Larsen & Toubro Infotech (LTI IN)

Rating: ACCUMULATE | CMP: Rs1,633 | TP: Rs1,825

Focused Customer Centric approach yielding strong results

Quick Pointers:

- Management reiterated its core strategy (Digitizing the core, Data-driven organization, Experience transformation, and Operate to transform) with customer centricity as the key aspect.

- LTI’s sales strategy (hunting pack) is yielding good results evident from stronger YoY growth in large deal pipeline. Management sounded optimistic & confident regarding 2H FY20 growth.

- Ongoing investigation by US Immigration & Custom Enforcement (ICE) will remain an overhang.

We attended LTI Analyst meet where the company shared its growth strategy & how they are well positioned to capture digital opportunities in transforming the core. The CEO mentioned that Enterprises need to master four essential plays to excel ahead 1) Digitizing the core 2) Data Driven Organization, 3) Experience transformation & 4) Operate to transform. Customer centricity remains a key aspect of LTI strategy.

LTI sales & marketing initiatives are driving strong growth for the company. LTI has laid out sales strategy framework three years ago & it focusses mainly on large deal wins, growing top accounts & focusing on strategic alliances. It is aggressively focusing on large deals and new logo additions – won 19 large deals with 9 new logos in past 14 quarters, with combined TCV of large deals at ~USD 900 mn. Management is confident of strong H2 FY20 on ramp-up of deals won earlier. Besides, over the last one year, LTI’s client addition across buckets was the strongest and broad-based & along with the company’s account mining capabilities, we expect LTI revenue growth to accelerate in FY21. We value LTI on Sep-21 earnings (Rs.107.3) & arrive at an unchanged target price of Rs. 1825 (valued at 17x Sep-21 earnings). Maintain Accumulate. Ongoing investigation by US Immigration & Custom Enforcement (ICE) will remain an overhang.

- Client Centricity - remains integral part of core strategy: LTI CEO mentioned that Enterprises need to master four essential plays to excel ahead 1) Digitizing the core 2) Data Driven Organization, 3) Experience transformation & 4) Operate to transform. Customer centricity remains a key aspect of LTI strategy. LTI always focuses on identifying the client shift in technology spending patterns as they adapt to proliferation of new technologies. Digital revenues have grown at an accelerated pace and now contribute 40% to revenues. Client centricity has helped win 10 Fortune 500 logos over the four quarters. LTI’s customer centric approach & focused execution is clearly visible in excellent customer metrics, large deal wins & consistent revenue performance.
Larsen & Toubro Infotech

- **Strong sales strategy helped in consistent large deal wins:** LTI has won 19 large deals with a combined TCV of US$900 mn in the past 14 quarters (1QFY17-2QFY20). LTI sales strategy “Aspire” to win large deal has helped them to win 9 new logos in past 14 quarters. LTI’s large deal pipeline is healthy with 32 deals, 60% of which is from new logos and 67% is in proposal stage (vs. 36% in proposal space last year); generally, proposal takes 3 to 6 months to convert. The current pipeline of large deals would drive mid-teem revenue growth in FY21E.

- **Acquisitions helping in filling the gaps:** LTI mentioned its strategy of enhancing its capabilities through acquisitions. It made four acquisitions in past one year to acquire domain expertise. The acquisitions include Lymbyc & Mosaic (Analytics), Ruletronics (Pega), N+P (Temenos) and Powerup (AWS, Azure, Google Cloud). Nielsen+Partners and Synchordis acquisitions have helped LTI build Temenos practice almost from scratch. LTI is now Temenos’ second largest partner. Acquisition of Ruletronics has helped strengthen LTI’s nascent Pega practice. LTI has also taken steps to strengthen partnerships with key ecosystem vendors. LTI has 40+ strategic partnerships. The company has in fact achieved highest level of partnership with SAP, Oracle and Microsoft despite being smaller in scale compared to other players in the same partnership tier. We believe acquisitions & strong strategic alliances will help LTI to drive sustainable growth ahead.

- **Ongoing investigation by ICE remains an overhang:** LTI was recently investigated by Federal Immigration and Customs Enforcement (ICE). ICE agents raided LTI’s office in US & seized certain documents & records. No details or specific are available on the nature of enquiry. LTI management mentioned its strong compliance process & highest level of integrity in running their company. Management is cooperating with ICE in the investigation.

**Exhibit 1: Strong growth in digital revenues**

![Digital Revenue as a % of Total Revenues](chart)

Source: Company, PL
**Exhibit 2: DSO are stable now**

Source: Company, PL

**Exhibit 3: Aspire Delivery (Q1FY17 to Q2FY20)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Large Deals</th>
<th>New Logos</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Europe</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>RoW</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Verticals</th>
<th>Large Deals</th>
<th>New Logos</th>
</tr>
</thead>
<tbody>
<tr>
<td>BFS</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Energy &amp; Utilities</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>CRP</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

Source: Company, PL

**Exhibit 4: No of Accounts**

Source: Company, PL
Exhibit 5: Strong additions in new logo

Source: Company, PL

Exhibit 6: ADEA - No of Accounts

Source: Company, PL

Exhibit 7: Industry leading growth driven by Digital - Quarterly

Source: Company, PL
Exhibit 8: Industry leading growth driven by Digital – Annually

Source: Company, PL

Exhibit 9: Client mining yielding results – Client Metrics

Source: Company, PL

Exhibit 9: Client mining yielding results – YoY Revenue Growth

Source: Company, PL
Exhibit 10: LTI is investing in below mentioned components to yield strong results

Source: Company, PL

Exhibit 11: Acquisitions are helping to drive sustainable growth

Source: Company, PL
Exhibit 12: Strong Strategic Alliances

Source: Company, PL

Exhibit 13: Higher Client Concentration remains a risk

Source: Company, PL

Exhibit 14: Vertical Mix change from Q1FY16 to Q2FY20

Source: Company, PL
Exhibit 15: Disciplined hedging strategy

Source: Company, PL

Exhibit 16: Cash Usage: September End - 2018

Source: Company, PL

Exhibit 17: Cash Usage: September End - 2019

Source: Company, PL
Creating Shareholder Wealth – DPS (INR)

Exhibit 18: Creating Shareholder Wealth – DPS (INR)

Source: Company, PL

Creating Shareholder Wealth - RoE

Exhibit 19: Creating Shareholder Wealth - RoE

Source: Company, PL

BFSI growth weakening, may expect this top rebound in FY21E

Exhibit 20: BFSI growth weakening, may expect this top rebound in FY21E

Source: Company, PL
**Exhibit 21: Lower SG&A costs helped to maintain margin momentum**

Source: Company, PL

**Exhibit 22: Investments in digital making SG&A expenses go higher**

Source: Company, PL

**Exhibit 23: Utilizations came at sustainable level**

Source: Company, PL
Rising Attrition causing concern

Source: Company, PL

BFSI vertical posted flat growth in the quarter

Source: Company, PL

Exhibit 26: Client Concentration (%)

<table>
<thead>
<tr>
<th>Client Details</th>
<th>2QFY17</th>
<th>3QFY17</th>
<th>4QFY17</th>
<th>1QFY18</th>
<th>2QFY18</th>
<th>3QFY18</th>
<th>4QFY18</th>
<th>1QFY19</th>
<th>2QFY19</th>
<th>3QFY19</th>
<th>4QFY19</th>
<th>1QFY20</th>
<th>2QFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 clients</td>
<td>37.1%</td>
<td>38.3%</td>
<td>38.5%</td>
<td>38.1%</td>
<td>38.0%</td>
<td>36.4%</td>
<td>35.2%</td>
<td>36.6%</td>
<td>36.2%</td>
<td>34.5%</td>
<td>32.2%</td>
<td>31.3%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Top 10 clients</td>
<td>51.8%</td>
<td>52.1%</td>
<td>53.1%</td>
<td>50.9%</td>
<td>50.9%</td>
<td>50.8%</td>
<td>49.6%</td>
<td>50.3%</td>
<td>49.9%</td>
<td>48.4%</td>
<td>47.0%</td>
<td>45.0%</td>
<td>46.0%</td>
</tr>
<tr>
<td>Top 20 clients</td>
<td>67.6%</td>
<td>68.3%</td>
<td>68.0%</td>
<td>66.3%</td>
<td>66.0%</td>
<td>66.1%</td>
<td>65.1%</td>
<td>66.0%</td>
<td>65.5%</td>
<td>64.3%</td>
<td>63.4%</td>
<td>62.5%</td>
<td>61.0%</td>
</tr>
</tbody>
</table>

Source: Company, PL

Exhibit 27: Client Metrics

<table>
<thead>
<tr>
<th>Client details</th>
<th>2QFY17</th>
<th>3QFY17</th>
<th>4QFY17</th>
<th>1QFY18</th>
<th>2QFY18</th>
<th>3QFY18</th>
<th>4QFY18</th>
<th>1QFY19</th>
<th>2QFY19</th>
<th>3QFY19</th>
<th>4QFY19</th>
<th>1QFY20</th>
<th>2QFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Active Clients</td>
<td>259</td>
<td>264</td>
<td>261</td>
<td>256</td>
<td>256</td>
<td>289</td>
<td>300</td>
<td>301</td>
<td>312</td>
<td>314</td>
<td>343</td>
<td>354</td>
<td>366</td>
</tr>
<tr>
<td>New Clients Added</td>
<td>16</td>
<td>14</td>
<td>15</td>
<td>12</td>
<td>13</td>
<td>17</td>
<td>15</td>
<td>19</td>
<td>22</td>
<td>17</td>
<td>14</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>100 Million dollar +</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>114</td>
<td>121</td>
<td>123</td>
<td>124</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td>50 Million dollar +</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>44</td>
<td>47</td>
<td>49</td>
<td>49</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>20 Million dollar +</td>
<td>10</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>25</td>
<td>25</td>
<td>26</td>
<td>26</td>
<td>27</td>
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<tr>
<td>10 Million dollar +</td>
<td>20</td>
<td>22</td>
<td>23</td>
<td>24</td>
<td>23</td>
<td>22</td>
<td>23</td>
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<td>14</td>
<td>15</td>
<td>17</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>5 Million dollar +</td>
<td>34</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>39</td>
<td>43</td>
<td>44</td>
<td>42</td>
<td>4</td>
<td>5</td>
<td>5</td>
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<td>6</td>
</tr>
<tr>
<td>1 Million dollar +</td>
<td>91</td>
<td>95</td>
<td>96</td>
<td>97</td>
<td>99</td>
<td>102</td>
<td>109</td>
<td>114</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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</tr>
</tbody>
</table>

Source: Company, PL
### Exhibit 28: Headcount Metrics

<table>
<thead>
<tr>
<th></th>
<th>2QFY17</th>
<th>3QFY17</th>
<th>4QFY17</th>
<th>1QFY18</th>
<th>2QFY18</th>
<th>3QFY18</th>
<th>4QFY18</th>
<th>1QFY19</th>
<th>2QFY19</th>
<th>3QFY19</th>
<th>4QFY19</th>
<th>1QFY20</th>
<th>2QFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Headcount</td>
<td>19,751</td>
<td>20,605</td>
<td>21,203</td>
<td>22,321</td>
<td>22,554</td>
<td>23,354</td>
<td>24,139</td>
<td>25,150</td>
<td>26,414</td>
<td>27,513</td>
<td>28,169</td>
<td>29,347</td>
<td>30,979</td>
</tr>
<tr>
<td>Development</td>
<td>18,428</td>
<td>19,234</td>
<td>19,627</td>
<td>20,899</td>
<td>21,147</td>
<td>22,655</td>
<td>23,656</td>
<td>24,923</td>
<td>25,985</td>
<td>26,572</td>
<td>27,665</td>
<td>29,966</td>
<td></td>
</tr>
<tr>
<td>Sales &amp; Support</td>
<td>1,323</td>
<td>1,371</td>
<td>1,396</td>
<td>1,422</td>
<td>1,407</td>
<td>1,415</td>
<td>1,484</td>
<td>1,494</td>
<td>1,528</td>
<td>1,597</td>
<td>1,682</td>
<td>1,173</td>
<td></td>
</tr>
<tr>
<td>Attrition (%) (LTM)</td>
<td>18.50%</td>
<td>18.10%</td>
<td>16.90%</td>
<td>14.70%</td>
<td>15.00%</td>
<td>14.60%</td>
<td>14.80%</td>
<td>15.10%</td>
<td>15.30%</td>
<td>16.50%</td>
<td>17.50%</td>
<td>18.30%</td>
<td>18.40%</td>
</tr>
<tr>
<td><strong>Net addition</strong></td>
<td>459</td>
<td>854</td>
<td>598</td>
<td>1,118</td>
<td>233</td>
<td>840</td>
<td>745</td>
<td>1,011</td>
<td>1,264</td>
<td>1,099</td>
<td>656</td>
<td>1,178</td>
<td>1,632</td>
</tr>
</tbody>
</table>

*Source: Company, PL*

### Exhibit 29: Effort Mix & Revenue Mix (%)

<table>
<thead>
<tr>
<th>Effort Mix</th>
<th>2QFY17</th>
<th>3QFY17</th>
<th>4QFY17</th>
<th>1QFY18</th>
<th>2QFY18</th>
<th>3QFY18</th>
<th>4QFY18</th>
<th>1QFY19</th>
<th>2QFY19</th>
<th>3QFY19</th>
<th>4QFY19</th>
<th>1QFY20</th>
<th>2QFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onsite</td>
<td>24.2%</td>
<td>24.3%</td>
<td>24.0%</td>
<td>23.8%</td>
<td>23.3%</td>
<td>23.5%</td>
<td>23.1%</td>
<td>23.0%</td>
<td>22.6%</td>
<td>22.0%</td>
<td>21.9%</td>
<td>22.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Offshore</td>
<td>75.8%</td>
<td>75.7%</td>
<td>76.0%</td>
<td>76.2%</td>
<td>76.7%</td>
<td>76.5%</td>
<td>76.9%</td>
<td>77.0%</td>
<td>77.4%</td>
<td>78.0%</td>
<td>78.1%</td>
<td>78.0%</td>
<td>78.0%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Mix</th>
<th>2QFY17</th>
<th>3QFY17</th>
<th>4QFY17</th>
<th>1QFY18</th>
<th>2QFY18</th>
<th>3QFY18</th>
<th>4QFY18</th>
<th>1QFY19</th>
<th>2QFY19</th>
<th>3QFY19</th>
<th>4QFY19</th>
<th>1QFY20</th>
<th>2QFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onsite</td>
<td>48.8%</td>
<td>47.7%</td>
<td>48.7%</td>
<td>46.8%</td>
<td>46.6%</td>
<td>46.2%</td>
<td>45.7%</td>
<td>46.8%</td>
<td>47.6%</td>
<td>47.8%</td>
<td>47.8%</td>
<td>49.5%</td>
<td>48.6%</td>
</tr>
<tr>
<td>Offshore</td>
<td>51.2%</td>
<td>52.3%</td>
<td>51.3%</td>
<td>53.2%</td>
<td>53.4%</td>
<td>53.8%</td>
<td>54.3%</td>
<td>53.2%</td>
<td>52.4%</td>
<td>52.2%</td>
<td>52.2%</td>
<td>50.5%</td>
<td>51.4%</td>
</tr>
</tbody>
</table>

*Source: Company, PL*
## Financials

### Income Statement (Rs m)

<table>
<thead>
<tr>
<th></th>
<th>Y/e Mar</th>
<th>FY19</th>
<th>FY20E</th>
<th>FY21E</th>
<th>FY22E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Revenues</strong></td>
<td>94,404</td>
<td>103,914</td>
<td>117,067</td>
<td>130,484</td>
<td></td>
</tr>
<tr>
<td>YoY gr. (%)</td>
<td>28.9</td>
<td>10.1</td>
<td>12.7</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td><strong>Employee Cost</strong></td>
<td>61,643</td>
<td>69,372</td>
<td>77,264</td>
<td>86,120</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>32,761</td>
<td>34,541</td>
<td>39,803</td>
<td>44,365</td>
<td></td>
</tr>
<tr>
<td>Margin (%)</td>
<td>34.7</td>
<td>33.2</td>
<td>34.0</td>
<td>34.0</td>
<td></td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>18,781</td>
<td>19,104</td>
<td>21,673</td>
<td>24,156</td>
<td></td>
</tr>
<tr>
<td>YoY gr. (%)</td>
<td>48.5</td>
<td>1.7</td>
<td>13.4</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>Margin (%)</td>
<td>19.9</td>
<td>18.4</td>
<td>18.5</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,471</td>
<td>2,076</td>
<td>1,756</td>
<td>1,957</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>17,310</td>
<td>17,029</td>
<td>19,917</td>
<td>22,199</td>
<td></td>
</tr>
<tr>
<td>Margin (%)</td>
<td>18.3</td>
<td>16.4</td>
<td>17.0</td>
<td>17.0</td>
<td></td>
</tr>
<tr>
<td><strong>Net Interest</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>2,915</td>
<td>2,101</td>
<td>3,000</td>
<td>3,500</td>
<td></td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>20,225</td>
<td>19,130</td>
<td>22,917</td>
<td>25,699</td>
<td></td>
</tr>
<tr>
<td>Margin (%)</td>
<td>21.4</td>
<td>18.4</td>
<td>19.6</td>
<td>19.7</td>
<td></td>
</tr>
<tr>
<td><strong>Total Tax</strong></td>
<td>5,122</td>
<td>4,608</td>
<td>5,609</td>
<td>5,507</td>
<td></td>
</tr>
<tr>
<td>Effective tax rate (%)</td>
<td>25.3</td>
<td>24.1</td>
<td>24.5</td>
<td>21.4</td>
<td></td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>15,103</td>
<td>14,522</td>
<td>17,307</td>
<td>20,192</td>
<td></td>
</tr>
<tr>
<td><strong>Minority interest</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Share Profit from Associate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Adjusted PAT</strong></td>
<td>15,103</td>
<td>14,522</td>
<td>17,307</td>
<td>20,192</td>
<td></td>
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<tr>
<td>YoY gr. (%)</td>
<td>28.4</td>
<td>(3.8)</td>
<td>19.2</td>
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<tr>
<td>Margin (%)</td>
<td>16.0</td>
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</tr>
<tr>
<td>Extra Ord. Income / (Exp)</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Reported PAT</strong></td>
<td>15,103</td>
<td>14,522</td>
<td>17,307</td>
<td>20,192</td>
<td></td>
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<tr>
<td>YoY gr. (%)</td>
<td>28.4</td>
<td>(3.8)</td>
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<td>Margin (%)</td>
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<tr>
<td><strong>Other Comprehensive Income</strong></td>
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<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>15,103</td>
<td>14,522</td>
<td>17,307</td>
<td>20,192</td>
<td></td>
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<tr>
<td><strong>Equity Shares O/s (m)</strong></td>
<td>174</td>
<td>174</td>
<td>174</td>
<td>174</td>
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<tr>
<td><strong>EPS (Rs)</strong></td>
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**Source:** Company Data, PL Research

---

### Balance Sheet Abstract (Rs m)

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<th>FY20E</th>
<th>FY21E</th>
<th>FY22E</th>
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<td><strong>Other non current liabilities</strong></td>
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<td><strong>Current Liabilities</strong></td>
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<td><strong>ST Debt / Current of LT Debt</strong></td>
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<tr>
<td><strong>Total Equity &amp; Liabilities</strong></td>
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<td>76,090</td>
<td>87,379</td>
<td>100,455</td>
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**Source:** Company Data, PL Research
### Quarterly Financials (Rs m)

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<th>Year to Date</th>
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<th>FY20E</th>
<th>FY21E</th>
<th>FY22E</th>
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<tr>
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<td><strong>Raw Material Expenses</strong></td>
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<td>34.8</td>
<td>9.3</td>
<td>(2.8)</td>
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<tr>
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<td>19.2</td>
<td>18.4</td>
<td>18.1</td>
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<td><strong>Depreciation / Depletion</strong></td>
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<td>371</td>
<td>611</td>
<td>664</td>
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<td><strong>EBIT</strong></td>
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<td><strong>Margin (%)</strong></td>
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<tr>
<td><strong>Other Income</strong></td>
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<td>648</td>
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<td><strong>Profit before Tax</strong></td>
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<td>5,042</td>
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<td>20.3</td>
<td>19.2</td>
<td>18.4</td>
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<td><strong>Profit after Tax</strong></td>
<td>3,755</td>
<td>3,787</td>
<td>3,555</td>
<td>3,603</td>
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<td><strong>Minority interest</strong></td>
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<td>-</td>
<td>-</td>
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<tr>
<td><strong>Share Profit from Associates</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Adjusted PAT</strong></td>
<td>3,755</td>
<td>3,787</td>
<td>3,555</td>
<td>3,603</td>
</tr>
<tr>
<td><strong>YoY gr. (%)</strong></td>
<td>32.7</td>
<td>30.9</td>
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<td>(10.0)</td>
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<tr>
<td><strong>Margin (%)</strong></td>
<td>15.2</td>
<td>15.2</td>
<td>14.3</td>
<td>14.0</td>
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<tr>
<td><strong>Extra Ord. Income / (Exp)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Reported PAT</strong></td>
<td>3,755</td>
<td>3,787</td>
<td>3,555</td>
<td>3,603</td>
</tr>
<tr>
<td><strong>YoY gr. (%)</strong></td>
<td>32.7</td>
<td>30.9</td>
<td>(1.6)</td>
<td>(10.0)</td>
</tr>
<tr>
<td><strong>Margin (%)</strong></td>
<td>15.2</td>
<td>15.2</td>
<td>14.3</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>3,755</td>
<td>3,787</td>
<td>3,555</td>
<td>3,603</td>
</tr>
<tr>
<td><strong>Avg. Shares O/s (m)</strong></td>
<td>174</td>
<td>174</td>
<td>174</td>
<td>174</td>
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<tr>
<td><strong>EPS (Rs)</strong></td>
<td>21.5</td>
<td>21.7</td>
<td>20.4</td>
<td>20.7</td>
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Source: Company Data, PL Research

### Key Financial Metrics

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<tr>
<th>Year to Date</th>
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<th>FY20E</th>
<th>FY21E</th>
<th>FY22E</th>
</tr>
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<tbody>
<tr>
<td><strong>Per Share (Rs)</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>86.8</td>
<td>83.5</td>
<td>99.5</td>
<td>116.0</td>
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<td><strong>Valuation (x)</strong></td>
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<td>19.6</td>
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Source: Company Data, PL Research

### Cash Flow (Rs m)

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<th>FY22E</th>
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<td><strong>Add. Other</strong></td>
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<td>(3,500)</td>
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<td>(4,011)</td>
<td>(4,011)</td>
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<td><strong>Interest / Dividend Income</strong></td>
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<td>3,500</td>
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<td><strong>Others</strong></td>
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<td><strong>Debt changes</strong></td>
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</tr>
<tr>
<td><strong>Dividend paid</strong></td>
<td>(5,341)</td>
<td>(5,595)</td>
<td>(6,668)</td>
<td>(7,780)</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
<td>(16)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>(589)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash from Fin. activities</strong></td>
<td>(5,943)</td>
<td>(5,595)</td>
<td>(6,668)</td>
<td>(7,780)</td>
</tr>
<tr>
<td><strong>Net change in cash</strong></td>
<td>569</td>
<td>3,960</td>
<td>4,612</td>
<td>6,533</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>12,384</td>
<td>8,504</td>
<td>9,330</td>
<td>11,863</td>
</tr>
</tbody>
</table>

Source: Company Data, PL Research

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Larsen & Toubro Infotech

December 12, 2019
Price Chart

Recommendation History

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Rating</th>
<th>TP (Rs.)</th>
<th>Share Price (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18-Oct-19</td>
<td>Accumulate</td>
<td>1,825</td>
<td>1,500</td>
</tr>
<tr>
<td>2</td>
<td>3-Oct-19</td>
<td>Accumulate</td>
<td>1,665</td>
<td>1,505</td>
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<td>3</td>
<td>19-Jul-19</td>
<td>Accumulate</td>
<td>1,701</td>
<td>1,576</td>
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<td>4</td>
<td>4-Jul-19</td>
<td>BUY</td>
<td>1,947</td>
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<td>5</td>
<td>10-Jun-19</td>
<td>BUY</td>
<td>1,981</td>
<td>1,809</td>
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<td>6</td>
<td>5-May-19</td>
<td>BUY</td>
<td>1,981</td>
<td>1,678</td>
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<tr>
<td>7</td>
<td>5-Apr-19</td>
<td>BUY</td>
<td>2,032</td>
<td>1,652</td>
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Analyst Coverage Universe

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Company Name</th>
<th>Rating</th>
<th>TP (Rs.)</th>
<th>Share Price (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cyient</td>
<td>Hold</td>
<td>507</td>
<td>466</td>
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<td>2</td>
<td>HCL Technologies</td>
<td>BUY</td>
<td>1,258</td>
<td>1,148</td>
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<td>3</td>
<td>Hexaware Technologies</td>
<td>Hold</td>
<td>321</td>
<td>366</td>
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<td>4</td>
<td>Infosys</td>
<td>BUY</td>
<td>819</td>
<td>720</td>
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<td>5</td>
<td>L&amp;T Technology Services</td>
<td>Hold</td>
<td>1,444</td>
<td>1,639</td>
</tr>
<tr>
<td>6</td>
<td>Larsen &amp; Toubro Infotech</td>
<td>Accumulate</td>
<td>1,825</td>
<td>1,500</td>
</tr>
<tr>
<td>7</td>
<td>Mindtree</td>
<td>Reduce</td>
<td>716</td>
<td>744</td>
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<tr>
<td>8</td>
<td>Mphasis</td>
<td>Accumulate</td>
<td>1,038</td>
<td>937</td>
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<tr>
<td>9</td>
<td>NIIT Technologies</td>
<td>Accumulate</td>
<td>1,551</td>
<td>1,469</td>
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<td>10</td>
<td>Persistent Systems</td>
<td>Hold</td>
<td>534</td>
<td>560</td>
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<tr>
<td>11</td>
<td>Redington (India)</td>
<td>BUY</td>
<td>114</td>
<td>108</td>
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<tr>
<td>12</td>
<td>Sonata Software</td>
<td>Accumulate</td>
<td>382</td>
<td>313</td>
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<td>13</td>
<td>Tata Consultancy Services</td>
<td>Hold</td>
<td>1,985</td>
<td>2,004</td>
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<td>14</td>
<td>TeamLease Services</td>
<td>Hold</td>
<td>3,203</td>
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<td>15</td>
<td>Tech Mahindra</td>
<td>Reduce</td>
<td>656</td>
<td>773</td>
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<td>16</td>
<td>Wipro</td>
<td>Reduce</td>
<td>245</td>
<td>244</td>
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<td>17</td>
<td>Zensar Technologies</td>
<td>Accumulate</td>
<td>249</td>
<td>211</td>
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</table>

PL’s Recommendation Nomenclature (Absolute Performance)

- **Buy**: > 15%
- **Accumulate**: 5% to 15%
- **Hold**: +5% to -5%
- **Reduce**: -5% to -15%
- **Sell**: < -15%
- **Not Rated (NR)**: No specific call on the stock
- **Under Review (UR)**: Rating likely to change shortly
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December 12, 2019

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