



Farsight

## MORNING FARSIGHT

Thursday, December 06, 2018

**L&T INFOTECH**

**CMP:RS 1545**

**TRGT:RS 1800**

**TIME HORIZON: 1 YEAR**

L&T Infotech, India's 6th largest IT Services company, offering services such as application development, maintenance and outsourcing, enterprise solutions, infrastructure management services, testing, digital solutions and platform-based solutions to more than 312 clients across (61 clients from Fortune 500), is looking a good buy, as company is among the few IT service providers, which is part of a diversified conglomerate, L&T group, benefiting from the expertise and experience of the group in verticals like oil & gas, heavy engineering, hydrocarbons and automotive & aerospace, which assist L&T Infotech in effectively delivering IT services and solutions to its clients among various verticals, a key differentiator among competitors. For Q2FY19, company reported US \$ revenue growth of 2.7% QoQ and 21% YoY at \$ 329 million, while in rupee terms, it achieved revenue growth of 8% QoQ and 33% YoY at Rs 2,331 cr. Digital solutions (37% of revenue) maintained the strong growth momentum and grew by 12%/40%QoQ/YoY and Q2FY19 is the fifth quarter of 40%YoY growth in the last six quarters and in company had third consecutive quarter of net-new TCv of US50mn+ large deal win. Smaller verticals like CPG, Retail & Pharma (10.2% of revenue; +15.4% QoQ in CC) and Energy & Utilities (10.7% of revenue; +9.1%in CC) also aided growth. PAT was placed at Rs 401 cr (+11% QoQ and 46% YoY), leading to an EPS of Rs 23.1 for Q2FY19 and Rs 44for H1FY19. EBIT margin also expanded to 19% in Q2FY19 from 17.7% QoQ and 14.5% YoY,an expansion of 130 bps sequentially and 450bps YoY, with operational efficiencies, lower visa cost and INR depreciation offsetting the impact of salary increase. On an estimated EPS of Rs 86 for FY19 and Rs 98 for FY20, it is trading at PE of 18x and 15.7x respectively, which is we see attractive. Company has also paid first interim dividend to Rs 12.50 against Rs 8 in FY18 and total dividend this year is expected to be about Rs 28, implying Payout Ratio of 33%. Share ruling at Rs 1,545 can move to Rs 1800 in 1 year. Buy as an investor only.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.