

Pick of the Week

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- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP (Rs)	Target Price *	Potential Upside (%)	Reco
L&T Infotech Ltd	27,599	1,585	1,744	10%	BUY

* Note: Investment horizon Approx. 6-9 months., CMP as on 8th May, 2020

L&T Infotech Ltd

CMP (Rs)	Target (Rs)
1,585	1,744

MARKET DATA

No. of Shares	: 17.41 cr
Market Cap	: Rs 27,599 Cr
52-week High / Low	: Rs 2049/1207
BSE Code	:540005
NSE Code	: LTI

LTI is a global technology consulting and digital solutions company helping more than 420 clients succeed in a converging world, with operations in 32 countries. LTI helps clients in digital transformation with LTI's Mosaic platform enabling clients mobile, Analytics, IoT and cloud journeys.

Investment Rationale

- Robust business structure in global uncertainties:** LTI may face short term impact of COVID 19 outbreak but company has been efficiently managing from remote systems to ensure timely delivery of the outsourced business. The management has indicated that LTI is managing all its ongoing projects efficiently with complete employee engagement using WFH mode. The COVID impact, if any, would be seen on consulting business while employee engagement in outsourcing and automation business remains robust. LTI has strong deal wins and ramp up in large deals in previous quarters will help LTI to generate more sustainable revenues as compared to its peers even in Q4 FY20.
- Strong sustainable strategy aided by digital transformation and channel partner:** IT service provider's engagement with its partner network has expanded beyond certifications into setup of co-innovation centers, building industry solutions, ISV partnerships and joint sourcing of deals. These partnerships play a significant role in implementation, rollouts & upgrades, validation and support services. Recent deal trend continues to be healthy for LTI and is reflective of traction in Retail & CPG, Manufacturing and BFSI verticals. LTI will continue to invest in Digital Talent and S&M which is imperative to drive growth. We believe that COVID outbreak will create huge opportunity across geographies for LTI to post strong organic growth over different verticals.
- Healthy broad based growth:** LTI Management is optimistic & confident about the future growth potential capitalizing its core strategy (Digitizing the core, Data-driven organization, Experience transformation, and Operate to transform) with customer centricity as the key engagement tool. LTI's sales strategy (hunting pack) has been yielding good results, which is evident from their stronger annual growth in large deal pipeline. LTI had secured 2 large deals with net new TCV of ~US\$75 mn+ in Q3FY20 taking it to US\$219 mn+ for 9MFY20; ramp-up of these deals and a strong exit rate in Q4FY20 would auger well for pick-up in revenue growth in FY21.
- We recommend **Buy** with target price of Rs 1,744.

Financial Summary

Y/E	Net Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	RoE (%)	RoCE (%)	DPS (Rs)
March							
FY19	9,510	1,929	1,526	88.0	33.0	46.0	35.7
FY20E	11,150	2,278	1,699	98.0	30.2	42.2	36.0
FY21E	12,831	2,615	1,952	112.5	28.9	40.7	36.0
FY22E	13,986	2,851	2,164	124.8	29.4	38.4	37.0

Source: Axis Securities, Consensus Estimates

Performance

No of Stocks Matrix

<i>No of Stocks</i>	9m	15m
Met Target	19	39
Not Met Target	17	23

Performance Matrix

<i>% Return</i>	9m	15m
Met Target	12.81	12.68
Not Met Target	(25.09)	(29.50)

Benchmark Performance Matrix

<i>% Return</i>	9m	15m
Met Target	1.86	1.68
Not Met Target	(11.28)	(12.07)

Note : Performance of the pick of the week is calculated for stocks recommended from Aug-19 to Apr-20 for 9 Months and from Feb-2- to Apr-20 for 15 Months.

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