



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day 2019@ Dalal&Broacha

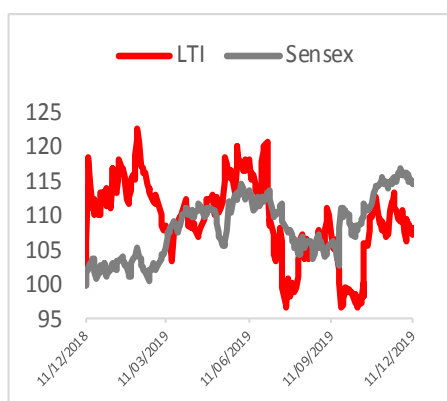
BUY

Current Price	1,635
Target Price	1,897
Upside	16%
52 Week Range	1437 / 1897

Key Share Data

Market Cap (Rs.Bn)	284.36
Market Cap (US\$ Mn)	4004.92
No of o/s shares (Mn)	173.93
Face Value	1
Monthly Avg. Vol(BSE+NSE) '000	100.54
BSE Code	540005
NSE Code	LTI
Bloomberg	LTI:IN

Price performance



% Shareholding

Promoters	74.62	74.79
Public	13.96	14.09
Others	11.42	11.12
Total	100	100

Consolidated Financials

INR Mn	Net Sales	Growth (%)	EBITDA	EBITDA Margin (%)	PAT	PAT Margin (%)	EPS	Growth (%)	ROE (%)	ROCE (%)	P/E
FY18	73,065	12%	11,874	16.3%	11,111	15%	63.4	14%	31.7%	31.6%	25.8
FY19	94,458	29%	18,833	19.9%	15,147	16%	86.4	36%	34.6%	34.0%	18.9
FY20E	1,05,617	12%	19,106	18.1%	14,708	14%	83.7	-3%	27.8%	27.8%	19.5
FY21E	1,19,991	14%	21,461	17.9%	16,561	14%	94.3	13%	26.8%	26.4%	17.3
FY22E	1,33,210	11%	24,194	18.2%	18,506	14%	105.4	12%	25.9%	25.5%	15.5

LTI's key focus points revolved around the "how's" and "what's" of driving industry leading growth, i.e. "How" Strategies laid out since listing translated into robust growth and "What" the company is doing to differentiate itself in the current age of disruption. Other key focus areas were 'Sales & Marketing Excellence', 'Delivery & People Excellence' and 'Powering the Breakaway Enterprise'

How strategies since IPO translated into Industry leading growth?

LTI's **4 pillar strategy** i.e. 1. Growth of Top 20 Accounts, 2. Invest in Accounts with High Growth Potential, 3. Maintain Large Deal Momentum and 4. Add marquee clients in focus verticals; **investments in ADAIC** (Analytics, Digital, Automation, IoT and Cloud) and **Client Centricity** approach (through market leading capabilities, engineering DNA has translated into industry leading 3.3% CQGR growth over the last 18 quarters.

What the company is doing to differentiate itself?

LTI differentiates itself through 4 essential plays, namely,

1. Digitizing the Core
2. Data-driven organizations
3. Experience Transformation
4. Operate to Transform

... and achieves it through standardization of solutions & processes, Analytics, Strong Partner & Alliance ecosystems, Automation, IoT, Cloud and strong capabilities (Scale no longer key to winning large deals but **Ideas, Capabilities in AI and Automation and Operations Transformation**).

Sales & Marketing Excellence

- **Hunting Pack strategy** (focus on large deals, growth in top accounts and teamwork in marketing), **Acquisitions, Capabilities and strong Partner Ecosystem** has resulted in 19 large deals since Q1FY17 out of which 9 were new logos
- **Overall Deal Pipeline (ODP)** has grown at 42% YoY
 - 35% of ODP in FY20 are new logos vs 19% in FY19
 - 37% of ODP are for next gen tech (digital, AI, Automation, etc) vis-à-vis 19% last year
 - 49% of ODP at '**proposal stage**' (pipeline which converts into deal win usually within 3-6 months) vs 45% last year.
- **32 Large Deal Pipeline (LDP)** in FY20, which is 22% higher than FY19 (which was approximately \$1 Bn+)
 - 67% of LDP in **proposal stage** vs 37% in the previous year
 - 60% of LDP are from New Logos

Delivery & People Excellence

- LTI's focus is on transforming talent and improving capability
- Talent is classified under 3 categories: 1. **Core** 2. **Scale** – usually single skilled Talent and 3. **Flexible Talent**
- Company plans to transform its Talent Profile by
 - Expanding Core Talent: Re-skilling, Up-skilling and Cross-Skilling Core Talent



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day 2019@ Dalal&Broacha

- **Optimizing Scale Talent:** Reducing Gap between qualification and employability (*LTI has seen 60% drop in time to bill*) and rapid deployment
- **Deploying bots to replace Flex workload**
- Introduce Ecosystem Talent which collaborate with Startups in IoT, AI, Fintech and Data in order to disrupt traditional offerings and services
- Key is to have multi skilled-talent and increase retention rate
- LTI has already transformed capabilities as 35% of Oracle Practice are trained on ERP cloud, 68% of SAP workforce are trained on S4/HANA and 35% of Infra team is trained on AWS and Azzure.
- Furthermore, LTI's capabilities have already enabled it to achieve leading partnership status with alliances. LTI is a Platinum Oracle Partner, GSSP service partner with SAP (only 1 out of 7 partners present globally), Microsoft Gold Partner, Cisco Gold Partner Premier Google Cloud Partner and Platinum IBM Partner

Management was particularly bullish on its **MOSAIC platform** for 2020 which should revolutionize its Platform and Digital offering through advanced Decision Making capabilities, AI, Data Extraction, Cognitive and Intuitive Discovery solution and Automation.

Other Key Highlights:

- Management is confident of delivery stronger growth YoY in H2FY20e compared to 11.1% YoY growth in H1FY20 and confident of outperforming the 3.3% CQGR delivered in the past 18 quarters
- Outlook in BFS remains positive
- Interactions with clients remain positive
- Capabilities, robust Partner Ecosystem, Large Deal pipeline and modernized offerings enable positive outlook in an otherwise cautious macros in the IT sector

Valuation & Outlook

At CMP of INR 1635, LTI is trading at 17.3x / 15.5x FY21e / FY22e EPS of INR 94.3 and 105.4 respectively. We maintain a **BUY** rating on the stock as we assign a multiple of 18x FY22e EPS and arrive at a target of INR 1,897.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day 2019@ Dalal&Broacha

P&L Statement						
INR mn	FY17	FY18	FY19	FY20E	FY21E	FY22E
Revenue	65,009	73,065	94,458	1,05,617	1,19,991	1,33,210
Growth (%)	11%	12%	29%	12%	14%	11%
Gross Profit	22,885	23,939	32,814	33,823	37,552	41,777
EBITDA	12,302	11,874	18,833	19,106	21,461	24,194
EBITDA Margin (%)	18.9%	16.3%	19.9%	18.1%	17.9%	18.2%
Depreciation	1,779	1,563	1,472	2,680	3,082	3,517
EBIT	10,523	10,311	17,361	16,426	18,380	20,677
EBIT Margin (%)	16.2%	14.1%	18.4%	15.6%	15.3%	15.5%
Other Income	1,867	4,261	3,023	3,531	3,670	3,963
Exceptional items	0	0	0	0	0	0
PBT	12,358	14,415	20,278	19,565	22,049	24,639
Reported PAT	9,701	11,111	15,147	14,708	16,561	18,506
Adj PAT	9,701	11,111	15,147	14,708	16,561	18,506
PAT Margin (%)	15%	15%	16%	14%	14%	14%
EPS (Rs.)	55.6	63.4	86.4	83.7	94.3	105.4
EPS Growth (%)	3%	14%	36%	-3%	13%	12%

Balance Sheet						
INR Mn	FY17	FY18	FY19	FY20E	FY21E	FY22E
Share capital	171	172	174	174	174	174
Reserves and surplus	31,272	38,426	48,764	56,867	66,205	76,456
Net Worth	31,443	38,598	48,938	57,041	66,379	76,630
Non Current Liabilities						
Deferred Tax liabilities	171	132	56	56	56	56
Total debt	0	1,042	936	936	936	936
Other liabilities and provisions	293	292	299	299	299	299
Current Liabilities						
Trade payables	3,366	3,792	4,669	4,977	5,399	5,675
Other current liabilities	7,300	7,798	9,686	9,686	9,686	9,686
Short-term provisions	1,771	1,844	2,108	2,108	2,108	2,108
Total Networth and Liabilities	44344	53498	66692	75104	84863	95389
Assets						
Non Current Assets						
Gross Fixed assets	6800	4483	5692	6624	7832	8820
Accumulated Depreciation	-4222	-1975	-2640	-3463	-4344	-5354
Net fixed assets	2578	2508	3052	3161	3488	3466
Intangible Assets	2841	4299	6247	7132	7323	7159
Capital Work in Progress	9	10	32	32	32	32
Investments	9406	14492	20120	24292	27598	31304
Intangible assets under developme	4	58	83	83	83	83
Deferred tax assets	2156	2743	2386	2386	2386	2386
Long-term loans and advances	3469	387	473	473	473	473
Current Assets						
Cash and bank balances	3796	3632	4150	4536	6938	10499
Loans & advances	8388	11407	11886	11886	11886	11886
Trade Receivables	11697	13962	18263	21123	24656	28102
Total assets	44344	53498	66692	75104	84863	95389

Cash Flow Statement						
INR Mn	FY17	FY18	FY19	FY20E	FY21E	FY22E
PAT	9701	11111	15147	14708	16561	18506
Less: Non Operating Income	-1867	-4261	-3023	-3531	-3670	-3963
Add: Depreciation	1779	1563	1472	2680	3082	3517
Operating Profit before WC Changes	9645	8570	13702	14250	15973	18061
(Inc)/Dec in Current Assets	-7777	-8521	-9539	-5525	-6264	-5958
Inc/(Dec) in Current Liabilities	680	997	3029	308	422	276
Net Cash From Operations	2548	1046	7192	9032	10131	12379
Cash Flow from Investing Activities						
(Inc)/Dec in Fixed Assets	-1565	-1493	-2016	-2789	-3409	-3495
(Inc)/Dec in Investment (Strategic)	780	1233	-955	-1507	-575	-1195
Add: Non Operating Income Income	1,867	4,261	3,023	3,531	3,670	3,963
Cash From Investing Activities	2,007	2,488	-1,943	-1,649	-505	-563
Cash Flow from Financing Activities						
Dividend Paid	-1610	-3034	-4499	-5563	-6085	-6954
Tax Paid on Dividend	-278	-500	-842	-1041	-1139	-1301
Net Cash from Financing Activities	-2796	-3703	-4726	-6998	-7224	-8256
Net Inc/Dec in cash equivalents	1,760	-169	523	386	2,402	3,561
Opening Balance	2034	3796	3632	4150	4536	6938
Closing Cash and Cash Equivalents	3793	3627	4155	4536	6938	10499

Free Cash Flow Statement						
INR Mn	FY17	FY18	FY19	FY20E	FY21E	FY22E
EBITDA	12,302	11,874	18,833	19,106	21,461	24,194
FC Investment	-1565	-1493	-2016	-2789	-3409	-3495
WC Changes	-7097	-7524	-6510	-5217	-5842	-5682
Depreciation Tax Shield	381	357	372	665	767	875
Tax Expenses	2637	2711	4758	4743	5342	6022
FCF	15578	15551	18941	17457	19320	21234

Ratio Analysis						
	FY17	FY18	FY19	FY20E	FY21E	FY22E
Margin ratios						
Gross	35.2%	32.8%	34.7%	32.0%	31.3%	31.4%
EBITDA	18.9%	16.3%	19.9%	18.1%	17.9%	18.2%
Adj PAT	14.9%	15.2%	16.0%	13.9%	13.8%	13.9%
Performance ratios						
Pre-tax OCF/EBITDA	131.5%	101.2%	99.3%	98.7%	95.7%	95.9%
OCF/IC (%)	49.6%	24.2%	29.7%	26.2%	24.9%	25.5%
RoE (%)	37.5%	31.7%	34.6%	27.8%	26.8%	25.9%
ROCE (%)	37.4%	31.6%	34.0%	27.8%	26.4%	25.5%
Fixed asset turnover (x)	14.5	28.7	34.0	34.0	36.1	38.3
Total asset turnover (x)	1.7	1.5	1.6	1.5	1.5	1.5
Financial stability ratios						
Net Debt to Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net Debt to EBITDA (x)	-0.3	-0.2	-0.2	-0.2	-0.3	-0.4
DSO days	66	70	71	73	75	77
Valuation metrics						
Fully Diluted Shares (mn)	174	175	175	176	176	176
P/E (x)	29.4	25.8	18.9	19.5	17.3	15.5
EV (Rs.mn)	2,82,771	2,83,977	2,83,353	2,82,968	2,80,565	2,77,005
EV/ EBITDA (x)	23.0	23.9	15.0	14.8	13.1	11.4
FCF Yield	4.5%	2.7%	4.2%	4.3%	4.8%	5.5%
P/BV (x)	9.1	7.4	5.9	5.0	4.3	3.7
Dividend pay-out (%)	19.5%	31.8%	35.3%	44.9%	43.6%	44.6%
Dividend yield (%)	0.6%	1.1%	1.6%	2.0%	2.1%	2.4%



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day 2019@ Dalal&Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CIN_U67120MH1997PTC111186) 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

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



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Investor Day 2019@ Dalal&Broacha

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.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. AbhilashaSatale	abhilasha.satale@dalal-broacha.com	022 67141135	Mid cap
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141149	BFSI
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	I.T,Media,Telecom
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

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