May 05, 2021

RESULT REPORT Q4 FY21 | Sector: Information Technology

L&T Infotech

BUY	CMP Rs3,913	Target Rs4,550	Upside 16.3%

Result Highlights

- ✓ It reported strong result with revenue growth of 4.6% in USD term to $447.4mn (up 4.4% QoQ in CC terms). In INR terms, revenue grew 3.7% QoQ, adversely impacted due to INR appreciation. Revenue growth was led by strong performance in Hi-Tech and Media and BFSI verticals.
- ✓ Digital revenue grew 7.5% QoQ to account for 45.6% of revenue compared to 44.4% in Q3FY21.
- ✓ EBIT margin declined by 133 bps QoQ to 19.4% as per market expectation.
- ✓ Deal win momentum remained strong as it closed two large deals with net new TCV of $66mn.
- ✓ Offshore revenue mix continues to grow as it grew by 20 bps QoQ to 45.9%.
- ✓ LTM attrition was almost flat at 12.3% in the quarter. Utilization was down 190 bps QoQ with more hiring in the quarter.
- ✓ The board recommended final dividend of Rs 25/ share (FY21 payout: 36%).

Our view: The performance of the company continues to remain strong as it remains focused on growth while maintaining stable margin. Strong order book and robust deal pipeline would help it to maintain the performance going ahead. The company is well placed to ride the digitalization and cloud migration wave and remains a consistent performing IT company. It trades at attractive valuation of PE of 24.2x on FY23 earnings. Initiate coverage on the stock with BUY rating.

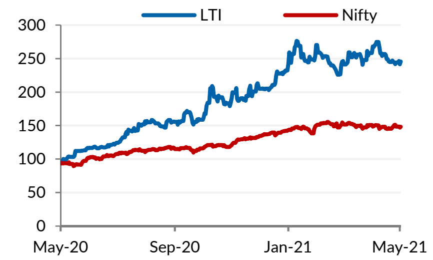
Exhibit 1: Result table

Particulars (Rs mn)	Mar-21	Mar-20	yoy %	Dec-20	qoq %
Sales ($ mn)	447	410	9.1	428	4.6
Sales	32694.0	30119.0	8.5	31528.0	3.7
EBITDA	7,155	5,781	23.8	7,320	(2.3)
EBITDA %	22	19	269 bps	23	-133 bps
Depreciation	826.0	747.0	10.6	819.0	0.9
EBIT	6,329	5,034	25.7	6,501	(2.6)
EBIT Margin %	19	17	264 bps	21	-126 bps
PBT	7,168	5,515	30.0	6,993	2.5
Tax	1,711	1,239	38.1	1,801	(5.0)
PAT	5,457	4,276	27.6	5,192	5.1
NPM (%)	16.7	14.2	249 bps	16.5	22 bps
EPS (Rs)	31.0	24.3	27.7	29.5	5.1

Stock data (as on May 05, 2021)

Nifty	14,618
52 Week h/l (Rs)	4,483 / 1,510
Market cap (Rs/USD mn)	684,175 / 9,256
Outstanding Shares	175
6m Avg t/o (Rs mn):	1,279
Div yield (%):	1.0
Bloomberg code:	LTI IN
NSE code:	LTI

Stock performance



	1M	3M	1Y
Absolute return	-8.3%	-5.1%	158.2%

Shareholding pattern (As of Dec'20 end)

Promoter	74.3%
FII+DII	17.9%
Others	7.8%

Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Net Revenue	123,698	142,407	161,553
YoY Growth	13.7%	15.1%	13.4%
EBIDTA	27,250	32,823	37,639
YoY Growth	34.3%	20.5%	14.7%
PAT	19,380	24,929	28,394
YoY Growth	27.5%	28.6%	13.9%
ROE	31.9%	32.3%	29.0%
EPS	110	142	161
P/E	35.5	27.6	24.2
BV	385	493	622
P/BV	10.2	7.9	6.3

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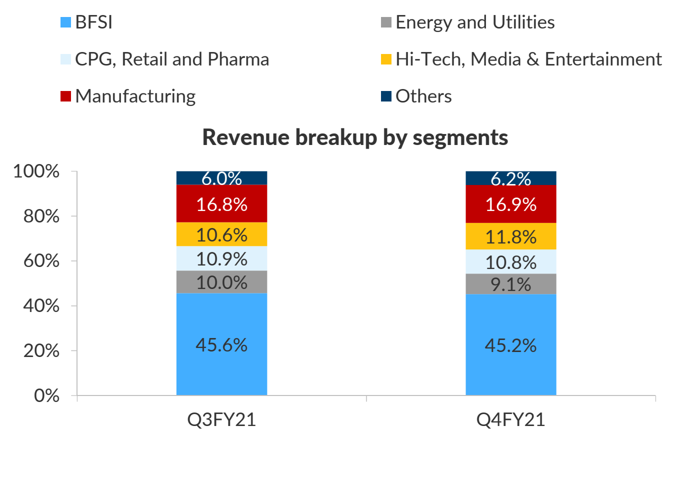
CON-CALL HIGHLIGHTS

- ✓ Demand environment remains strong as visible in deal wins; and the pricing environment remains stable for the company. Offshore mix has increased for the industry as whole, primarily led by the Pandemic.
- ✓ It has been focusing on wider set of target companies (Fortune 2000 companies) for deal wins for supporting revenue growth
- ✓ The growth remains broad based across sectors barring few industries such as oil and gas and Insurance.
- ✓ Hiring will continue to be at higher level over the next few quarters.
- ✓ Expects to maintain the current employee utilization level of around 78-80%
- ✓ Has guided for 14-15% net margin for FY22, with main focus clearly on revenue growth.
- ✓ Expect some travel related cost to come back later this year, but its impact on margin will get neutralized through productivity led measures.

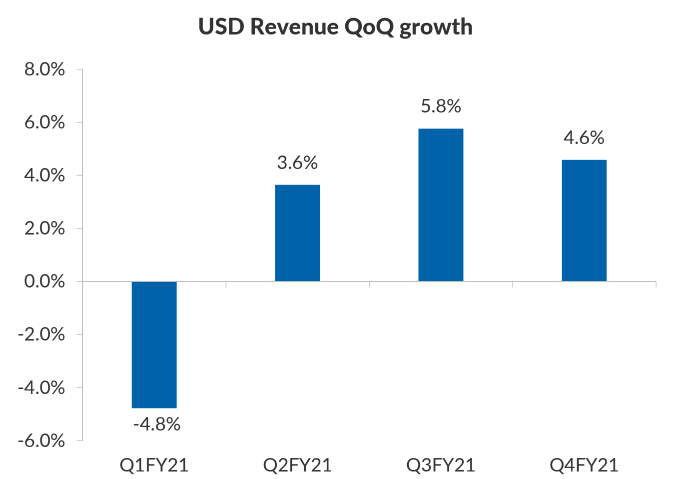
CHARTS

Exhibit 2: Hi-Tech & Media had strong growth in the quarter



Source: Company, YES Sec – Research

Exhibit 3: Maintains strong growth momentum



Source: Company, YES Sec – Research

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