

## FIRST LIGHT

24 April 2025

### RESEARCH

#### **LTIMINDTREE | TARGET: Rs 3,837 | -15% | SELL**

New CEO. Execution is key

#### **TATA CONSUMER PRODUCTS | TARGET: Rs 1,325 | +15% | BUY**

Tea: Market share vs margin conundrum

### SUMMARY

#### **LTIMINDTREE**

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

[Click here](#) for the full report.

#### **TATA CONSUMER PRODUCTS**

- Tea market share losses to unorganised / regional players are limiting inflation pass-through. Margin recovery now reliant on deflation
- Capital Foods (CF) and Organic India (OI) now fully integrated with learnings. Target sales growth run-rate 30%
- We model partial recovery in Tea margins in FY26. Above-avg sales growth profile and scale-driven margin accretion remain. Retain BUY

[Click here](#) for the full report.

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**SELL**

TP: Rs 3,837 | ▼ 15%

**LTIMINDTREE**

| IT Services

| 24 April 2025

## New CEO. Execution is key

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

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

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

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

## Key changes

Target	Rating
▼	◀ ▶

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

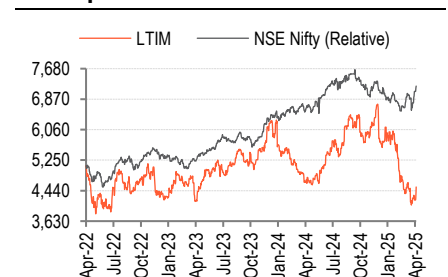
Source: NSE | Price as of 23 Apr 2025

## Key financials

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

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**BUY****TP: Rs 1,325 | ▲ 15%****TATA CONSUMER  
PRODUCTS**

Consumer Staples

24 April 2025

**Tea: Market share vs margin conundrum**

- Tea market share losses to unorganised / regional players are limiting inflation pass-through. Margin recovery now reliant on deflation
- Capital Foods (CF) and Organic India (OI) now fully integrated with learnings. Target sales growth run-rate 30%
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**4QFY25 result summary:** TCPL consolidated sales were +17% YoY, 1% above consensus and 3% below our estimates. Growth businesses were +18% YoY. EBITDA was -1% YoY; 4% below consensus and 3% below our estimates. Tea pricing was lower than expected, which impacted margins. CF and OI synergies also came through during the quarter.

**Tea margins now rely on deflation:** Tea pricing vs inflation is still insufficient across the industry. TCPL is recovering 46% inflation and absorbing the rest to maintain competitiveness, as the top player has not taken full pricing. Margins remain under pressure. For FY26, while the new crop outlook appears favourable with normal monsoon, there may be temporary inflationary pressures due to the ongoing heatwave's likely adverse impact on tea output due April/May. However, tea picking towards the end of 1Q until the mid-to-end of 2Q accounts for the bulk of the annual supply – a well distributed, balanced monsoon is key to output, prices and TCPL margins for FY26. We expect normal circumstances from an input cost perspective and conservatively model a partial recovery in tea margins for FY26.

**New businesses now “setup”:** The company indicated that CF and OI are now integrated into the system with learnings. For FY25, combined sales growth at 19% was below target, but improved sequentially through the year. TCPL expects a 30% growth run-rate, in line with its growth businesses. Combined gross margin of CF and OI is ~700bps above the FY25 group average.

**Our view:** Earnings trajectory on growth businesses is improving faster vs our expectations. In the Tea business, if monsoons turn out to be as expected or normal, margins should recover. NourishCo sales are coming back, but margins have contracted due to Gluco Plus retail margin reset – however, it's less than 2% of group sales. TCPL has an above-average sales growth profile amongst peers. A focus on innovation, M&A and “growth businesses” are the key drivers. We value TCPL at 54x, in line with its 5Y historical average P/E on 12m to Mar 2027 EPS. Our TP changes to Rs1,325 from Rs 1,175. Share price return of 15% – Retain BUY.

**Key changes**

Target	Rating
▲	◀ ▶

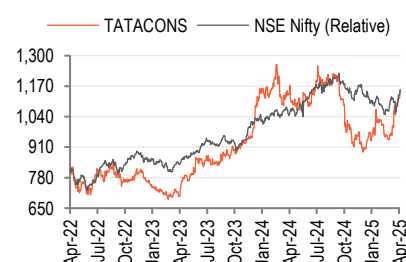
Ticker/Price	TATACONS IN/Rs 1,150
Market cap	US\$ 12.8bn
Free float	64%
3M ADV	US\$ 22.7mn
52wk high/low	Rs 1,263/Rs 883
Promoter/FPI/DII	34%/25%/41%

Source: NSE | Price as of 23 Apr 2025

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	176,183	196,000	213,409
EBITDA (Rs mn)	24,794	30,158	35,244
Adj. net profit (Rs mn)	12,836	19,572	24,198
Adj. EPS (Rs)	13.0	19.8	24.5
Consensus EPS (Rs)	13.0	19.1	22.6
Adj. ROAE (%)	6.6	8.9	10.4
Adj. P/E (x)	88.7	58.1	47.0
EV/EBITDA (x)	44.3	36.3	30.8
Adj. EPS growth (%)	(13.1)	52.5	23.6

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



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

**SELL** – Expected return  $< -6\%$

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

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