. Ltd	India	October 2016	Big Data, Data Analytics
Information Systems Resource Centre Pvt. Ltd. (ISRC)	India	October 2014	Information Systems Resource Centre (ISRC)
L&T Infotech Financial Services Technologies Inc.	Canada	January 2013	IT Outsourcing Business
Mindtree Ltd	India	May 2022	IT Services



Story

LTI

Let's Solve

Beginner's Mind | Infinite Innovation | Engineering DNA

25 years of creating unmatched experiences and being extraordinary every day.

It's about making a difference, it's about thinking lateral and enjoying challenges.

With agility and sensibility, LTI @25 personifies global excellence.

25 years of bolder questions and braver answers.

25 years of Let's Solve.

LTI Celebrates

25

1997

- Commenced operations as a subsidiary of L&T.

2004

- 1st large multi-year contract from a **Global Energy Company**.

2007

- 1st acquisition - US-based **GDA Tech Inc.**

2011

- Acquired **transfer agency business unit** of Citigroup services.

2022

- LTI's brand value crossed **\$1 Bn**.
- Ranked 22nd among **top 25 most valuable IT services brands** in the Brand Finance IT Services 25, 2022 ranking.

2020-21

- Entered the **Nifty Next 50 Index**.
- Acquired **Cuelogic** - July 2021.
- Launched **Fosfor, Data-to-Decisions** Product Suite.

2019

- Acquired **Ruletronics** - March 2019.
- Acquired **Nielsen+Partner** - March 2019.
- Acquired **Lymbyc** - August 2019.
- Acquired **Powerupcloud** - October 2019.

2017

- Acquired **Syncordis India & Syncordis S.A.** - December 2017.

2016

- Positioned in **top 20 IT service providers** by the Everest Group.
- Launched **Initial Public Offering (IPO)** - July 2016.
- Acquired **AugmentIQ** - November 2016.

2015

- Merged **ISRC** with LTI.



Shareholding Pattern and Analysis

	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022
Promoters +	74.53	74.51	74.36	74.31	74.27	74.25	74.09	74.07	74.05	74.03	74.00	68.69
FII's +	9.46	9.76	11.21	13.29	13.55	13.07	13.25	12.53	10.08	8.42	8.13	9.21
DII's +	7.19	7.27	6.41	4.59	4.29	4.77	4.72	5.41	7.47	8.10	8.05	10.43
Government +	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.07	0.04
Public +	8.81	8.46	8.02	7.81	7.89	7.91	7.94	7.99	8.40	9.41	9.74	11.61
Others +	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01

* The classifications might have changed from Sep'2022 onwards. ©

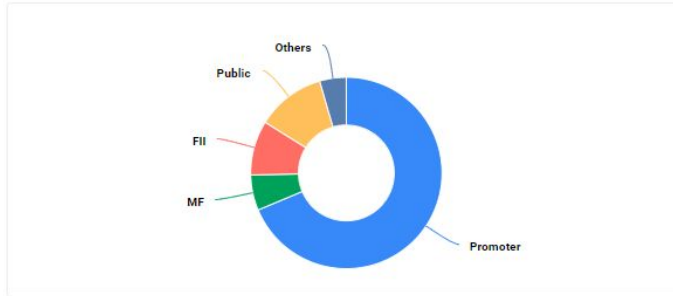
Exhibit 1: L&T Group (Promoter parent) will hold 68.73% stake in LTI post-merger

LTI shareholding			Mindtree shareholding			Post-Merger LTI shareholding		
Particulars	No. of equity shares	% holding	Particulars	No. of equity shares	% holding	Particulars	No. of equity shares	% holding
Promoter	12,97,84,034	74.05%	Promoter	10,05,27,734	60.99%	Promoter	20,31,69,280	68.73%
Public	4,54,86,122	25.95%	Public	6,43,06,038	39.01%	Public	9,24,29,529	31.27%
Total	17,52,70,156	100.00%	Total	16,48,33,772	100.00%	Total	29,55,98,809	100.00%



Shareholding Pattern and Analysis

SHAREHOLDING SUMMARY



HISTORICAL PROMOTOR HOLDING



HISTORICAL MF HOLDING



HISTORICAL FII HOLDING



- There are no pledged promoter shares, almost 74% of the company was with the promoters till Sep 2022
- After the merger, LTI holds 43.9% stake while Mindtree holds a stake of 24.8% in the combined entity, taking total promoter shareholding to 68.7%
- FII share has fluctuated between 8-14% between 2020 and 2022
- Currently, there are no FII or Marquee investors who have major stakes in the company
- DIIs which have increased their stakes include LIC and UTI flexi cap
- Company's annual dividend yield is around 1%



LTI and Mindtree Merger

Key Points

- LTIMindtree is the new company with the 5th largest IT sector market capitalization
- Mindtree shareholders received 73 shares of LTI in exchange for 100 shares in Mindtree. Promoters of LTI have 43.9% stake while Mindtree promoters have 24.8%
- CEO & MD of Mindtree will head the merged company as the new CEO & MD
- Total combined revenues for FY22 at the time of the merger were predicted to be US \$3.5bn with a PAT of 15%.

Benefits of the merger

- Have minimal overlap in their functions → help to cover more market share
- Complementary verticals and increased firm size would help in grabbing bigger deals
- Key presence across BFSI, CPG, Retail, Healthcare and Communications
- Cost synergies across delivery costs, SG&A and sales will help in driving down cost.
- 82k would be the total headcount with minimal overlap would also reduce the layoff rates
- Cross selling and up selling among 750+ clients, increase in geographies - would also help the company to diversify clientele



Exhibit 3: Highly complementary vertical strengths



Revenue (\$mn) Revenue Share (%)

BFSI	\$974	47%
Hi-Tech & Media	\$255	12%
CPG, Retail & Pharma	\$216	10%
Manufacturing	\$339	16%
Energy & Utilities	\$187	9%
Others	\$131	6%
Total	\$2,102	100%



Revenue (\$mn) Revenue Share (%)

BFSI	\$251	18%
Communications, Media & Technology	\$614	43%
CPG, Retail, Mfg	\$334	24%
Healthcare	\$17	1%
Travel, Transportation & Hospitality	\$195	14%
Total	\$1,411	100%

Proforma (As-is)

Revenue (\$mn) Revenue Share (%)

BFSI	\$1,225	35%
Communications, Media & Technology	\$869	25%
Mfg, CPG, Retail, Healthcare	\$906	26%
Energy & Utilities	\$187	5%
Travel, Transportation & Hospitality	\$195	5%
Others	\$131	4%
Total	\$3,513	100%

Exhibit 4: Diversified and balanced operations across geographies



Revenue (\$mn) Revenue Share (%)

Americas	\$1,398	67%
Europe	\$340	16%
RoW	\$364	17%
Total	\$2,102	100%



Revenue (\$mn) Revenue Share (%)

Americas	\$1,044	74%
Europe	\$254	18%
RoW	\$113	8%
Total	\$1,411	100%

Proforma (As-is)

Revenue (\$mn) Revenue Share (%)

Americas	\$2,442	69%
Europe	\$594	17%
RoW	\$477	14%
Total	\$3,513	100%

Management

- **A. M. Naik: Non-Executive Chairman**

- Has been ranked as one of the best performing CEOs in the world
- Joined as a Junior Engineer in 1965, he rose to positions of increasing responsibility as he moved from General Manager to Managing Director and CEO, leading to his appointment as Chairman and Managing Director on December 29, 2003
- Controversy: He asked marshals to throw out shareholders that questioned his cancer hospital on company land. The hospital was in memory of his granddaughter who died of cancer

- **S. N. Subrahmanyam: Non-Executive Vice Chairman**

- Joined in 1984
- In 2020, SNS was ranked as the Top CEO (Sell Side) and the 3rd Best CEO (Overall) in the All-Asia Executive Team Survey conducted by Institutional Investor and recognised as the CEO of the Year by the leading Indian news channel, CNBC-Awaaz
- Also leading L&T Infotech

- **Debashis Chatterjee: Chief Executive Officer and Managing Director**

- Joined Mindtree in 2019 as the CEO and MD and continued his role post the merger
- Has diverse experience working with companies like Nasdaq-listed Cognizant, IBM, TCS, and Mahindra & Mahindra



Management

- **R. Shankar Raman: Non- Executive Director**
 - Qualified Chartered Accountant and a Cost Accountant
 - Joined L&T Group in November 1994 to set up L&T Finance Limited, a wholly owned Subsidiary and eventually assumed responsibilities to oversee the entire finance function at the Group level including functions like Risk Management and Investor Relations
 - Appointed as Chief Financial Officer of Larsen & Toubro Limited in September 2011 and subsequently elevated to the Board on October 1, 2011
- **Sudhir Chaturvedi: Whole-Time Director & President, Markets**
 - Joined in September 2016
 - Leads a dynamic sales, marketing and alliance team globally, and is a member of the board of Syncordis Consulting, a subsidiary of LTI, based in Luxembourg
 - Has been a key strategist of company's transformation that is widely visible across brand development, market development and business development activities
- **Nachiket Deshpande: Whole-Time Director & COO**
 - Over 23 years of rich experience across fields
 - Spent 2 decades in Cognizant Technology Solutions in various executive management roles across North America, Europe, and India

Many other Independent Directors with years of experience in management.



Management

Board balance chart

3

Non-Executive Directors

6

Independent Directors
(including 2 Women Directors)

2

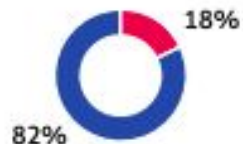
Executive Directors

Board demographics

Experience

■ 21-30 years

■ >30 years



Age profile

■ 36-55 years

■ 56-70 years

■ >70 years



Diversity

■ Male

■ Female



63

Median Director age

4

Average tenure of
Independent Directors

98%

Average attendance rate
at Board meetings



Management

ANNEXURE 3

Details of Ratio of Remuneration of Directors

[Section 197(12) of the Act read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014]

(i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year

Name of the Director	Ratio to the Median
Mr. Debashis Chatterjee	159.57
Mr. Dayapatra Nevatia ¹	38.40
Mr. Venugopal Lambu ³	129.12
Mr. S N Subrahmanyam ²	NA
Mr. R Shankar Raman ²	NA
Mr. A M Naik	11.36
Mr. Akshaya Bhargava ³	6.80
Ms. Apurva Purohit	2.73
Mr. Bijou Kurien	2.73
Mr. Chandrasekaran Ramakrishnan	2.73
Ms. Deepa Gopalan Wadhwa	2.73
Mr. M R Prasanna	2.73

¹ Resigned as Executive Director and Chief Operating Officer. Last working day was January 3, 2022.

² No remuneration was paid.

³ Remuneration paid in GBP (Great Britain Pounds).

(ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year

Name of the Director/ KMP	% change
Mr. Debashis Chatterjee	55%
Mr. Dayapatra Nevatia ¹	177%
Mr. Venugopal Lambu ^{3&4}	376%
Mr. A M Naik	0%
Mr. S N Subrahmanyam ²	NA
Mr. R Shankar Raman ²	NA
Mr. Akshaya Bhargava ³	0%
Ms. Apurva Purohit	0%
Mr. Bijou Kurien	0%
Mr. Chandrasekaran Ramakrishnan	0%
Ms. Deepa Gopalan Wadhwa	0%
Mr. M R Prasanna	0%
Mr. Vinit Teredesai ⁴	14.5%
Mr. Subhodh Shetty ⁴	185%

¹ Resigned as Executive Director and Chief Operating Officer. Last working day was January 3, 2022.

² No remuneration was paid.

³ Paid in GBP

⁴ The comparison of salary to arrive at the increment % is for the part of year 2020-21 as against the salary for full year 2021-22.



The Way Forward

- With a market cap of INR 1.3 trillion, LTI Mindtree has the potential to capitalise further with the strong demand and momentum in the tech industry. The company is constantly investing to stay ahead of competitors by building capabilities around next generation technologies, including blockchain, quantum technologies, 5G and 5G applications, cybersecurity, and cyber-physical systems (IoT, sensors, etc.), Web 3.0, Metaverse, AR/VR, and so on
- Cloud Computing: As more organizations seek cloud solutions to reduce their IT workloads, opportunities for cloud-focused technology services companies are likely to expand. According to Gartner, almost two-thirds (65.9%) of spending on application software will be directed toward cloud technologies in 2025, up from 57.7% in 2022
- Disruptive Technologies: According to Gartner, worldwide AI software revenue is forecast to total USD 62.5 Billion in 2022, an increase of 21.3% from 2021. Other disruptive technologies, such as blockchain, quantum computing, and Industry 4.0, have the potential to transform technology even further.



The Way Forward

- Enterprise IT Transformation & Automation: Better collaboration for remote workforce. Working from home is now a common occurrence. True workplace digitalization entails leveraging mutual intelligence gained from mobile interfaces, analytics, and other sources to automate processes and enable anytime, anywhere access to real-time insights.
- Cybersecurity awareness: With more and more cyberattacks, online businesses need to protect both themselves and their customers. Evasion techniques avoiding detection and working around security protocols are becoming popular. According to Fortune Business Insights, the global cyber security market is projected to grow from USD 155.83 Billion in 2022 to USD 376.32 Billion by 2029, exhibiting a CAGR of 13.4%
- Mindtree NxT: The company's Insights NxT platform helps derive intelligence autonomously by connecting people, machines, location, and processes through technologies such as AI and machine learning. The ready-to-use platform components and accelerators help fast-track Industry 4.0 and digital transformation for our customers.



Qualitative Analysis



Industry Analysis

IT sector accounted for **7.4%** of the country's GDP (as of FY22), forecasted to become **10% by 2025**

- Software industry expected to grow at a **CAGR of 12.2%** between 2021-2026 to reach **\$20.5 billion** by 2026
- Gov consistently working on easing the restrictions on entry, **100% FDI** allowed through direct channels
- India currently accounts for **51% of the total global sourcing market**, making it a trusted option to the investors.
- USA contributes to **62% of Indian IT exports**, dependent on the economic scenario of the US
- With Covid, the industry has received huge push with several companies shifting online increasing the demand manifold
- Threat of substitutes is **low** with countries like China and Taiwan struggling to make a space for themselves
→ Companies in India have high bargaining power
 - FDI in Indian companies have been made very easy to induce growth
- High competition amongst companies in the sector but growth is consistent across these companies due to high demand



Industry Analysis

- Fluctuations in demand expected due to inflation worries across the world (especially in the US). 84% of the revenue comes from exports for software services
- Software services would be the last to decline in case of economic slowdown across the world → least susceptible to dangers of recession
- Valuations for several companies approaching 5 yr average → short term dips in value could be seen
- Although, revenues for the industry expected to grow at double the rate of GDP
- TCS , Infosys, HCL Technologies and Wipro are the four major players in the industry
- These companies continue to maintain a leading position in most of the verticals while mid and small cap players are trying to find new vertical to expand in According to Gartner estimates, IT spending in India was forecasted to be US\$81.89 billion in 2021 and further increase to US\$ 101.8 billion in 2022.
- Union Budget 2022-23 allocated USD 11.5billion to IT & Telecom sector showing Gol's belief in the sector being a growth driver
- Introduction of STP scheme by Gol for software products for 100% exports could benefit the industry in the future



Porter's Five Forces

01	Bargaining Power of Suppliers	High	<ul style="list-style-type: none">• Its partners are big companies such as Adobe, Microsoft, IBM, and hence they have high bargaining power
02	Bargaining Power of Buyers	Medium to High	<ul style="list-style-type: none">• With a network of 700+ clients, LTIMindtree has established its client base• Due to intense competition and constant development, can face pricing pressures
03	Competitive Rivalry	High	<ul style="list-style-type: none">• Although very high market share, there are rapid advancements in the tech industry• Major other players like TCS and Infosys
04	Threat of New Entrants	Low to Medium	<ul style="list-style-type: none">• With their vast and extensive client base, it is quite difficult for a new entrant to enter the market
05	Threat from Substitutes	Medium to High	<ul style="list-style-type: none">• There are substitutes to the IT services since technologies are constantly evolving

SWOT ANALYSIS

STRENGTHS

Merger makes it a part of the top 5 IT companies in India
New synergies will help in diversifications and bigger orders
Revenues expected to increase 15% CAGR till FY25
Low D/E and High current ratios put it in a safe and strong position

WEAKNESSES

Still in a nascent stage of the merger → drop in margins
Price of the stock have gone up post merger new making it expensive

OPPORTUNITIES

Cloud computing
Disruptive technologies
Better collaboration for remote workforce
Cybersecurity
Next-gen Technologies

THREATS

Talent attraction and retention
Client Concentration
Foreign currency rate fluctuations
Revenue concentration



Moats

- Long-term contracts with over 50 Fortune 100 companies
- The company is seeing larger deals with longer tenure post merger- without any deal cancellations
- Post merger deconcentration of high-value clients

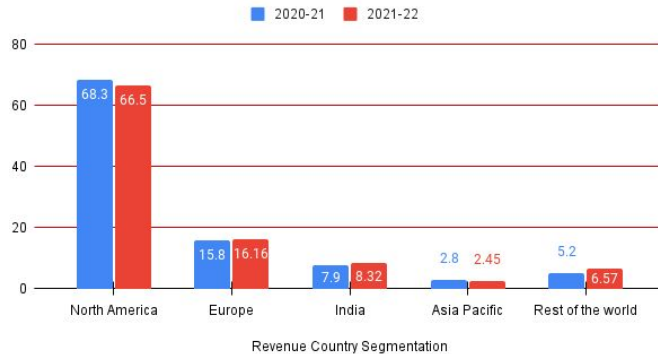


Quantitative Analysis

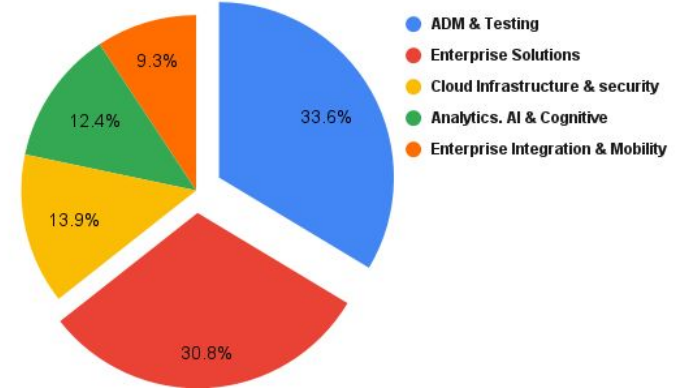


Revenue Segmentation

Revenue by Country FY21 & FY22



Revenue Mix by Services

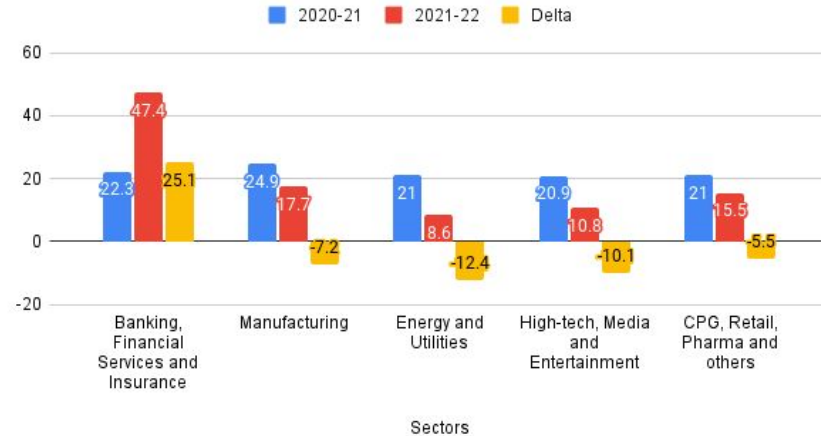


- LTI added over **\$430 Mn** in revenue in FY22, almost 3 times of revenue gain in FY21
- LTI Mindtree revenue has increased by **26.7%** to **Re 156,687 Mn** in FY22 from Re 123,698 Mn in FY2021
- North America market size (**66.6%**) is **2 times** the market size of rest of the world(33.5%) which gain them by Dollar appreciation. Concentration of revenue may also be seen as a weakness
- Europe and India showed **stronger growth** as compared to US, increasing average revenue share by 0.39%
- In terms of service, ADM & Testing and Enterprise Solution are the biggest revenue driver (**64.4%**) Combined
- **Service revenue increased** due to growth of Enterprise integration and Mobility (**+38.8%**) , Analytics, AI and Cognitive (**+25.8%**), Enterprise solution (**+25.5%**), ADM and Testing (**+23.1%**) & Cloud and security (**+22.7%**)

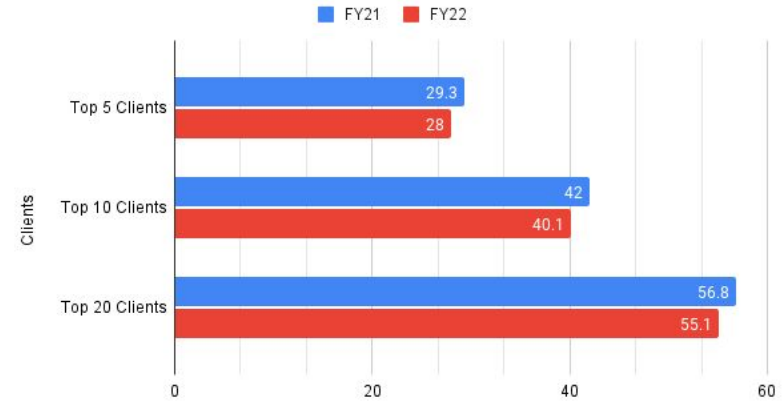


Revenue Segmentation

LTI Revenue segment %



Clients Contribution %



- In FY22, LTI mindtree generated **96.7%** of their revenue from existing client as compare to 95.9% in FY21
- The growth is fueled by Hi-tech, Media & Entertainment (**+38.3%**), Banking and Financial services (**+38.1%**), Manufacturing (**+24.2%**), CPG retail and Pharma (**+17.6%**) and insurance (**+11.7%**)
- BFSI division of LTI almost makes **50%** of the companies Revenue, which is up by **25.1%** from the previous year, While other sectors saw a **decline** of average **6.3%** in terms of revenue sharing
- Top 20 clients brings in overall **55.1%** of revenue, category of top 5, 10 and 20 has marginal drop but still LTI has strong customer loyalty
- This strong growth was largely guided by BFSI as demand for IT utility and banking service increased due to rising global demand of IT solution



Profit and Loss Statement Analysis

PARTICULARS	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	10-YR CAGR	5-YR CAGR
INCOME													
Revenue From Operations	1,915.20	2,361.80	3,031.60	4,978.04	5,847.06	6,500.90	7,306.50	9,445.80	10,878.60	12,369.80	15,668.70	23.39	19.24
Other Income	38.50	35.00	49.60	91.50	295.96	186.70	426.10	302.30	329.20	274.40	466.70	28.34	20.11
Total Income	1,953.70	2,396.80	3,081.20	5,069.54	6,143.02	6,687.60	7,732.60	9,748.10	11,207.80	12,644.20	16,135.40	23.51	19.26
EXPENSES													
Operating and Direct Expenses	0.00	0.00	0.00	488.56	671.00	1,476.40	1,684.50	1,957.30	2,150.60	2,019.40	2,656.50	#DIV/0!	12.47
Changes in Inventories of Trading Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Employee Benefit Expenses	1,226.10	1,427.40	1,782.00	2,924.27	3,534.66	3,775.80	4,328.90	5,466.80	6,516.60	7,428.90	9,700.70	22.98	20.77
Finance Cost	0.50	1.00	0.40	10.42	10.36	3.20	15.70	10.60	82.60	78.80	72.80	64.56	86.81
Depreciation and Amortisation Expenses	69.50	62.40	80.90	157.94	173.95	177.90	156.30	147.20	273.00	332.50	354.90	17.71	14.81
Other Expenses	396.10	482.00	639.60	560.74	624.00	79.00	105.70	138.40	182.10	196.40	253.10	-4.38	26.22
Total Expenses	1,692.20	1,972.80	2,502.90	4,141.93	5,013.97	5,512.30	6,291.10	7,720.30	9,204.90	10,056.00	13,038.00	22.65	18.79

- Steadily increase in revenue from operations as well as total income at a rate with a 10-year CAGR of 23%, which is the highest in the industry
- Growth in revenue is almost 27% in FY2022, as a result of the merger with LTI
- 2022 revenue jump is due to tremendous growth in cmt and rcm by vertical and cloud, data analytics and customer success by service offering, and 2022 increase in other income is attributed to high foreign exchange gains
- Minimal impact of Covid-19 to revenue from operations, instead still saw 13% increase



Profit and Loss Statement Analysis

Profit before CSR, Exceptional Items ar	261.50	424.00	578.30	927.61	1,129.05	1,175.30	1,441.50	2,027.80	2,002.90	2,588.20	3,097.40	28.04	21.39	
Exceptional Items CSR														
Profit Before Tax	261.50	424.00	578.30	927.61	1,129.05	1,175.30	1,441.50	2,027.80	2,002.90	2,588.20	3,097.40	28.04	21.39	
TAX EXPENSE														
Current Tax	53.40	88.70	131.70	168.11	224.96	264.90	329.10	512.30	482.40	650.00	798.90			
Tax Relating to Previous Years Deferred Tax Expense														
Income tax Expense	53.40	88.70	131.70	168.11	224.96	264.90	329.10	512.30	482.40	650.00	798.90	31.07	24.70	
Profit After Tax	208.10	335.30	446.60	759.50	904.09	910.40	1,112.40	1,515.50	1,520.50	1,938.20	2,298.50	27.15	20.35	

- 2020 increase in other income attributed to Reversal of liability towards acquisition of business (written back earn out payable towards acquisition of business to the erstwhile shareholders of Bluefin Solutions Limited, Relational Solutions Inc. and Magnet 360 LLC)
- Growth in expenses is at a similar rate as the total income (10-Year CAGR of 22%) showing near consistent efficiency in production
- Employee benefit expenses increased by 30.6% and is majorly due to the increase in employee count in line with business growth, changes to employee mix and increments. This has also resulted in higher contribution to the provident and other funds, social security and payroll taxes
- 2020 increase in finance costs attributed to Interest expense on lease liabilities



Profit and Loss Statement Analysis

Share of Loss of Associate														
Net OCI that will not be reclassified to P/L				1.80										
Net OCI that will not be reclassified to P/L	-24.90	55.50	-3.80											
Net OCI that will be reclassified to P/L														
Minority Interest				0.19	0.13	0.20	0.40	-0.40	0.40	2.10	1.70			
Total Comprehensive Income to Shareh	183.20	390.80	442.80	759.31	903.96	910.20	1,112.00	1,515.90	1,520.10	1,936.10	2,296.80	28.77	20.34	
EARNINGS PER SHARE														
Basic	5.72	7.35	8.10	47.17	56.26	57.80	64.93	87.45	87.45	110.98	131.19	36.79	17.81	
Diluted	5.68	7.34	8.08	45.60	56.13	55.80	63.48	12.04	12.80	110.26	130.81	36.85	18.58	

- Profitable margins have been achieved revenue growth has been accompanied by stable margins as well. Significant investments in exponential technologies, coupled with rising protectionism, localisation, and wage inflation, caused margin headwinds in some of our operating years
- Profit before tax grew at almost constant rates, indicating stability in profitability and margins
- Profit after tax grew at steady rates with a 10 Year CAGR of 27%
- EPS grew at even higher levels than the Profit After Tax, achieving a 10-year CAGR of 37%








Balance Sheet Analysis

PARTICULARS	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	5-YEAR	
ASSETS								
Non-Current Assets								
PP&E	257.80	250.80	305.20	403.10	385.70	496.80	14.02	
Capital WIP	0.90	1.00	3.20	38.20	40.30	437.40	244.61	
Right-of-use Assets	0.00	0.00	0.00	769.20	622.10	639.10		
<i>Intangible Assets</i>								
-Goodwill	99.30	276.30	494.70	636.80	657.40	690.00	47.36	
-Other Intangible Assets	184.80	153.50	130.00	110.60	240.80	271.80	8.02	
-Intangible Assets Under Development	0.40	5.80	8.30	21.00	25.90	43.90	155.91	

- Capital WIP increased on account of a new office building being constructed in Mumbai for increasing headcount which is also reflected in increase in cash outflow
- Similarly right of use assets saw a rise due to acquiring new office premises in India and abroad, increasing the office space which is a good sign of growth.
- Increase in goodwill took place on account of acquisition of companies like Lymbyc, PowerupCloud and CueLogic.
- Intangible assets increased due to capitalisation of internally developed software and efforts put into software development which are still under progress



Balance Sheet Analysis

<i>Financial Assets</i>								
Loans	31.10	38.70	47.30	56.00	0.00	0.00		
Investments	0.10	0.00	0.10	0.20	101.30	345.40		
-Other Financial Assets	186.60	72.10	160.60	11.80	205.20	302.00	10.11	
Deferred Tax Assets	143.40	192.10	154.50	222.20	54.60	54.90	-17.47	
Income Tax Assets	72.20	90.00	84.10	81.70	93.00	113.50	9.47	
Other Non-Current Assets	129.20	108.00	111.10	145.10	151.50	208.90	10.09	
Total Non-Current Assets	1,105.80	1,188.30	1,499.10	2,495.90	2,577.80	3,603.70	26.65	

- Investments have increased since company has started investing in liquid securities as well bonds and shares of certain IT companies
- Sudden rise in investment in FY21 is due to buying Philippines Govt. Treasury bonds which is for the long term and not for trading
- Loans have been shifted under other financial assets since FY2021 which is the reason why we see no loans and a hike in other financial assets
- Non current assets growth look healthy and we see that the company has also paid advance taxes which has increased its deferred tax assets



Balance Sheet Analysis

Current Assets							
<i>Financial Assets</i>							
- Investments	940.60	1,264.30	1,740.20	2,218.60	3,628.20	3,136.60	
- Trade Receivables	1,169.70	1,396.20	1,826.30	2,312.10	2,083.50	2,833.50	19.36
- Cash & Cash Equivalents	229.10	332.30	349.90	485.30	759.40	394.90	11.50
- Bank Balances	150.40	31.00	65.10	39.90	0.00	382.40	20.52
Loans	15.90	23.80	7.10	12.90			
Unbilled Revenue	472.40	836.50	558.20	442.00	607.10	903.30	13.84
Income Tax Assets	0.00	0.00	3.70	0.70			
Other Financial Assets	251.80	197.60	170.30	161.30	215.80	283.00	2.36
Other Current Assets	98.80	112.50	449.30	656.20	449.30	931.90	56.65
Total Current Assets	3,328.70	4,194.20	5,170.10	6,329.00	7,743.30	8,865.60	21.64
TOTAL ASSETS	4,434.50	5,382.50	6,669.20	8,824.90	10,321.10	12,469.30	22.97

- Investments have grown due to purchase of debt mutual funds and equity arbitrage. This has further increased other income for the company
- Increase in cash and investments mainly due to a rise in cash from operations which the company is investing in securities to generate interest
- Company's cash has reduced due to usage of funds in investments and acquiring new office spaces
- Other current assets includes fixed deposits and unbilled revenue fixed contracts



Balance Sheet Analysis

EQUITY AND LIABILITIES							
Equity							
Equity Share Capital	17.20	17.10	17.40	17.40	17.50	17.50	0.35
Other Equity	3,127.20	3,842.60	4,876.40	5,386.60	7,285.90	8,797.10	22.98
Equity Attributable to Shareholders	3,144.40	3,859.70	4,893.80	5,404.00	7,303.40	8,814.60	
Minority Interest	0.80	1.30	0.80	1.10	3.70	5.70	48.10
Total Equity	3,145.20	3,861.00	4,894.60	5,405.10	7,307.10	8,820.30	22.90
Non-Current Liabilities							
<i>Financial Liabilities</i>							
-Borrowings	0	104.2	93.6	288.4	0	0	
- Lease Liabilities	0	0	0	757.1	637.5	667.5	
-Other Financial Liabilities	0	0	0	0.00	44.5	13.4	
Other non current liabilities			0	0.00	47.9	0	
Provisions	28.50	27.9	29.1	33	36.3	39.3	6.64
Deferred Tax Liabilities	17.1	13.2	5.6	10.1	3.5	10.5	-9.29
Total Non-Current Liabilities	45.60	145.30	128.30	1,088.60	769.70	730.70	74.16

- Increase in other equity could be attributed to increase in retained earnings and increase in hedging account due to marked to market gains
- Non current financial liabilities increased in FY2020 mainly on account of acquisitions. Other reasons could be employee benefits and losses on outstanding hedges.
- Borrowings and lease liabilities are long term liabilities



Balance Sheet Analysis

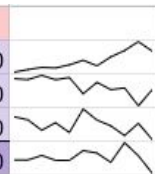
Current Liabilities							
<i>Financial Liabilities</i>							
-Borrowings	0.00	0	0	32	41.4	51.9	
-Lease Liabilities	0	0	0	122.8	119.4	116.1	
-Trade Payables	336.60	388.8	466.9	695	827.7	802.8	18.99
-Other Financial Liabilities	599.80	610.6	673	801.10	783.1	936	9.31
Other Current Liabilities	115.80	161.7	258.2	413.4	492.1	581.2	38.08
Short Term Provisions	161.40	184.4	210.8	258.8	354.2	387.4	19.14
Current Tax Liabilities	30.10	30.7	37.4	8.1	14.4	42.9	7.34
Total Current Liabilities	1243.70	1376.2	1646.3	2331.2	2632.3	2918.3	18.60
Total Liabilities	1,289.30	1,521.50	1,774.60	3,419.80	3,402.00	3,649.00	23.13

- Borrowings have stayed to a minimal for the company especially for the short term
- Lease liabilities mainly relate to office spaces which have stayed in the same range as the company has been expanding
- Other current liabilities mainly include unearned and deferred revenue and statutory loss across geographies
- Trade payables have also increased over the years showing a healthy growth in business



Cash Flow Statement Analysis



PARTICULARS	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Cash Flow From Operating Activities	324.95	482.92	613.09	580.47	769.38	1,047.20	710.90	1,247.50	1,644.10	2,179.30	1,607.00
Cash Flow From Investing Activities	-36.00	-90.60	162.35	-97.88	34.24	-927.60	-249.80	-682.70	-578.20	-1,637.00	-688.70
Cash Flow From Financing Activities	-297.30	-401.67	-743.48	-494.69	-816.72	-43.70	-407.60	-595.20	-918.50	-513.30	-1,047.00
Net Increase/(Decrease) in Cash & Cash Equivalents	-8.35	-9.35	31.96	-12.10	-13.10	75.90	53.50	-30.40	147.40	29.00	-128.70



- Cash flow from operating activities has been rising consistently due to increase in scales of business as the opportunities in the IT sector expanded
- Drop in cash from operations in 2022 due to highly negative trade receivables and bank balances other than cash and cash equivalents
- Jump in cash flow from operating activities in 2021 from income tax expense and increase in bank balances other than cash and cash equivalents
- Cash flow from investing activities follows a similar trend but majorly drops in FY 2021 due to low proceeds from sale of investments and a high purchase of investments
- Cash flow from financing activities is negative in majorly all years since excess cash flow generated was used to repay loans, as well as pay dividends
- 2022 drop in cash flow from financing activities is due to increased dividends



Ratio Analysis

PARTICULARS	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
Profitability Ratios							
OPM	18.53	18.84	20.91	18.61	21.09	19.65	
ROCE	36.67	40.72	51.26	47.61	53.50	56.92	
ROE	29.27	31.70	38.96	35.77	41.33	43.31	

- OPM continues to be averaging around 19% as the business is a IT service provider and receives benefits of economies of scale, also almost constant OPM indicates operational efficiency of the company
- Comparing industry 5 year OPM % TCS, Infosys and HCL has Approx 25%, While LTI Mindtree performing better than Tech Mahindra (OPM 19.55%)
- ROCE for LTI Mindtree is relative higher than the industry average of around 30%, Its ROCE has been growing for last two year. The growth has been fueled by stronger US market
- ROE in FY22 was 43.31% , ROE over the past year have seen a steady rise except for in FY 2020 with a average ROE of around 36.72%



Ratio Analysis

PARTICULARS	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Valuation Ratios						
P/B	27.00	22.10	17.60	16.00	11.90	9.90
P/E (Historical)	88.70	78.30	57.60	57.40	46.50	38.00
EV/EBITDA	67.90	67.10	44.60	41.40	30.30	27.30
EV/Sales	12.90	11.50	8.90	7.70	6.70	5.30

- The P/E ratio has been falling since FY17 from 78.30 to 38 in FY21 and then falling in FY22 after a large gain in PE in the previous year. Initially rising at a slower rate then relatively faster in FY20 and FY21
- The PEG ratio is at low levels and is steadily falling which indicates that the stock is likely undervalued as its P/E has remained more or less stable while earnings growth has risen.
- P/S ratio shows how much investors are willing to pay per rupee of sales for a stock. It has fallen in FY 2020 & FY 2021 due to the stock being undervalued because pandemic IT stocks sell-off
- EV/EBITDA has fallen consistently on account of rising EBITDA mainly owing to increase in profits Especially after the Mindtree merger around 2021 & 2022. EV/EBITDA dropped from 6.80 in FY2017 to 2.74 in the span of 5 years at FY2022. Low EV to EBITDA Ratio: Potentially Undervalued by Market, The more attractive the company may be as a potential investment
- EV/Sale has been falling which highlights that Market Capitalization is not growing as much as sales.



Ratio Analysis






PARTICULARS	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Liquidity and Solvency Ratios						
Current Ratio	1.99	2.04	2.14	1.94	1.75	1.81
Quick Ratio	3.05	3.14	2.71	3.09	3.04	3.04
Interest Coverage Ratio	80.9	92.82	70.00	25.25	38.06	48.42
D/E	0.21	0.20	0.16	0.36	0.22	0.19



- Current Ratio is around 1.81 showing that the company has 1.81 times more current assets than current liabilities
- Quick ratio is close 3 points to the fact that the company has enough quick assets that it can easily convert to cash to cover its current liabilities
- Both current ratio and quick ratio are gradually increasing except for Current Quick declining in FY 2021 slightly and Quick ratio falling in FY 2020 as Current Asset saw fall due to expenditure on expansion and new office spaces
- Interest coverage ratio increased to 48.42 times during the financial year 22 from 38.06 times for the previous financial year which means company will be able to easily pay interest on its outstanding debt
- There has been a consistent reduction in Debt Equity ratio over the last many years, except in FY 21 which saw the company is working towards reducing its debt in comparison to asset







Ratio Analysis

PARTICULARS	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
EBIT	1,178.50	1,457.20	2,038.40	2,085.50	2,667.00	3,170.20	
EPS Change %	2.74	12.34	34.68	0.00	26.91	18.21	
No. of Shares	399,848,460	399,848,460	400,172,685	389,081,315	389,087,750	389,219,272	
Market Cap	2,259	2,211	2,937	1,995	1,212	3,581	
Quick Assets	98.80	112.50	449.30	656.20	449.30	931.90	
Interest Expense	177.36	155.72	165.67	200.17	211.70	147.66	
Enterprise Value	2,960.34	3,141.06	4,043.07	4,612.81	3,482.51	6,011.72	

- EBIT has been steadily growing over the past as it has climbed from 1178.50 in FY17 to 2667.0 in FY21 and 3170.2 by FY22
- Earning per share has seen a average growth rate of 18.97% which shows that LTI mindtree is growing at a faster rate then the price of it share
- The Overall Market capitalization is increasing and in FY22 it is around 3581
- LTI mindtree Quick Asset has been steadily growing.



Ratio Analysis

PARTICULARS	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
EBITA Margin							
PPE/Sales	0.04	0.03	0.03	0.04	0.03	0.03	
Sales growth	653.84	805.60	2,139.30	1,432.80	1,491.20	3,298.90	
Growth capex	0.00	0.00	0.00	0.00	0.00	0.00	
Invested Capital	3,054.50	3,578.80	4,980.90	6,895.80	7,758.30	9,555.60	

- PPE relative to sales are usually low and is staying around 0.04
- Over the year, LTI Mindtree saw strong sales growth rate as before the merger it has a sales growth of 653.84 while after the merger the combined sale growth is of 3298.90 in FY 2022
- Invested Capital for LTI Mindtree has been increasing year over year as in FY 2017 it was 3054.50 and by FY22 it has grown close to 9500. Which saw that the company is optimistic about the future opportunities and spending to increasing the capacity by expansion more office space and increasing the head count and etc.



Valuation-DCF



WACC Calculation Sheet for LTIMindtree (02/02/23)

Cost of Equity= riskfree rate + beta* ERP

Riskfree rate=

10 year government bond rate- currency default spread

Gov Bond rate=

7.30% (Source: <http://www.worldgovernment>)

Sovereign Currency default spread

2.69% (Source: <https://pages.stern.nyu.edu/>)

Risk free rate=

4.61%

Beta=

Country	% of total revenues	Country-wise betas	Adjusted Betas	
North America	66.5%	0.81	0.53865	America and Canada average
Europe	16.2%	0.63	0.101808	Western europe
RoW(Primarily Australasia, MENA)	9.0%	0.725	0.06525	Emerging Markets and Australia
India	8.3%	0.75	0.06225	
Final Beta			0.77	



Equity Risk Premium=

Riskfree rate	4.61%
Beta	0.77
Mature ERP(USA)	
Country Risk premium	

	Moodys	ERP	Revenue Exposure	Adjusted ERP
North America	Aaa	5.94%	40.9%	2.43%
Europe	Taken Aaa	7.45%	42.6%	3.17%
RoW	Taken Aa2	9.99%	12.1%	1.21%
India	Baa3	9.73%	4.5%	0.44%

ERP= 7.25%

Cost Of Equity
Risk-free rate+ beta*ERP = 10.17%

Company Default spread

Interest Coverage Ratio= 41.96
 If ICR > 12.5 AAA
 Therefore CDS= **0.67%**

Marginal Tax Rate= 30.00%

Cost of Debt= 3.69320000%

Cost Of Capital= Cost of equity (Value of Equity/(Value of Equity + Value of Debt)) + Cost of Debt(1-marginal tax rate)(Value of Debt/(Value of Equity + Value of Debt))

Value of Equity 2157 Cr
 Value of Debt 36.292 Cr

Cost of Capital/WACC 10.05%



Consolidated Statement of Profit and Loss											Assumptions
	Year ended		(In crores)								
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23E	Mar-24E	Mar-25E	Mar-26E	
Revenue from operations	6,500.90	7,306.50	9,445.80	10,878.60	12,369.80	15,668.70	18645.8	22188.4	26404.3	31421.1	
Sales growth	16%	12%	29%	15%	14%	27%	19%	19%	19%	19%	CAGR of past 5 years
Other income	186.70	426.10	302.30	329.20	274.40	466.70	356.77	356.77	356.77	356.77	Since other income's major component is dividend Forex gain, assuming it will remain constant at average of last 3 years' level
Total income	6,687.60	7,732.60	9,748.10	11,207.80	12,644.20	16,135.40	19002.52	22545.21	26761.02	31777.83	
Expenses:											
COGS	1,476.40	1,684.50	1,957.30	2,150.60	2,019.40	2,656.50	3297	3924	4669	5556	
COGS/Sales	0.23	0.23	0.21	0.20	0.16	0.17	0.18	0.18	0.18	0.18	Taken cost as a % of sales as constant at average of 3 years
Gross Margin	77.29%	76.95%	79.28%	80.23%	83.67%	83.05%	82.32%	82.32%	82.32%	82.32%	
Other Expenses											
Purchases of Stock in Trade	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Assumed as average of past 3 years
Changes in Inventories of finished goods, work-in-process and stock-in-trade	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Assumed as average of past 3 years
Employee Benefit Expenses	3,775.80	4,328.90	5,466.80	6,516.60	7,428.90	9,700.70	11708.74	14132.46	17057.87	20588.85	Assumed a growth rate of 20.7%, based on CAGR of last 5 years
Other Expenses	79.00	105.70	138.40	182.10	196.40	253.10	319.46	403.23	508.95	642.40	Assumed a growth rate of 26.22%, based on CAGR of last 5 years
EBITDA	1356.40	1613.50	2185.60	2358.50	2999.50	3525.10	3677.21	4085.98	4525.17	4990.44	
EBITDA/Revenue	20.86%	22.08%	23.14%	21.68%	24.25%	22.50%	19.72%	18.41%	17.14%	15.88%	
Depreciation and amortisation expense	177.90	156.30	147.20	273.00	332.50	354.90	361.16	404.32	452.94	507.72	Depreciation taken: 42% of PPE+Intangible Assets, in accordance with average of past 6 years' figures
Total Operating Expenses	5509.10	6275.40	7709.70	9122.30	9977.20	12965.20	15686.46	18863.55	22688.78	27295.11	
Total operating exps/ Sales	84.74%	85.89%	81.62%	83.86%	80.66%	82.75%	84.13%	85.02%	85.93%	86.87%	
Finance Costs except Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
EBIT	1178.50	1457.20	2038.40	2085.50	2667.00	3170.20	3316.06	3681.66	4072.23	4482.72	
Interest Expenses	3.20	15.70	10.60	82.60	78.80	72.80	78.07	78.07	78.07	78.07	Assumed average of past 3 years since company only has long-term debt
Total expenses	5512.30	6291.10	7720.30	9204.90	10056.00	13038.00	19061.63	22865.16	27435.87	32929.31	
Profit before tax	1175.30	1441.50	2027.80	2002.90	2588.20	3097.40	3237.99	3603.60	3994.17	4404.65	
Tax expense	23%	23%	25%	24%	25%	26%	25.17%	25.17%	25.17%	25.17%	Assumed an average 25.17% tax to be levied, according to corporate tax rate, 2021 onwards
Current tax	264.90	329.10	512.30	482.40	650.00	798.90					
Tax Relating to Previous Years	0.00	0.00	0.00	0.00	0.00	0.00					
Deferred Tax Expense	0.00	0.00	0.00	0.00	0.00	0.00					
Profit for the year	910.40	1112.40	1515.50	1520.50	1938.20	2298.50	2422.99	2696.57	2988.84	3296.00	
Items that will not be reclassified to Statement of Profit and Loss											Assumed average of past 3 years
Items that will be reclassified to profit or loss											Assumed average of past 3 years
Total Comprehensive Income	910.40	1112.40	1515.50	1520.50	1938.20	2298.50	2422.99	2696.57	2988.84	3296.00	
Minority Interest											Assumed average of past 3 years
Owners of the Company	910.40	1112.40	1515.50	1520.50	1938.20	2298.50	2422.99	2696.57	2988.84	3296.00	
Profit(%) Y-o-Y	22.19%	14.39%	36.24%	0.33%	27.47%	18.59%	25.01%	11.29%	10.84%	10.28%	
PAT to sales	13.61%	14.39%	15.55%	13.98%	15.67%	14.67%	12.99%	12.15%	11.32%	10.49%	
Paid up equity share capital (face value of Rs 1)	17.20	17.40	17.40	17.50	17.50	17.50	17.50	17.50	17.50	17.50	Taken consistent at 2022 levels
Weighted Average Number of Shares (Basic)	167918389	165787460	164122945	164487369	164661734	164779774	409313698	409313698	409313698	409313698	Taken consistent at 2022 levels
Weighted Average Number of Shares (Diluted)	168203640	166286624	164468537	164567714	164752573	164884399	409313698	409313698	409313698	409313698	Taken consistent at 2022 levels
Earnings per equity share (Basic)	57.80	64.93	87.45	87.45	110.98	131.19	59.20	65.88	73.02	80.53	
Earnings per equity share (Diluted)	55.80	63.48	12.04	12.80	110.26	130.81	59.20	65.88	73.02	80.53	

Consolidated Balance Sheet										
	42,795.00	43,160.00	43,525.00	43,891.00	44,276.00	44,642.00	Mar-23E	Mar-24E	Mar-25E	Mar-26E
Assets										
Property, Plant and Equipment (Net)	257.80	250.80	305.20	403.10	385.70	496.80	566.35	645.64	736.03	839.08
Sales	6,500.90	7,306.50	9,445.80	10,878.60	12,369.80	15,668.70	18,645.75	22,188.45	26,404.25	31,421.06
Sales/PPE	25.22	29.13	30.95	26.99	32.07	31.54	32.92	34.37	35.87	37.45
Change in PPE	36.37	-7.00	54.40	97.90	-17.40	111.10	69.55	79.29	90.39	103.04
Capital work-in-progress	0.90	1.00	3.20	38.20	40.30	437.40	459.27	459.27	459.27	459.27
Goodwill	99.30	276.30	494.70	636.80	657.40	690.00	690.00	690.00	690.00	690.00
Right-of-Use Assets	0.00	0.00	0.00	769.20	622.10	639.10	639.10	639.10	639.10	639.10
Intangible Assets	184.80	153.50	130.00	110.60	240.80	271.80	293.54	317.03	342.39	369.78
Intangible Assets Under Development	0.40	5.80	8.30	21.00	25.90	43.90	17.55	17.55	17.55	17.55
Other Non-Current Financial assets	217.80	110.80	208.00	68.00	306.50	647.40	712.14	783.35	861.69	947.86
Deferred tax assets	215.60	282.10	238.60	303.90	147.60	168.40	138.98	114.70	94.66	78.12
Other non-current assets	129.20	108.00	111.10	145.10	151.50	208.90	229.79	252.77	278.05	305.85
Total non-current assets	1,006.10	906.20	996.10	1,838.10	2,577.80	3,603.70	3,746.73	3,919.41	4,118.74	4,346.61
Current assets except inventory, Cash and	1,779.50	2,434.70	2,928.80	3,491.70	4,900.40	5,254.80	3,464.98	3,464.98	3,464.98	3,464.98
COGS	1,476.40	1,684.50	1,957.30	2,150.60	2,019.40	2,656.50	3,297.10	3,923.55	4,669.02	5,556.13
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories/COGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory DOH at COGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial assets										
Investments	940.60	1,264.30	1,740.20	2,218.60	3,628.20	3,136.60	3,638.46	4,220.61	4,895.91	5,679.25
Trade receivables	1,169.70	1,396.20	1,826.30	2,312.10	2,083.50	2,833.50	3,491.79	4,155.22	4,944.72	5,884.21
Trade Receivables/ Sales	0.18	0.19	0.19	0.21	0.17	0.18	0.19	0.19	0.19	0.19



Trade Receivables/ Sales	0.18	0.19	0.19	0.21	0.17	0.18	0.19	0.19	0.19	0.19
Cash and cash equivalents	379.50	363.30	415.00	525.20	759.40	777.30	862.80	957.71	1,063.06	1,180.00
Other financial assets	571.20	949.00	1,007.50	1,098.20	1,056.40	1,835.20	1,982.02	2,140.58	2,311.82	2,496.77
Other current assets	267.70	221.40	181.10	174.90	215.80	283.00	288.66	294.43	300.32	306.33
Current Tax Assets										
Total current assets	3,328.70	4,194.20	5,170.10	6,329.00	7,743.30	8,865.60	7,819.57	7,620.21	8,409.70	9,349.20
Total assets	4,334.80	5,100.40	6,166.20	8,167.10	10,321.10	12,469.30	11,566.30	11,539.62	12,528.44	13,695.81
Equity and Liabilities										
Equity										
Equity share capital	17.20	17.10	17.40	17.40	17.50	17.50	17.50	17.50	17.50	17.50
Reserves and Surplus	3,127.20	3,842.60	4,876.40	5,386.60	7,285.90	8,797.10	10,380.58	12,249.08	14,453.92	17,055.62
Minority Interest	0.80	1.30	0.80	1.10	3.70	5.70	8.44	12.50	18.52	27.42
Total equity	3,145.20	3,861.00	4,894.60	5,405.10	7,307.10	8,820.30	10,688.47	10,486.10	11,265.16	12,182.21
Liabilities										
Non-current liabilities										
Financial liabilities										
Lease Liabilities	0.00	0.00	0.00	757.10	637.50	667.50	687.37	664.12	673.00	674.83
Other financial liabilities	0.00	0.00	0.00	0.00	92.40	13.40	35.27	47.02	31.90	38.06
Provisions	28.50	27.90	29.10	33.00	36.30	39.30	41.66	44.16	46.81	49.62
Deferred tax liability	17.10	13.20	5.60	10.10	3.50	10.50	9.56	8.70	7.91	7.20
Other Non-Current Liabilities										
Total non-current liabilities	45.60	41.10	34.70	800.20	769.70	730.70	773.85	764.00	759.61	769.71
Current liabilities										
Financial liabilities										
Borrowings	0.00	104.20	93.60	288.40	0.00	0.00	81.03	94.54	92.93	92.82
Lease Liabilities	0.00	0.00	0.00	122.80	119.40	116.10	59.72	69.67	81.28	94.83
Trade payables	336.60	388.80	466.90	695.00	827.70	802.80	955.33	1,136.85	1,352.85	1,609.89



Other Financial liabilities	599.80	610.60	673.00	801.10	783.10	936.00	1,023.05	1,118.19	1,222.18	1,335.85
Other current liabilities	115.80	161.70	258.20	445.40	533.50	633.10	873.68	1,205.68	1,663.83	2,296.09
Provisions	161.40	184.40	210.80	258.80	354.20	387.40	461.01	548.60	652.83	776.87
Current tax liabilities	30.10	30.70	37.40	8.10	14.40	42.90	46.05	49.43	53.06	56.95
Total current liabilities										
Total Liabilities except trade payables	-291.00	-347.70	-432.20	105.20	-58.00	-72.10	-77.51	-83.32	-89.57	-96.29
Total liabilities	45.60	41.10	34.70	800.20	769.70	730.70	877.82	1,053.52	1,263.28	1,513.60
Total equity and liabilities	3,190.80	3,902.10	4,929.30	6,205.30	8,076.80	9,551.00	11,566.30	11,539.62	12,528.44	13,695.81
Cash and Cash Equivalents	379.50	363.30	415.00	525.20	759.40	777.30	3,635.92	4,326.75	5,148.83	6,127.11
Cash and Cash Equivalents/Sales	0.06	0.05	0.04	0.05	0.06	0.05	0.20	0.20	0.20	0.20



Parameters	
Tax rate	25.17%
Terminal growth rate	4.0%
WACC	10.05%

Table of Assumptions

Ratio/Growth Rate	Projected Ratios/Growth Rates									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Sales growth	12%	29%	15%	14%	14%	19%	19%	19%	19%	
COGS/Sales	23%	21%	20%	16%	17%	18%	18%	18%	18%	
Op Expenses/sales	86%	82%	84%	81%	83%	84%	85%	86%	87%	
Sales/PPE	29.13	30.95	26.99	32.07	31.54	32.92	34.37	35.87	37.45	
Accounts Receivable/Sales	19%	19%	21%	17%	18%	19%	19%	19%	19%	
Inv DOH@ COGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Accounts Payable @ COGS	23.08%	23.85%	32.32%	40.99%	30.22%	28.97%	28.97%	28.97%	28.97%	



Table of Free Cash Flows

	Amount in crores											Assumpti As it is no financial
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
Net Operating Profit (NOP)	910.40	1112.40	1515.50	1520.50	1938.20	2298.50	2422.99	2696.57	2988.84	3296.00		
Change in net PPE	36	(7)	54	98	(17)	111	70	79	90	103		
Change in Non-cash WC calculation												
Operating current Assets												
Accounts Receivable	1170	1396	1826	2312	2084	2834	3492	4155	4945	5884		
+ Inventories	-	-	-	-	-	-	-	-	-	-		
= Operating Current Assets	1,170	1,396	1,826	2,312	2,084	2,834	3,492	4,155	4,945	5,884		
Operating current liabilities												
Accounts Payable	337	389	467	695	828	803	955	1,137	1,353	1,610		
= Operating current liabilities	337	389	467	695	828	803	955	1,137	1,353	1,610		
NOWC (current ass - current liab)	833	1,007	1,359	1,617	1,256	2,031	2,536	3,018	3,592	4,274		
Change in NOWC		174	352	258	(361)	775	506	482	573	682		
FCF calculation												
FCF	874.03	945.10	1,109.10	1,164.90	2,316.90	1,412.50	1,847.68	2,135.36	2,324.95	2,510.50		
	FY 23	FY 24	FY 25	FY 26	Residual Value of firm							
Discounted FCF	1,678.95	1,763.15	1,744.39	1,711.59	29,422.41							



PV of residual value	22,075.37	
Sum of PVs of Future Cash Flows	28,973.46	
Add Cash and Current Investments (2022)	3913.90	
FCFF =	32,887.36	
FCFE = FCFF - Int(1 - Tax rate) + Net borrowing		
FCFE	32,814.56	
Weighted Avg Number of Shares	16.47	
Value per share	1,992.85	Rs
CMP	4591.95	Rs



Summary of Investment Thesis

We give this a **HOLD** rating due to the following reasons:

- Stable financials that indicate constant growth and profitability
- Fifth largest Indian IT services company
- Strong network of partners around the globe
- Professionally managed business run by a competent and experienced team
- With the rapid advancements in the IT industry, the company displays potential for immense growth since it has enough resources to capitalize on the opportunities
- The merger of L&T Infotech and Mindtree has enabled an enhanced scales of services, a diversified client base, an expanded partner ecosystem, and strengthened innovation prowess
- In the fiscal year 2022, 66.5% of the revenue came from North America. Any regional regulation changes could have a big influence on business operations. The US's adoption of protectionist policies could also present a commercial hurdle for the corporation and its competitors. The majority of the major IT companies, however, have this as a built-in characteristic because a sizable amount of their revenue comes from the US.
- Intensely competitive industry, which may lead to pricing-pressure
- In our opinion, the price of the stock is currently high, and hence we give it a HOLD rating
- At present, in our opinion the right price to buy LTI Mindtree would be around Rs. 4000 keeping in mind that the company's future looks promising

