



### Strong Results with an all-round beat

#### LTI reported a decent set of numbers with a marginal beat on our estimates across the board.

- \$ Revenue came in at \$ 470.2 Mn, +5.1% qoq / +20.5% yoy and +1.2% above our estimates
- INR revenue came in at INR 34,625 Mn, +5.9% qoq / +17.4% yoy and 1% above our estimates
- EBITDA at INR 6,478 Mn, 9.5% qoq / +9.4% yoy and +2.4% above our estimates
- EBITDA Margins stood at 18.7% vs 21.9%/ 20.1% in Q4FY21 / Q1FY21 respectively and 27 bps above our estimates
- EBIT at INR 5,682 Mn, 10.2% qoq / +10.6% yoy and +1.3% above our estimates
- EBIT margins of 16.4%, vs 19.4% / 17.4% in Q4FY21 / Q1FY21 respectively and 6 bps above our estimates
- PAT came in at INR 4,968 Mn, 9% qoq / +19.3% yoy and 2.6% above our estimates
- EPS at INR 28.4 vs 31.2 / 23.9 in Q4FY21 / Q1FY21 respectively

#### Segmental Performance

- Growth was primarily driven by Hi-Tech, Media & Entertainment (12.7% of revenue) at +13.1% qoq / +31.7% yoy, BFS (32.1% of revenue) at +9.6% qoq / +39.4% yoy and Insurance vertical (14.5% of revenue) at +5.3% qoq / +1.9% yoy in cc terms

#### Service-wise Performance

- \*Services-wise:\* Enterprise Integration & Mobility (8.7% of revenue) at 12.2% qoq / 21.5% yoy, Analytics, AI & Cognitive (11.7% of revenue) at 10.4% qoq / 12.5% qoq and ADM & Testing (34% of revenue) at 7.3% qoq / 15% yoy

#### Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	94,458	1,08,786	1,23,698	1,47,487	1,67,795
EBIT	17,361	17,562	23,926	25,084	28,265
Adjusted net profit	15,147	15,200	19,381	21,276	23,418
Free cash flow	18,941	17,217	35,072	21,102	28,146
EPS (Rs)	86.4	86.4	110.2	121.0	133.2
growth (%)	36%	0%	28%	10%	10%
P/E (x)	49.6	49.6	38.9	35.4	32.2
P/B (x)	15.4	13.9	10.3	8.6	7.5
EV/EBITDA (x)	39.7	36.9	27.4	26.1	23.3
Market Cap (INR Mn)	7,51,790	7,54,194	7,53,921	7,53,921	7,53,921
ROCE (%)	34.0	29.6	30.5	27.0	25.3
RoE (%)	34.6	29.5	30.5	26.6	25.0
Dividend yield (%)	0.6	0.7	0.7	0.8	1.2

Source: Company

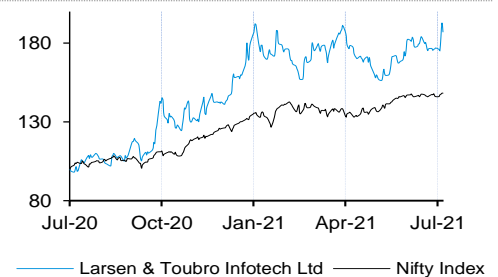
Rating	TP (Rs)	Up/Dn (%)
<b>HOLD</b>	<b>3996</b>	<b>-7</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>4288</b>
Market Cap (Rs.Bn)	(Rs Bn)	75
Market Cap (US\$ Mn)	(US\$ Mn)	1006
Face Value	Rs	1
52 Weeks High/Low	Rs	4600/2195
Average Daily Volume	('000)	2669
BSE Code		540005
Bloomberg		LTI:IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	74.25	74.27
Public	25.75	25.73
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

**Mayank Babla**  
(022) 67141412  
mayank.babla@dalal-broacha.com

## Conference Call Key Takeaways

- Added 23 new logos during the quarter
- CueLogic Acquisition: Nature of demand is shifting towards Digital Engineering, which offers good opportunity through Outsourced Product Development. Clients are transforming from conventional IT (App development & Maintenance) into Productized IT approach where platforms are being developed into products to drive functionality in the market for their consumers. As that change happens, LTI is also changing its model by combining services with productized IT. CueLogic's Outsource Product Development experience and capabilities (350 experts) helps in achieving this "Productized IT approach"
- EBIT margin stood at 16.4% in Q1FY22 vs 19.4% in Q4FY21. Margin walk: Wage Hike impact of -340 bps (320 in Direct cost and 20 bps in SGA), absence of provisions writeback -120 bps, investment in S&M -60 bps. This was offset by +140 bps due to productivity improvements and +80 bps from forex and absence of pass-through in Q1
- Cash and Equivalents stood at INR 43,314 Mn
- Data Products: has immense traction and has separate sales team with independent GTM strategy through various stakeholders including Hyperscalers as well as cross-selling. Seeing lot of traction from existing clients. Mosaic is a vibrant data ecosystem and Leni is into augmented analytics. Therefore, product bundling is also working out well for LTI.
- Seeing deals of all sizes including large deals
- India business down because of COVID as Government spend shifted to COVID related emergencies but in due course of time this will revive as Government expenditure comes back.

### Industry-wise Performance and Outlook

- BFS: strong performance driven by existing clients and large deal win announced last quarter for banking transformation of large Islamic bank using Temenos platform
- Insurance: due to recently added logos and ramp-up of large deal announced last quarter. Seeing positive traction in this segment from refined strategy, partnership ecosystem and new leadership
- Manufacturing: decline due to seasonally strong Q4 due to passthrough revenue (this also impacted Enterprise solutions and India market). Demand environment remains strong on the back of robust discretionary spends
- Energy & Utilities: driven by Utilities. Large deal signed in Q3FY21 in Energy vertical (Fortune 500 company) is going as per schedule and should ramp up in the coming quarters

- CPG Retail and Pharma: was driven by large deal wins announced in previous years and existing logos
- Hi-Tech & Media: Large deal with Injazat continues to drive growth

**Outlook:**

- Net Income Margin: will remain in the 14-15% for FY22e
- Will hire 4,500 freshers during the year
- Pipeline is healthy and conversations with customers is encouraging and confident of delivering growth in the leader's quadrant. Management does not see demand subsiding for the next 4-5 years as discretionary spending is increasing with preference shifting to off-shore delivery

## Quarterly Performance Analysis

### Exhibit 1

Consolidated financial results							
INR mn	Q1FY22	Q1FY21	YoY Growth	Q4FY21	QoQ Growth	Q1FY22E	Deviation
Revenue (US\$)	470	390	20.5%	447	5.1%	465	1%
Revenue (INR)	34,625	29,492	17.4%	32,694	5.9%	34,285	1%
Direct costs	23,898	19,916	20.0%	22,233	7.5%	24,499	-2%
Gross profit	10,727	9,576	12.0%	10,461	2.5%	9,786	10%
S,G&A	4,249	3,656	16.2%	3,306	28.5%	3,463	23%
Total expenses	28,147	23,572	19.4%	25,539	10.2%	27,961	1%
EBITDA	6,478	5,920	9.4%	7,155	-9.5%	6,323	2%
D&A	795	781	1.8%	826	-3.8%	717	11%
EBIT	5,683	5,139	10.6%	6,329	-10.2%	5,607	1%
Other income	1,247	658	89.5%	1,030	21.1%	921	35%
Net profit before tax and exceptional items	6,722	5,589	20.3%	7,168	-6.2%	6,358	6%
Provision for tax on above	1,753	1,425	23.0%	1,711	2.5%	1,518	16%
Net profit pre-exceptionals	4,969	4,164	19.3%	5,457	-8.9%	4,840	3%
Reported net profit	4,969	4,164	19.3%	5,457	-8.9%	4,840	3%
<b>Margins (%)</b>							
Gross margins	31.0%	32.5%	-149	32.0%	-102	28.5%	244
EBITDA margin	18.7%	20.1%	-136	21.9%	-318	18.4%	27
PAT margin	14.4%	14.1%	23	16.7%	-234	14.1%	23

LTI's Q1FY22 performance was marginally above our estimates across the board

Wage hike during the quarter impacted margins by 340 bps which was offset by productivity led gains

Company is going to hire 4,500 freshers during the year which should lead to high-cost employee substitution and help offset some of the post COVID costs

Management indicated that 14-15% PAT margins are sustainable for FY22e

Source: Dalal & Broacha Research, Company

## Valuation & Outlook

LTI is currently trading at 35.4x / 32.2x FY22e / FY23e EPS. Management has indicated that company has a healthy order pipeline and is confident of delivering industry leading double-digit growth in FY22e. Additionally, as per the commentary, one can expect the current robust demand environment to sustain for another 4-5 years. LTI, similar to other IT peers, is also conducting pyramid restructuring by hiring freshers - which will enable the company to offset some of the costs which return in a post COVID environment.

We therefore increase our target price to INR 3,996, based on 30x FY23e EPS. However, since the stock has given a decent rally in the past few months, we are not comfortable in recommending a BUY at current levels and hence maintain our HOLD rating on the stock.

## Financial

P&L Statement						Balance Sheet					
INR mn	FY19	FY20	FY21	FY22E	FY23E	INR Mn	FY19	FY20	FY21	FY22E	FY23E
<b>Revenue</b>	<b>94,458</b>	<b>1,08,786</b>	<b>1,23,698</b>	<b>1,47,487</b>	<b>1,67,795</b>	Share capital	174	174	174	174	174
<i>Growth (%)</i>	29%	15%	14%	19%	14%	Reserves and surplus	48,764	53,866	72,859	86,856	99,877
<b>Gross Profit</b>	<b>32,814</b>	<b>35,197</b>	<b>41,505</b>	<b>46,239</b>	<b>51,759</b>	<b>Net Worth</b>	<b>48,938</b>	<b>54,040</b>	<b>73,033</b>	<b>87,030</b>	<b>1,00,051</b>
<b>EBITDA</b>	<b>18,833</b>	<b>20,292</b>	<b>27,251</b>	<b>28,348</b>	<b>31,623</b>	<b>Non Current Liabilities</b>					
<i>EBITDA Margin (%)</i>	19.9%	18.7%	22.0%	19.2%	18.8%	Deferred Tax liabilities	56	101	35	35	35
Depreciation	1,472	2,730	3,325	3,264	3,358	Total debt	936	3,204	859	859	859
<b>EBIT</b>	<b>17,361</b>	<b>17,562</b>	<b>23,926</b>	<b>25,084</b>	<b>28,265</b>	<b>Current Liabilities</b>					
<i>EBIT Margin (%)</i>	18.4%	16.1%	19.3%	17.0%	16.8%	Trade payables	4,669	6,950	8,277	6,202	7,088
Other Income	3,023	3,289	2,743	4,417	4,096	<b>Total Net worth and Liabiliti</b>	<b>66692</b>	<b>88249</b>	<b>103902</b>	<b>117054</b>	<b>130961</b>
Exceptional items	0	0	0	0	0	<b>Assets</b>					
PBT	20,278	20,025	25,881	28,782	31,680	<b>Non Current Assets</b>					
<b>Reported PAT</b>	<b>15,147</b>	<b>15,200</b>	<b>19,381</b>	<b>21,276</b>	<b>23,418</b>	Net fixed assets	3052	4031	2700	1406	1020
<b>Adj PAT</b>	<b>15,147</b>	<b>15,200</b>	<b>19,381</b>	<b>21,276</b>	<b>23,418</b>	Intangible Assets	6247	7474	8961	11276	13337
<i>PAT Margin (%)</i>	16%	14%	16%	14%	14%	Investments	20120	23757	40405	34660	39432
<b>EPS (Rs.)</b>	<b>86.4</b>	<b>86.4</b>	<b>110.2</b>	<b>121.0</b>	<b>133.2</b>	Deferred tax assets	2386	3039	1476	1476	1476
<i>EPS Growth (%)</i>	36%	0%	28%	10%	10%	<b>Current Assets</b>					
						Cash and bank balances	4150	5252	5583	13905	17005
						Loans & advances	11886	12731	16602	16602	16602
						Trade Receivables	18263	23121	20835	28285	32180
						<b>Total assets</b>	<b>66692</b>	<b>88249</b>	<b>103902</b>	<b>117054</b>	<b>130961</b>
Ratio Analysis						Cash Flow Statement					
	FY19	FY20	FY21	FY22E	FY22E	INR Mn	FY19	FY20	FY21	FY22E	FY22E
<b>Margin ratios</b>						<b>PAT</b>	<b>15147</b>	<b>15200</b>	<b>19381</b>	<b>21276</b>	<b>23418</b>
Gross	34.7%	32.4%	33.6%	31.4%	30.8%	Less: Non Operating Income	-3023	-3289	-2743	-4417	-4096
EBITDA	19.9%	18.7%	22.0%	19.2%	18.8%	Add: Depreciation	1472	2730	3325	3264	3358
Adj PAT	16.0%	14.0%	15.7%	14.4%	14.0%	<b>Operating Profit before WC Changes</b>	<b>13702</b>	<b>15467</b>	<b>20751</b>	<b>20842</b>	<b>23363</b>
<b>Performance ratios</b>						(Inc)/Dec in Current Assets	-9539	-10487	-15681	809	-7753
Pre-tax OCF/EBITDA	99.3%	101.3%	107.5%	74.5%	96.8%	(Inc)/(Dec) in Current Liabilities	3029	5621	-143	-2075	887
RoE (%)	34.6%	29.5%	30.5%	26.6%	25.0%	<b>Net Cash From Operations</b>	<b>7192</b>	<b>10601</b>	<b>4927</b>	<b>19576</b>	<b>16496</b>
ROCE (%)	34.0%	29.6%	30.5%	27.0%	25.3%	<b>Cash Flow from Investing Activities</b>					
RoCE (Pre-tax)	45.5%	38.9%	40.7%	36.5%	34.3%	(Inc)/Dec in Fixed Assets	-2016	-3709	-1994	-1970	-2973
RoIC (Pre-tax)	38.0%	34.0%	35.2%	34.1%	33.8%	(Inc)/Dec in Investment (Strategic)	-955	1060	-2449	-2514	-914
Return on Total Assets	26.0%	19.9%	23.0%	21.4%	21.6%	Add: Non Operating Income Income	3,023	3,289	2,743	4,417	4,096
Fixed asset turnover (x)	34.0	30.7	36.8	71.8	138.3	<b>Cash From Investing Activities</b>	<b>-1,943</b>	<b>-1,064</b>	<b>-3,257</b>	<b>-2,381</b>	<b>-1,851</b>
Total asset turnover (x)	1.6	1.4	1.3	1.3	1.4	<b>Cash Flow from Financing Activities</b>					
<b>Valuation metrics</b>						Dividend Paid	-4499	-4864	-5592	-6116	-8738
Fully Diluted Shares (mn)	175	176	176	176	176	Tax Paid on Dividend	-842	-815	-671	-1162	-1660
Market cap (Rs.mn)	7,51,790	7,54,194	7,53,921	7,53,921	7,53,921	<b>Net Cash from Financing Activities</b>	<b>-4726</b>	<b>-9545</b>	<b>-1606</b>	<b>-7997</b>	<b>-11079</b>
P/E (x)	49.6	49.6	38.9	35.4	32.2	<b>Opening Balance</b>	<b>3632</b>	<b>4150</b>	<b>5252</b>	<b>5583</b>	<b>13905</b>
EV (Rs.mn)	7,48,576	7,49,742	7,47,066	7,38,744	7,35,643	<b>Closing Cash Balance</b>	<b>4155</b>	<b>4142</b>	<b>5316</b>	<b>14780</b>	<b>17470</b>
EV / EBITDA (x)	39.7	36.9	27.4	26.1	23.3						
FCF Yield	1.6%	1.9%	2.4%	1.1%	2.8%	Free Cash Flow Statement					
P/BV (x)	15.4	13.9	10.3	8.6	7.5	INR Mn	FY19	FY20	FY21	FY22E	FY23E
Dividend pay-out (%)	35.3%	37.4%	32.3%	34.2%	44.4%	EBITDA	18,833	20,292	27,251	28,348	31,623
Dividend yield (%)	0.6%	0.7%	0.7%	0.8%	1.2%	FC Investment	-2016	-3709	-1994	-1970	-2973
						WC Changes	-6510	-4866	-15824	-1266	-6866
						Depreciation Tax Shield	372	658	835	851	876
						Tax Expenses	4758	4889	6844	7393	8247
						<b>FCF</b>	<b>18941</b>	<b>17217</b>	<b>35072</b>	<b>21102</b>	<b>28146</b>

Source: Dalal &amp; Broacha Research, Company

### Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B** (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services. D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

#### **Disclosures in respect of Research Analyst:**

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has 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	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 67141442	Auto   Auto Ancillary   FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 67141446	Pharma   Healthcare
Mr. Mayank Babla	Sr. Analyst	<a href="mailto:mayank.babla@dalal-broacha.com">mayank.babla@dalal-broacha.com</a>	022 67141412	IT   Telecom   Media
Mr. Avinash Tanawade	Sr. Analyst	<a href="mailto:avinash.tanawade@dalal-broacha.com">avinash.tanawade@dalal-broacha.com</a>	022 67141449	BFSI
Mr. Akshay Ashok	Analyst	<a href="mailto:akshay.ashok@dalal-broacha.com">akshay.ashok@dalal-broacha.com</a>	022 67141486	BFSI
Ms. Timshar Dhamodiwala	Associate	<a href="mailto:timshar.dhamodiwala@dalal-broacha.com">timshar.dhamodiwala@dalal-broacha.com</a>	022 67141441	IT   Telecom   Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)