

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
Larsen & Toubro Infotech	28,558	1,642	1,800	10%	BUY

* Note: Investment horizon Approx. 6-9 months., CMP as on 13th Dec, 2019.

Larsen & Toubro Infotech

Investment Rationale

- ❑ **Focus on the large deal wins:** LTI's sales strategy focuses on large deal wins, new logo additions to client portfolio, client mining and strategic alliances. LTI won 19 large deals with 9 new logos in past 1 year, with combined TCV of large deals at \$ 900 mn. LTI has added three new clients in Q2FY20 with a TCV of \$100 mn. Two were in Energy and Utilities, while one was in BFSI. Deal pipeline is strong and will continue to add new accounts and large deals. This strategy will help LTI to get long term sustainable business model. The management of LTI is confident of strong H2FY20 on ramp-up of deals won earlier.
- ❑ **Digital Strategic acquisition for capability building:** LTI has recently done two strategic acquisitions to build its capabilities. 'Powerup' is cloud consulting company headquartered in Bengaluru India. The company has expertise in providing end to end services in different cloud platforms like AWS and Microsoft Azure etc. The Powerup was acquired at \$15mn and its topline for FY19 was \$3.5 mn. LTI also acquired 'Lymbyc Solutions Pvt Ltd'. The company is into AI, machine learning into advanced analytics. This acquisition will help LTI to build service portfolio in the respective vertical and help in enhancing the capabilities.
- ❑ **LTI have strong core strategy to attain higher growth acceleration:** LTIO focuses on the core strategy to transform the business breakaway. The company is investing in its core strategy in their client's success, which will help to increase client retention. This client centric strategy having four pillars viz. Operate to transform, Data driven organization, Experience the transformation and digitizing the Core has helped the company to acquire large deal wins in the past few quarters. LTI is also working towards productizing its service offerings, where the focus would be on making services and solutions repeatable at multiple clients.
- ❑ **Focus on digital transformation:** The company has a strong focus on digital transformation. Digital business is now contributing 40% to the total revenue. The company has reskilled ~50% of talent over the last year in AI Cloud computing, Safe Agile and Data Visualization. The management plans to create an ecosystem for talent for which it is collaborating with startups and academia.
- ❑ We recommend a **BUY** on this stock with a TP of Rs 1,800.

Financial Summary

Y/E March	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (YoY %)	RoE (%)	RoCE (%)
FY19	9,446	1,516	86.4	35%	34.6%	34.5%
FY20E	10,487	1,515	86.5	0%	28.3%	32.2%
FY21E	11,880	1,753	99.9	15%	27.9%	32.3%

Source: Axis Securities Estimates.

MARKET DATA

No. of Shares	: 17.40 cr
Market Cap	: Rs 28,558 Cr
52-week High / Low	: Rs 1,897/1,436
BSE Code	: 540005
NSE Code	: LTI

CMP (Rs)	Target (Rs)
1,642	1,800

Performance

No of Stocks Matrix

<i>No of Stocks</i>	9m	15m
Met Target	20	34
Not Met Target	19	31

Performance Matrix

<i>% Return</i>	9m	15m
Met Target	12.78	12.27
Not Met Target	(7.02)	(15.74)

Benchmark Performance Matrix

<i>% Return</i>	9m	15m
Met Target	0.89	2.76
Not Met Target	3.88	6.42

Note : Performance of the pick of the week is calculated for stocks recommended from Mar-19 to Sep-19 for 9 Months and from Sep-18 to Oct-19 for 15 Months.

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