INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Mindtree:** Mindtree (MTCL IN) delivered in-line revenue while margin was better than our estimate in Q1, supported by flat sub-contracting. The sequential growth of 5.5% CC followed the sixth consecutive quarter of 5%+ sequential growth, supported by broad-based momentum across service lines. Key positives include (1) consistency in delivering industry-leading growth > 5% QoQ CC, (2) strong credentials in hi-tech and travel vertical (airlines and hospitality exceeding pre-COVID levels), (3) healthy TCV bookings with TCV growth of 13% YoY, (4) focus on building full stack services and client rationalisation (focus on 100 accounts that contribute 90% of the total revenue), and (5) stable sub-contracting expenses (9.6% of the revenue in Q1 vs 10.2% in FY22). We expect MTCL to deliver a high-teens growth CAGR in FY22-24E, supported by expansion into Continental Europe and core portfolio focus (cross-sell), with predictable margins (management maintained 20%+ EBITDAM outlook). Maintain BUY with a TP of INR 3,830, valuing MTCL at 28x FY24E EPS.

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Mindtree

Consistent performer

Mindtree (MTCL IN) delivered in-line revenue while margin was better than our estimate in Q1, supported by flat sub-contracting. The sequential growth of 5.5% CC followed the sixth consecutive quarter of 5%+ sequential growth, supported by broad-based momentum across service lines. Key positives include (1) consistency in delivering industry-leading growth > 5% QoQ CC, (2) strong credentials in hi-tech and travel vertical (airlines and hospitality exceeding pre-COVID levels), (3) healthy TCV bookings with TCV growth of 13% YoY, (4) focus on building full stack services and client rationalisation (focus on 100 accounts that contribute 90% of the total revenue), and (5) stable sub-contracting expenses (9.6% of the revenue in Q1 vs 10.2% in FY22). We expect MTCL to deliver a high-teens growth CAGR in FY22-24E, supported by expansion into Continental Europe and core portfolio focus (cross-sell), with predictable margins (management maintained 20%+ EBITDAM outlook). Maintain BUY with a TP of INR 3,830, valuing MTCL at 28x FY24E EPS.

- **Q1FY23 highlights:** (1) MTCL reported a sixth consecutive quarter of revenue growth of > 5% QoQ CC at USD 399mn (in line with our estimate of USD 400mn), +4% QoQ in USD terms (+5.5% QoQ CC), led by healthy growth in a top account (+8.6% QoQ). (2) EBITDAM improved by 10bps QoQ to 21.1%, supported by operational efficiency (+50bps) and FX tailwind (+70bps); partially offset by visa cost (-50bps) and one-time M&A cost (-60bps). (3) Among the verticals, growth was led by travel (+11.3% QoQ; airline & hospitality exceeding pre-COVID level), BFSI (+6.6% QoQ); and communications, media & tech (+5.9% QoQ). However, retail, CPG and manufacturing declined -8.8% QoQ, impacted by ramp-down in a retail client. (4) Deal TCV in Q1FY23 was at a record high of USD 570mn, 13.1% YoY. (5) MTCL had a net headcount addition of 3,284 in Q1 (1,500 fresher intakes) and it intends to continue >1,500 quarterly fresher additions in FY23E.
- **Outlook** We have factored in USD revenue growth of +19.9/+16.4% and EBITDAM at 20.2/19.8% for FY23/24E. We expect an EPS CAGR of 17% over FY22-24E.

Quarterly Financial summary

YE March (INR bn)	Q1 FY23	Q1 FY22	YoY (%)	Q4 FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Revenue (USD mn)	399	311	*28.6*	384	*4.0*	1,089	1,077	1,411	1,691	1,968
Net Sales	31.21	22.92	*36.2*	28.97	*7.7*	77.64	79.68	105.25	131.96	155.45
EBIT	6.58	4.65	*41.7*	6.08	*8.2*	7.87	13.83	19.54	23.95	27.38
APAT	4.72	3.43	*37.3*	4.73	*(0.3)*	6.66	11.57	16.53	19.46	22.55
Diluted EPS (INR)	28.6	20.8	*37.3*	28.7	*(0.3)*	40.4	70.3	100.3	118.1	136.9
P/E (x)						71.7	41.3	28.9	24.6	21.2
EV / EBITDA (x)						43.7	27.4	20.1	16.2	13.6
RoE (%)						20.6	31.0	33.8	31.9	30.3

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Revenue (USD mn)	1,686	1,691	*0.3*	1,984	1,968	*(0.8)*
Revenue	131.16	131.96	*0.6*	156.75	155.45	*(0.8)*
EBIT	23.80	23.95	*0.6*	27.64	27.38	*(0.9)*
EBIT margin (%)	18.1	18.2	0bps	17.6	17.6	-2bps
APAT	19.29	19.46	*0.9*	22.73	22.55	*(0.8)*
EPS (INR)	117.1	118.1	*0.9*	138.0	136.9	*(0.8)*

Source: Company, HSIE Research

BUY

CMP *(as on 13 Jul 2022)*	INR 2,901
Target Price	INR 3,830
NIFTY	15,967

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,860	INR 3,830
EPS %	FY23E	FY24E
	+0.9	-0.8

KEY STOCK DATA	
Bloomberg code	MTCL IN
No. of Shares (mn)	165
MCap (INR bn) / ($ mn)	478/6,425
6m avg traded value (INR mn)	2,949
52 Week high / low	INR 5,060/2,458

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(29.2)	(38.9)	16.2
Relative (%)	(21.0)	(26.2)	14.8

SHAREHOLDING PATTERN (%)	Sep-21	Dec-21
Promoters	61.00	61.00
FIs & Local MFs	10.10	9.71
FPIs	15.01	15.72
Public & Others	13.89	13.57
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	Mindtree	MBA	NO
Amit Chandra	Mindtree	MBA	NO
Vinesh Vala	Mindtree	MBA	NO

Disclosure:
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