

SELL**TP: Rs 4,149 | ▼ 20%****LTIMINDTREE**

| IT Services

| 18 July 2025

No signs of a turnaround under the new CEO, yet

- 1QFY26 was a bit below our expectation on revenue but in line with EBIT margins. New CEO cautious and unwilling talk beyond a quarter
- Third successive quarter of US\$1.6bn TCV. It would require a bigger step up with good revenue conversion for growth to pick up
- Retain 'SELL' rating as they LTIM is yet to display the port merger promise. More work to do on both revenue growth and margins

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1QFY26 performance so-so: 1QFY26 revenue was US\$1.15 bn, reflecting CC growth of 0.8% QoQ (against our estimate of 2% CC growth). EBIT margin expanded by 50 bps QoQ to 14.3% (in line with our estimate of 14.5%). The QoQ growth in USD terms was driven by consumer business at 6.2%. Healthcare, Life Science & Public Services grew 4.8%. Europe led with 9.7%

New CEO settling down: Venu Lambu, the new CEO has a Fit4Future program which he is executing. The modest step up in the TCV from ~US\$1.4bn run rate to US\$1.6bn run rate is likely not giving him enough confidence to give a view beyond 2QFY26 (where he is indicating a similar momentum as seen in 1Q).

Large deal momentum: Management is seeing increased momentum in large deals and expects more announcements in 2Q, building a strong pipeline for the year. While quarterly order inflows fluctuate due to renewals and industry factors, on a yearly basis they expect higher large deal bookings.

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.

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 June FY27 EPS we arrive at a TP of Rs4149 and retain our SELL rating as we believe the current valuation (28x on 12 month forward basis) is unjustified for weak execution.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LTIM IN/Rs 5,195
Market cap	US\$ 17.9bn
Free float	31%
3M ADV	US\$ 18.7mn
52wk high/low	Rs 6,768/Rs 3,802
Promoter/FPI/DII	69%/7%/15%

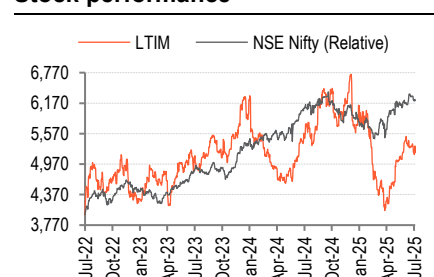
Source: NSE | Price as of 17 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	380,081	404,175	443,869
EBITDA (Rs mn)	64,949	70,082	80,079
Adj. net profit (Rs mn)	48,809	54,149	62,317
Adj. EPS (Rs)	153.4	180.1	210.1
Adj. ROAE (%)	22.9	23.0	23.9
Adj. P/E (x)	33.9	28.8	24.7
EV/EBITDA (x)	23.4	21.7	18.7
Adj. EPS growth (%)	(0.8)	17.5	16.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- 1QFY26 revenue was US\$1.15 bn, reflecting CC growth of 0.8% QoQ (against our estimate of 2% CC growth) and 4.4% YoY
- EBIT margin expanded by 50 bps QoQ to 14.3% (in line with our estimate of 14.5%)
 - EBIT margin expansion was primarily driven by Fit for Future initiatives, contributing ~1%, partially offset by seasonal visa costs and forex impact. Utilisation improved QoQ by 230bps QoQ to 88.1% (excluding Trainees)
- Sequential revenue growth in US\$ terms across all industries.
- USD Growth QoQ:
 - BFSI grew 1.6%; Technology, Media & Communication grew 0.8%; Manufacturing & Resources grew 0.3%; Consumer Business grew 6.2%; Healthcare, Life Sciences & Public Services grew 4.8%
 - Europe reported 9.7% QoQ growth; Americas grew 1.8% QoQ; Rest of the world declined 6% QoQ
- PAT was Rs12.55bn up 11.2% QoQ
 - Higher QoQ PAT growth versus EBIT was due to higher exchange gain and other income.
- DSO increased to 81 days in 1QFY26 from 79 days in 4QFY25
- The headcount was 83,889, a decline of 418 employees. Onboarded over 1,600 freshers in 1Q FY '26
- Utilization improved 230 bps QoQ to 88.1%. High utilization was driven by demand momentum and recent ramp-ups.
- TTM attrition remained stable at 14.4%
- Order inflow stood at US\$1.6 bn, up 17% YoY (the third successive quarter of US\$1.6bn order inflow). Won the largest-ever deal with a global agribusiness leader under vendor consolidation strategy.
- The pipeline remains robust with several large opportunities, says LTIM.
- Improvements seen in client engagement, proactive structuring, and large deal win rate. Growth momentum is expected to continue into 2Q based on 1Q reference point
- Strategic pivot towards becoming AI-centric organization is underway, focusing on redefining business model and strengthening internal foundations.
- Top customers in tech, media, and communication sectors are shifting business models toward AI investments. The customer spend is being managed and redirected toward aligning business models with AI pivots

- Company remains optimistic about long-term growth in tech, media, and communication vertical.
- The BFSI sector remains cautious due to macroeconomic headwinds. Focus within BFSI is on high-growth accounts that are well-positioned despite macroeconomic challenges
- The company is taking an account-specific approach within BFSI to drive execution and growth rather than relying solely on sector-wide trends.

Other Points

- The "Rest of the World" business is smaller and shows seasonal dips mainly due to license revenue timing
- Growth in the top five client bucket was slightly muted but not materially concerning. Seasonal factors affected spend timing, with some rolling into the next quarter. Outlook for top five client bucket aligns with overall business momentum
- Energy and Manufacturing verticals are undergoing ramp-ups which are impacting current margins in these segments.
- Insurance demand is driven by tech modernization and AI adoption for customer engagement and internal processes; while there's no major change from 4Q to 1Q, fewer deals are seen in insurance compared to the broader BFS sector
- Retail & Consumer vertical growth: The recent growth is partly due to a large deal from last year but also broad-based gains across sub-verticals like travel and transport
- High-tech segment margins declined by 200 bps QoQ. Decline is attributed to late-quarter ramp-ups in anticipation of project builds. Holding costs for ramped-up resources impacted margins during the quarter. Ramp-ups occurred in the later part of the quarter or spilled into the next quarter, making the impact temporary
- Tech vertical has grown sequentially; productivity issues with top tech clients are behind them
- Drop in HLS segmental margins attributed to both cyclical factors and previous volume declines
 - One public services project in HLS vertical concluded, removing its high-margin contribution. New projects that replaced the concluded public services project have lower margin profiles
 - Overall margin improvement program is expected to positively impact HLS margins over time
- Gross margin improved QoQ due to higher utilization. Utilization improvement driven by Fit4Future program and demand momentum
- The company expects margin expansion to continue into 2Q.
- Constant currency growth in Europe was ~3%

- SG&A costs increased QoQ due to seasonal uptick in 1Q from marketing events and related travel expenses. SG&A in 4Q FY25 benefited from provision recoveries on doubtful debts, which were lower in 1Q FY26
- Fit4Future is a comprehensive transformation program beyond cost savings. It includes process simplification, internal AI adoption, sales productivity enhancement, and demand-bench alignment.
- Largest announced deal began transition and revenue realization in 1Q FY26. Revenue from the deal is staggered between 1Q and 2Q, with steady ramp-up in subsequent quarters. The deal will enter steady state as contracted areas are ramped up. No material impact on margins from the largest deal.
- The NextEra JV is in early stages with good initial discussions in the Saudi market; expected margins are somewhat below the company average due to the market dynamics there.
- Post-merger cross-selling and upselling to key clients has started showing progress, with several service lines growing, but broader market conditions and client spending cautiousness limit faster gains
- The company is at peak utilization, but ramp-ups and accelerated hiring starting late 1Q will increase in Q2. The company is strategically improving talent sourcing—especially AI skills—and onboarding, to reach a healthy utilization of 86-87% by end of Q2, with proactive hiring ongoing to support growth and transformation.
- Management is seeing increased momentum in large deals and expects more announcements in 2Q, building a strong pipeline for the year. While quarterly order inflows fluctuate due to renewals and industry factors, on a yearly basis they expect higher large deal bookings.
- The company is optimistic about AI opportunities and has embedded AI across services via initiatives like BlueVerse. Clients do ask for productivity gains during renewals, but these often come with an expanded scope, creating a win-win. While there is some early evidence of non-linearity—growing revenue without proportional headcount increase, it's too early to call it a complete business model shift
- The company's \$10 bn revenue target for 2030-31 remains unchanged as a long-term aspiration.
- Launched BlueVerse, an Agentic AI ecosystem designed to accelerate clients' AI concept-to-value journey.
- Launched GCC-as-a-Service, a modular, AI-powered industry offering for capability centers

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**), and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to

cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	1QFY25	4QFY25	1QFY26	YoY(%)	QoQ (%)	1QFY26E	Dev(%)
Net Sales (USD mn)	1,096	1,131	1,153	5.2	2.0	1,169	(1.4)
Net Sales	91,426	97,717	98,406	7.6	0.7	101,135	(2.7)
Software Expenses (Direct Costs)	63,715	70,440	69,807	9.6	(0.9)	71,849	(2.8)
% of Sales	69.7	72.1	70.9			71.0	
Gross Margin	27,711	27,277	28,599	3.2	4.8	29,286	(2.3)
% of Sales	30.3	27.9	29.1			29.0	
Operating Expenses (Selling, General & Administration Expenses)	11,650	11,315	12,105	3.9	7.0	11749.1	3.0
% of Sales	12.7	11.6	12.3			11.6	
EBIT	13,709	13,454	14,065	2.6	4.5	14,699	(4.3)
EBIT Margin (%)	15.0	13.8	14.3			14.5	
Other Income	1,547	1,839	3,197	106.7	73.8	2,543	25.7
PBT	15,256	15,293	17,262	13.1	12.9	17,242	0.1
Provision for Tax	3,905	4,007	4,716	20.8	17.7	4,518	4.4
Effective Tax Rate	25.6	26.2	27.3			26.2	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	11,351	11,286	12,546	10.5	11.2	12,724	(1.4)
NPM (%)	12.4	11.5	12.7			12.6	

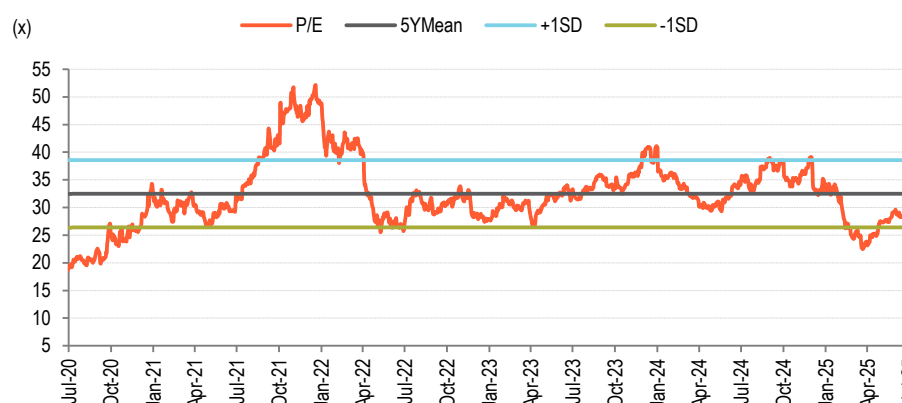
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

Change in estimates	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.0	89.3	91.1	87.3	89.3	91.1	(0.3)	0.0	0.0
USD Revenue (USD mn)	4,648	4,973	5,319	4,665	4,974	5,321	(0.4)	(0.0)	(0.0)
USD Revenue Growth (%)	3.5	7.0	7.0	3.8	6.6	7.0			
Revenue (Rsmn)	404,175	443,869	484,385	406,989	443,992	484,519	(0.7)	(0.0)	(0.0)
EBIT (Rsmn)	59,137	68,724	77,845	61,747	68,867	77,330	(4.2)	(0.2)	0.7
EBIT Margin (%)	14.6	15.5	16.1	15.2	15.5	16.0			
PAT (Rsmn)	54,149	62,317	69,828	54,953	62,085	68,734	(1.5)	0.4	1.6
EPS (Rs)	180.1	210.1	235.4	177.0	200.0	221.4	1.7	5.0	6.3

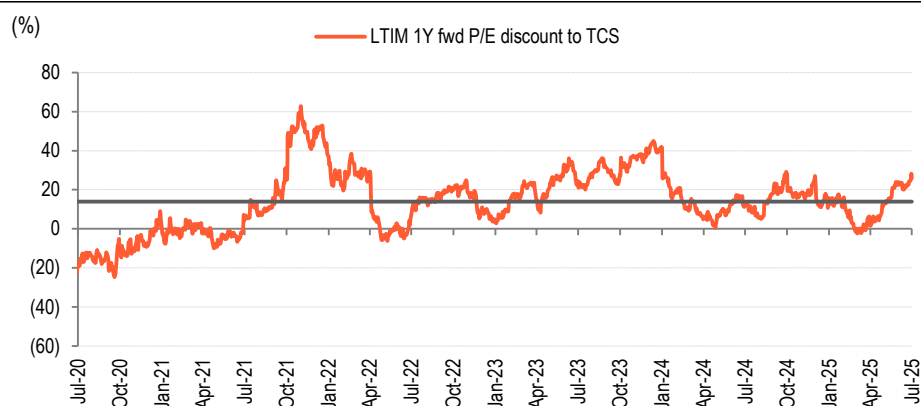
Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



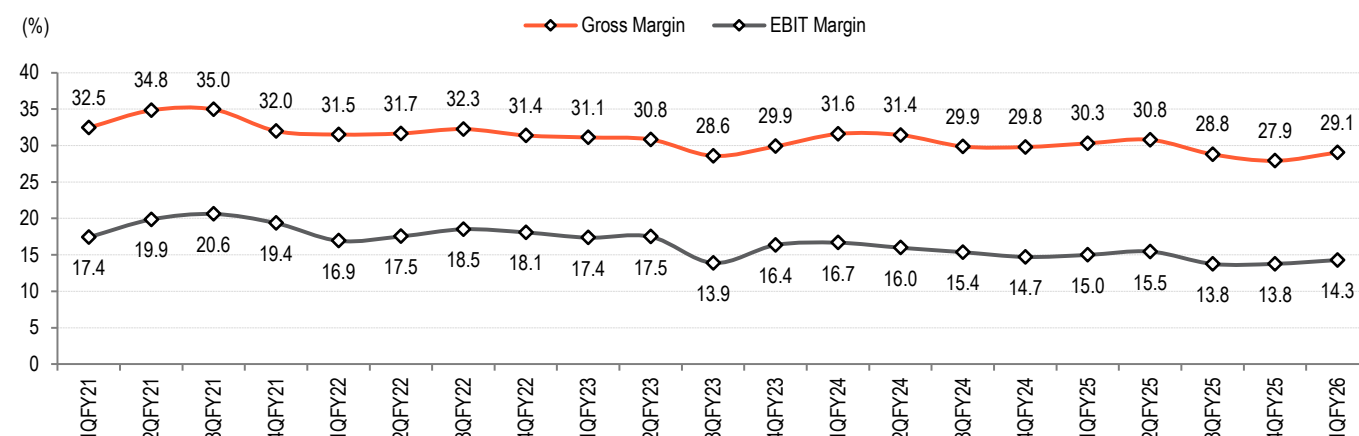
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

Rs mn	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	60.8	61.2	65.9	67.0	64.5	70.0	71.4	74.2	75.0	80.7	82.8	84.6	87.0	89.3	91.1
Net Sales (USD mn)	809	813	887	970	1,132	1,349	1,525	1,670	3,502	4,106	4,287	4,493	4,648	4,973	5,319
-Growth (%)	-	0.5	9.1	9.3	16.7	19.1	13.0	9.5	109.7	17.2	4.4	4.8	3.5	7.0	7.0
Net Sales	49,205	49,780	58,463	65,009	73,065	94,458	108,786	123,698	261,086	331,830	355,170	380,081	404,175	443,869	484,385
-Growth (%)	-	1.2	17.4	11.2	12.4	29.3	15.2	13.7	111.1	27.1	7.0	7.0	6.3	9.8	9.1
Cost of Sales & Services	32,473	34,128	38,230	42,122	49,124	61,643	73,589	82,193	178,271	232,037	246,214	268,217	287,517	313,374	342,480
Gross Margin	16,732	15,652	20,233	22,887	23,941	32,815	35,197	41,505	82,815	99,793	108,956	111,864	116,658	130,494	141,905
% of sales	34.0	31.4	34.6	35.2	32.8	34.7	32.4	33.6	31.7	30.1	30.7	29.4	28.9	29.4	29.3
SG& A	5,259	5,607	10,000	10,583	12,065	13,980	14,905	14,254	30,330	38,715	45,082	46,915	46,576	50,415	52,705
% of sales	10.7	11.3	17.1	16.3	16.5	14.8	13.7	11.5	11.6	11.7	12.7	12.3	11.5	11.4	10.9
EBITDA	11,473	10,044	10,233	12,304	11,876	18,835	20,292	27,251	52,485	61,078	63,874	64,949	70,082	80,079	89,200
% of sales	23.3	20.2	17.5	18.9	16.3	19.9	18.7	22.0	20.1	18.4	18.0	17.1	17.3	18.0	18.4
Depreciation and Amortisation	1,300	1,579	1,738	1,780	1,563	1,471	2,731	3,325	5,971	7,227	8,189	9,915	10,945	11,355	11,355
% of sales	2.6	3.2	3.0	2.7	2.1	1.6	2.5	2.7	2.3	2.2	2.3	2.6	2.7	2.6	2.3
EBIT	10,173	8,465	8,495	10,524	10,313	17,364	17,561	23,926	46,514	53,851	55,685	55,034	59,137	68,724	77,845
EBIT Margin (%)	20.7	17.0	14.5	16.2	14.1	18.4	16.1	19.3	17.8	16.2	15.7	14.5	14.6	15.5	16.1
Gross other income (incl Forex gains/(loss))	-833	915	1,914	1,855	4,225	3,021	3,291	2,743	8,892	7,073	9,236	12,686	18,062	20,257	21,747
Interest cost	305	104	59	17	123	106	826	788	1,233	1,504	2,217	2,789	2,968	3,240	3,517
PBT	9,034	9,276	10,350	12,362	14,415	20,279	20,026	25,881	54,173	59,420	62,704	64,931	74,231	85,742	96,076
-PBT margin (%)	18.4	18.6	17.7	19.0	19.7	21.5	18.4	20.9	20.7	17.9	17.7	17.1	18.4	19.3	19.8
Provision for tax	1,943	1,666	1,983	2,649	3,290	5,122	4,825	6,500	13,439	13,812	14,641	16,122	20,082	23,425	26,248
Effective tax rate (%)	21.5	18.0	19.2	21.4	22.8	25.3	24.1	25.1	24.8	23.2	23.3	24.8	27.1	27.3	27.3
Net profit	7,091	7,609	8,367	9,713	11,125	15,157	15,201	19,381	40,734	45,608	48,063	48,809	54,149	62,317	69,828
-Growth (%)	-	7.3	10.0	16.1	14.5	36.2	0.3	27.5	110.2	12.0	5.4	1.6	10.9	15.1	12.1
-Net profit margin (%)	14.4	15.3	14.3	14.9	15.2	16.0	14.0	15.7	15.6	13.7	13.5	12.8	13.4	14.0	14.4

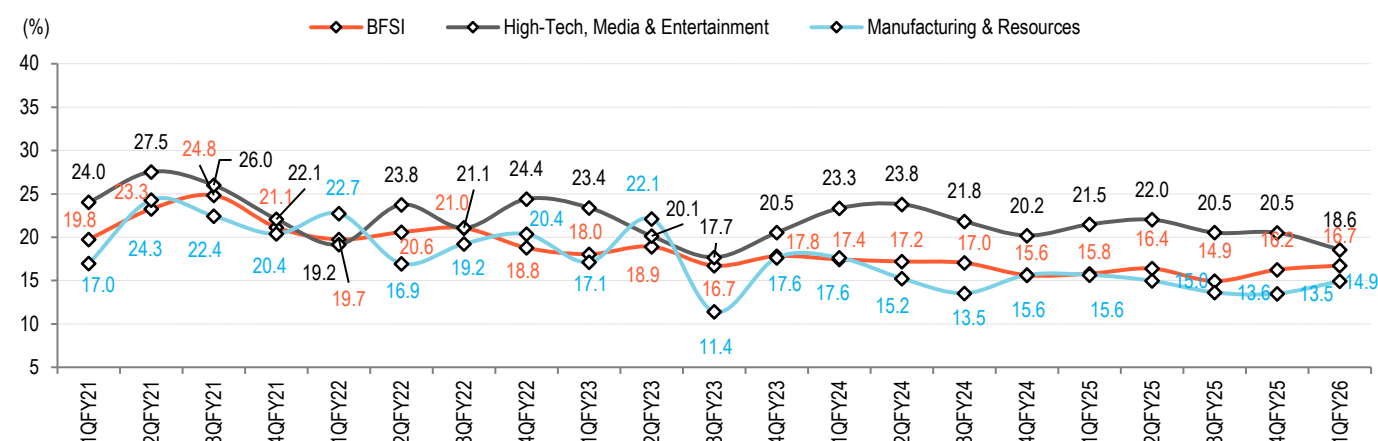
Source: Company, BOBCAPS Research

Fig 6 – Gross Margin and EBIT Margin



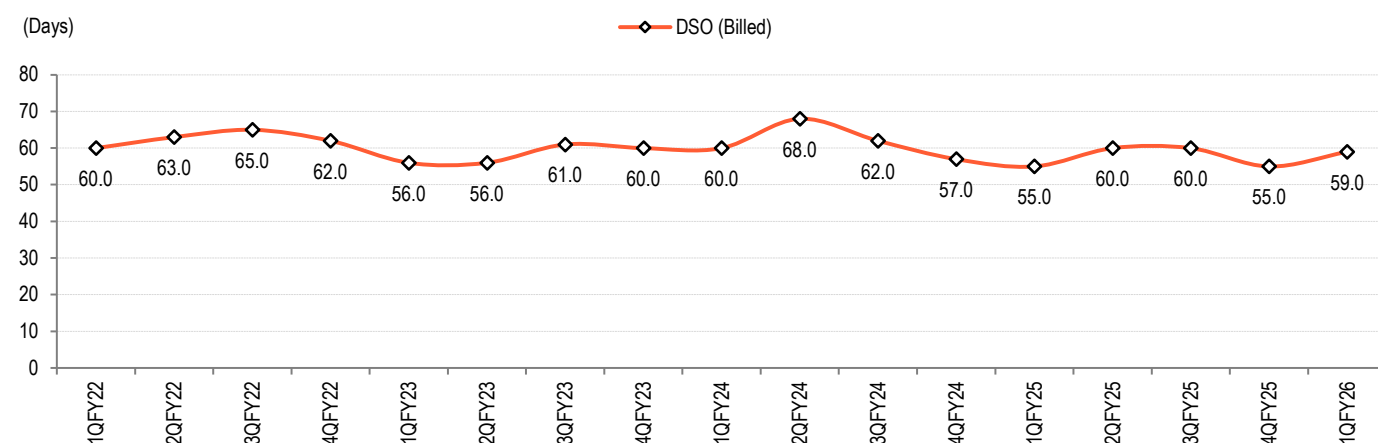
Source: Company, BOBCAPS Research

Fig 7 – EBITDA margin trends of the top 3 revenue segments



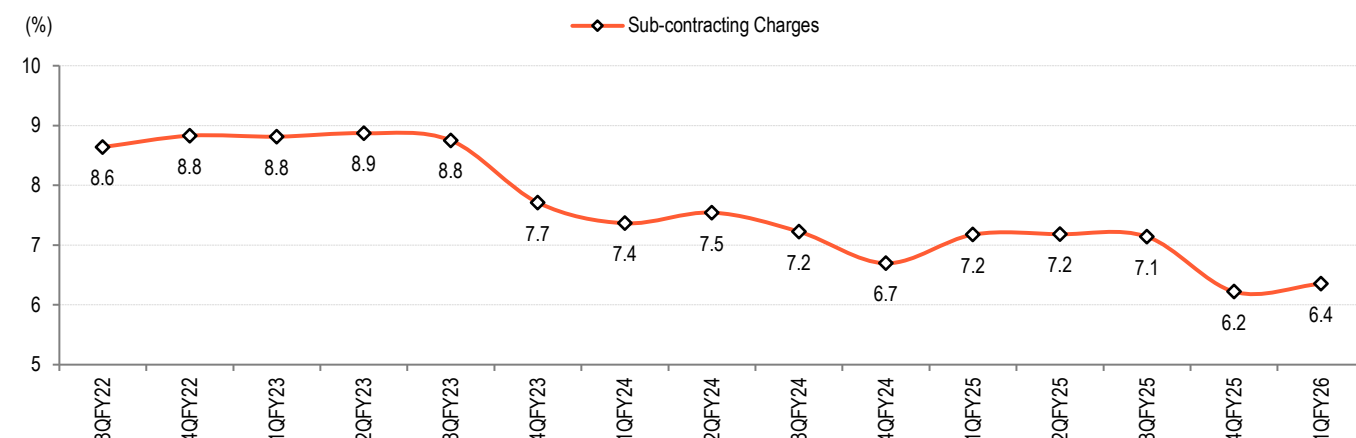
Source: Company, BOBCAPS Research

Fig 8 – DSO trend



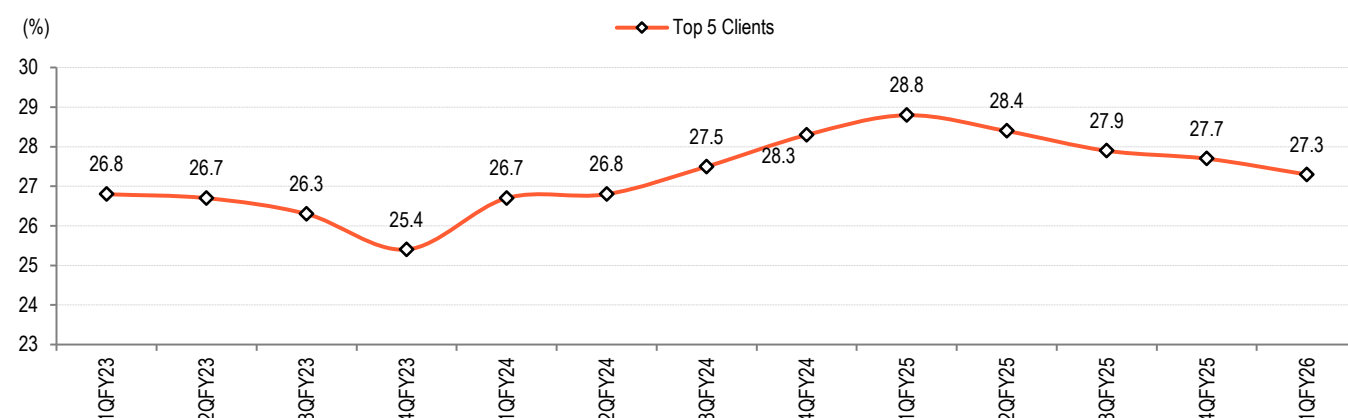
Source: Company, BOBCAPS Research

Fig 9 – Sub-contracting charges



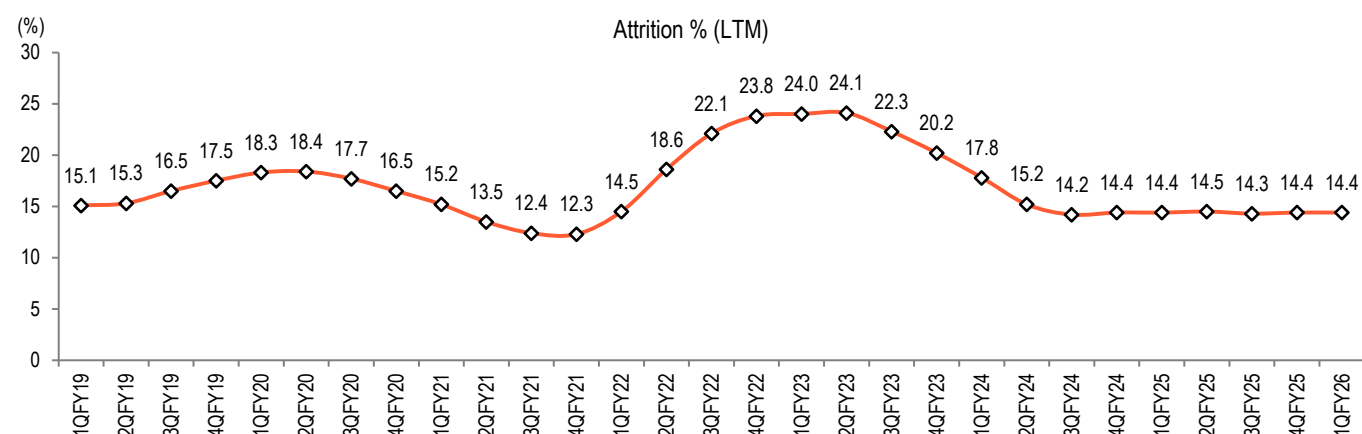
Source: Company, BOBCAPS Research

Fig 10 – Top 5 client concentration (%)



Source: Company, BOBCAPS Research

Fig 11 – Attrition trend on a QoQ basis (%)



Source: Company, BOBCAPS Research

Fig 12 – Quarterly Snapshot

Year to 31 March (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
INR/USD	78.0	80.5	82.4	82.2	82.2	82.8	83.2	83.2	83.4	83.7	84.8	86.4	85.3
Revenue (in USDmn)	980	1,022	1,047	1,058	1,059	1,076	1,084	1,069	1,096	1,127	1,139	1,131	1,153
Revenue	76,442	82,278	86,200	86,910	87,021	89,054	90,166	88,929	91,426	94,329	96,609	97,717	98,406
Gross margin	23,787	25,374	24,645	25,987	27,502	28,006	26,942	26,506	27,711	29,052	27,824	27,277	28,599
SGA	8,850	9,018	10,897	9,950	11,147	11,693	11,093	11,149	11,650	12,059	11,891	11,315	12,105
Depreciation and Amortisation	1,664	1,959	1,781	1,823	1,847	2,082	1,990	2,270	2,352	2,411	2,644	2,508	2,429
EBIT	13,273	14,397	11,967	14,214	14,508	14,231	13,859	13,087	13,709	14,582	13,289	13,454	14,065
Revenue Related Forex gain/loss	861	198	490	(523)	(123)	(21)	426	(164)	134	751	132	232	1,291
Other income	915	1,413	1,028	1,187	1,439	1,453	1,769	2,240	2,137	2,238	1,993	2,280	2,630
Interest	311	378	379	436	460	470	607	680	724	703	689	673	724
PBT	14,738	15,630	13,106	14,442	15,364	15,193	15,447	14,483	15,256	16,868	14,725	15,293	17,262
Tax	3,672	3,740	3,099	3,301	3,841	3,570	3,754	3,476	3,905	4,352	3,858	4,007	4,716
PAT	11,066	11,890	10,007	11,141	11,523	11,623	11,693	11,007	11,351	12,516	10,867	11,286	12,546
EPS	37.4	40.2	33.8	37.6	38.9	39.2	39.4	37.1	38.2	42.2	36.6	36.4	42.3
YoY Growth (%)													
USD Revenue	25.5	19.1	14.0	11.9	8.1	5.2	3.5	1.1	3.5	4.8	5.1	5.8	5.2
INR Revenues			25.3	21.9	13.8	8.2	4.6	2.3	5.1	5.9	7.1	9.9	7.6
Gross profit			11.0	16.1	15.6	10.4	9.3	2.0	0.8	3.7	3.3	2.9	3.2
EBIT			(6.1)	10.2	9.3	(1.2)	15.8	(7.9)	(5.5)	2.5	(4.1)	2.8	2.6
Net profit			(4.7)	0.5	4.1	(2.2)	16.8	(1.2)	(1.5)	7.7	(7.1)	2.5	10.5
QoQ Growth (%)													
USD Revenues	3.7	4.3	2.4	1.0	0.1	1.6	0.8	(1.3)	2.5	2.8	1.1	(0.7)	2.0
INR Revenues			4.8	0.8	0.1	2.3	1.2	(1.4)	2.8	3.2	2.4	1.1	0.7
EBIT			(16.9)	18.8	2.1	(1.9)	(2.6)	(5.6)	4.8	6.4	(8.9)	1.2	4.5
Net profit			(15.8)	11.3	3.4	0.9	0.6	(5.9)	3.1	10.3	(13.2)	3.9	11.2
Margins (%)													
Gross margin	31.1	30.8	28.6	29.9	31.6	31.4	29.9	29.8	30.3	30.8	28.8	27.9	29.1
EBIT	17.4	17.5	13.9	16.4	16.7	16.0	15.4	14.7	15.0	15.5	13.8	13.8	14.3
PAT	14.5	14.5	11.6	12.8	13.2	13.1	13.0	12.4	12.4	13.3	11.2	11.5	12.7
SGA	11.6	11.0	12.6	11.4	12.8	13.1	12.3	12.5	12.7	12.8	12.3	11.6	12.3

Source: Company, BOBCAPS Research

Fig 13 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
P and L (Rs mn)													
Revenue	76,442	82,278	86,200	86,910	87,021	89,054	90,166	88,929	91,426	94,329	96,609	97,717	98,406
EBIT	13,273	14,397	11,967	14,214	14,508	14,231	13,859	13,087	13,709	14,582	13,289	13,454	14,065
PAT	11,066	11,890	10,007	11,141	11,523	11,623	11,693	11,007	11,351	12,516	10,867	11,286	12,546
Revenue by Vertical (%)													
BFSI	36.1	36.2	37.4	38.0	37.5	36.5	35.6	35.1	35.2	35.6	36.4	37.1	37.0
High-Tech, Media & Entertainment	25.4	25.3	23.6	23.0	23.7	23.8	22.9	24.3	25.6	25.4	23.7	23.4	23.2
Manufacturing & Resources	16.3	16.2	17.5	17.5	17.3	17.9	20.3	18.6	18.5	18.1	19.3	19.9	19.6
CPG, Retail, Travel Transportation & Hospitality	15.7	15.4	15.2	15.4	15.1	15.3	14.7	15.1	14.5	14.5	14.3	14.1	14.6
Health, Life sciences & Public Services	6.6	6.8	6.3	6.1	6.4	6.5	6.5	6.9	6.2	6.4	6.3	5.5	5.6
Geographic Mix (%)													
North America	71.7	72.9	72.3	71.9	73.1	73.4	72.7	73.8	75.1	75.0	74.7	74.5	74.4
Europe	15.3	14.6	14.9	15.4	15.2	15.3	14.5	14.6	14.4	14.4	13.8	13.6	14.7
RoW	13.0	12.5	12.8	12.7	11.7	11.3	12.8	11.6	10.5	10.6	11.5	11.9	11.0
Effort mix (%)													
Onsite	14.7	14.7	14.9	14.9	14.8	14.8	15.0	15.1	15.4	15.5	15.4	15.1	15.1
Off shore	85.3	83.5	85.1	85.1	85.2	85.2	85.0	84.9	84.6	84.5	84.6	84.9	84.9
Utilization (%) (including Trainees)	83.5	83.5	82.9	81.7	84.8	86.6	87.4	86.9	88.3	87.7	85.4	85.8	88.1
Clients Concentration (%)													
Top 5 Clients	26.8	26.7	26.3	25.4	26.7	26.8	27.5	28.3	28.8	28.4	27.9	27.7	27.3
Top 10 Clients	34.5	34.3	33.8	32.9	34.1	34.3	35.3	35.5	35.7	35.0	34.5	34.3	34.3
Top 20 Clients	45.5	45.1	45.3	44.0	44.9	45.2	45.9	45.9	46.2	45.8	45.5	44.8	44.5
Top 40 Clients	58.7	57.4	57.6	56.8	57.2	57.6	58.5	58.0	58.9	58.2	58.1	57.2	56.8
Client Profile													
Number of Active Clients*	708	719	723	728	723	737	739	738	748	742	742	741	741
New Clients Added	43	22	28	31	19	30	23	30	27	22	23	26	17
100 Million dollar +	2	2	2	2	2	2	2	2	2	2	2	2	2
50 Million dollar +	10	11	11	13	13	14	12	13	12	12	13	14	14
20 Million dollar +	40	38	37	38	40	41	40	40	43	42	39	40	41
10 Million dollar +	79	77	81	81	88	90	89	91	87	88	90	89	90
5 Million dollar +	130	137	144	146	148	146	149	153	148	154	152	154	159
1 Million dollar +	337	361	374	383	388	391	388	394	390	392	401	410	404
Employee Number	84,030	86,936	86,462	84,546	82,738	83,532	82,471	81,650	81,934	84,438	86,800	84,307	83,889
Net employee addition	4,436	2,906	(474)	(1,916)	(1,808)	794	(1,061)	(821)	284	2,504	2,362	(2,493)	(418)
Attrition LTM (%)	24.0	24.1	22.3	20.2	17.8	15.2	14.2	14.4	14.4	14.5	14.3	14.4	14.4
(USD mn)													
Revenue	979.5	1,021.9	1,046.7	1,057.5	1,058.7	1,075.5	1,083.7	1,069.4	1,096.2	1,126.6	1,138.7	1,131.0	1,153.3
USD-INR	77.95	80.51	82.35	82.18	82.20	82.80	83.20	83.16	83.40	83.73	84.84	86.40	85.33
TCV (US\$m)			1,250	1,350	1,410	1,300	1,500	1,390	1,400	1,300	1,680	1,600	1,630

Source: Company, BOBCAPS Research

Fig 14 – QoQ and YoY growth of various parameters

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
QoQ Growth (%)													
Geographical Data													
North America	7.0	6.1	1.6	0.5	1.8	2.0	(0.2)	0.2	4.3	2.6	0.7	(0.9)	1.8
Europe	(6.7)	(0.4)	4.5	4.4	(1.2)	2.3	(4.5)	(0.6)	1.1	2.8	(3.1)	(2.1)	10.2
RoW	(0.2)	0.3	4.9	0.2	(7.8)	(1.9)	14.1	(10.6)	(7.2)	3.8	9.7	2.8	(5.7)
Verticals													
BFSI	5.4	4.6	5.8	2.7	(1.2)	(1.1)	(1.7)	(2.7)	2.8	3.9	3.3	1.2	1.7
High-Tech, Media & Entertainment	5.3	3.9	(4.5)	(1.5)	3.2	2.0	(3.0)	4.7	8.0	2.0	(5.7)	(1.9)	1.1
Manufacturing & Resources	(2.9)	3.7	10.6	1.0	(1.0)	5.1	14.3	(9.6)	2.0	0.6	7.8	2.4	0.4
CPG, Retail, Travel Transportation & Hospitality	3.7	2.3	1.1	2.4	(1.8)	2.9	(3.2)	1.4	(1.6)	2.8	(0.3)	(2.1)	5.6
Health, Life sciences & Public Services	6.9	7.5	(5.1)	(2.2)	5.0	3.2	0.8	4.8	(7.9)	6.1	(0.5)	(13.3)	3.8
Client Metrics													
Top 5 Clients	9.0	3.9	0.9	(2.4)	5.2	2.0	3.4	1.6	4.3	1.3	(0.7)	(1.4)	0.5
Top 10 Clients	6.8	3.7	0.9	(1.7)	3.8	2.2	3.7	(0.8)	3.1	0.8	(0.4)	(1.3)	2.0
Top 20 Clients	5.3	3.4	2.9	(1.9)	2.2	2.3	2.3	(1.3)	3.2	1.9	0.4	(2.2)	1.3
Top 40 clients	4.2	2.0	2.8	(0.4)	0.8	2.3	2.3	(2.2)	4.1	1.6	0.9	(2.2)	1.3
YoY Growth (%)													
Geographical Data													
North America	27.1	24.5	19.6	15.8	10.2	6.0	4.1	3.8	6.4	7.0	8.0	6.8	4.2
Europe	16.4	(0.7)	0.5	1.4	7.4	10.3	0.8	(4.1)	(1.9)	(1.4)	0.0	(1.5)	7.4
RoW	28.5	16.3	2.7	5.3	(2.7)	(4.9)	3.5	(7.6)	(7.1)	(1.7)	(5.6)	8.5	10.2
Verticals													
BFSI	27.3	23.5	22.1	19.8	12.3	6.1	(1.4)	(6.6)	(2.8)	2.2	7.4	11.8	10.6
High-Tech, Media & Entertainment	27.5	21.0	8.9	3.0	0.9	(1.0)	0.5	6.8	11.8	11.8	8.7	1.8	(4.7)
Manufacturing & Resources	17.6	10.8	9.0	12.6	14.7	16.3	20.1	7.5	10.7	5.9	(0.1)	13.2	11.5
CPG, Retail, Travel Transportation & Hospitality	29.7	11.8	11.0	9.8	4.0	4.6	0.1	(0.8)	(0.6)	(0.7)	2.2	(1.2)	5.9
Health, Life sciences & Public Services	21.8	26.5	10.5	6.7	4.8	0.6	6.8	14.4	0.3	3.1	1.8	(15.7)	(5.0)
Client Metrics													
Top 5 Clients	25.1	25.6	17.5	11.5	7.7	5.6	8.3	12.7	11.7	11.0	6.6	3.5	(0.3)
Top 10 Clients	21.3	21.2	13.3	9.9	6.8	5.2	8.1	9.1	8.4	6.9	2.7	2.2	1.1
Top 20 Clients	22.8	19.3	14.2	9.9	6.7	5.5	4.9	5.5	6.5	6.1	4.2	3.2	1.3
Top 40 clients	24.3	17.0	11.1	8.9	5.3	5.6	5.2	3.3	6.6	5.8	4.4	4.3	1.5

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	355,170	380,081	404,175	443,869	484,385
EBITDA	63,874	64,949	70,082	80,079	89,200
Depreciation	8,189	9,915	10,945	11,355	11,355
EBIT	55,685	55,034	59,137	68,724	77,845
Net interest inc./(exp.)	(2,217)	(2,789)	(2,968)	(3,240)	(3,517)
Other inc./(exp.)	9,236	12,686	18,062	20,257	21,747
Exceptional items	0	0	0	0	0
EBT	62,704	64,931	74,231	85,742	96,076
Income taxes	14,641	16,122	20,082	23,425	26,248
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	48,063	48,809	54,149	62,317	69,828
Adjustments	0	0	0	0	0
Adjusted net profit	48,063	48,809	54,149	62,317	69,828

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	30,980	31,075	64,634	68,511	71,555
Provisions	8,486	9,691	10,204	10,204	10,204
Debt funds	318	554	997	997	997
Other liabilities	35,674	37,997	37,595	38,072	38,533
Equity capital	296	296	296	296	296
Reserves & surplus	199,876	226,687	243,681	277,822	312,058
Shareholders' fund	200,172	226,983	243,977	278,118	312,354
Total liab. and equities	275,630	306,300	357,406	395,902	433,642
Cash and cash eq.	18,200	20,623	60,077	74,013	90,531
Accounts receivables	70,387	76,882	83,444	93,967	102,226
Inventories	30	28	31	31	31
Other current assets	32,379	38,106	36,710	41,000	44,367
Investments	98,768	111,515	118,600	126,600	134,600
Net fixed assets	15,037	15,946	13,361	13,605	13,849
CWIP	4,669	5,818	6,116	6,116	6,116
Intangible assets	11,927	12,036	12,456	12,456	12,456
Deferred tax assets, net	5,220	5,303	5,575	6,278	6,830
Other assets	19,013	20,043	21,037	21,837	22,637
Total assets	275,630	306,300	357,406	395,902	433,642

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	80,673	54,672	68,840	65,977	76,116
Capital expenditures	(10,310)	(8,400)	(8,400)	(8,400)	(8,400)
Change in investments	(32,117)	(12,747)	(7,085)	(8,000)	(8,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(42,427)	(21,147)	(15,485)	(16,400)	(16,400)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,456)	236	443	0	0
Interest expenses	(2,217)	(2,789)	(2,968)	(3,240)	(3,517)
Dividends paid	(19,234)	(19,261)	(23,728)	(28,177)	(35,591)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(22,907)	(21,814)	(26,253)	(31,416)	(39,108)
Chg in cash & cash eq.	(5,189)	2,423	39,453	13,928	16,512
Closing cash & cash eq.	18,200	20,623	60,076	74,005	90,525

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	154.9	153.7	180.1	210.1	235.4
Adjusted EPS	154.6	153.4	180.1	210.1	235.4
Dividend per share	65.0	65.0	80.0	95.0	120.0
Book value per share	676.8	766.0	823.1	938.2	1,053.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.3	4.0	3.8	3.4	3.0
EV/EBITDA	23.8	23.4	21.7	18.7	16.5
Adjusted P/E	33.6	33.9	28.8	24.7	22.1
P/BV	7.7	6.8	6.3	5.5	4.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.7	75.2	72.9	72.7	72.7
Interest burden (PBT/EBIT)	112.6	118.0	125.5	124.8	123.4
EBIT margin (EBIT/Revenue)	15.7	14.5	14.6	15.5	16.1
Asset turnover (Rev./Avg TA)	139.1	130.6	121.8	117.8	116.8
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.4
Adjusted ROAE	26.2	22.8	23.0	23.9	23.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	7.0	7.0	6.3	9.8	9.1
EBITDA	4.6	1.7	7.9	14.3	11.4
Adjusted EPS	3.8	(0.8)	17.5	16.6	12.1
Profitability & Return ratios (%)					
EBITDA margin	18.0	17.1	17.3	18.0	18.4
EBIT margin	15.7	14.5	14.6	15.5	16.1
Adjusted profit margin	13.5	12.8	13.4	14.0	14.4
Adjusted ROAE	26.3	22.9	23.0	23.9	23.7
ROCE	20.9	18.4	16.6	16.7	16.9

Working capital days (days)

Receivables	72	74	75	77	77
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	23.6	23.8	30.3	32.6	35.0
Current ratio	3.1	3.3	2.4	2.7	2.9
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Ratings and Target Price (3-year history): LTIMINDTREE (LTIM IN)



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