

Rating:



Issue Summary:

Price band (Rs)	705-711
Face Value (Rs)	1
Opens	11 th July, 2016
Closes	13 th July, 2016
Issue Size (Rs)	1242.50 Cr
Listing	BSE, NSE

Issue Break Up:

QIB portion	50%
NIB portion	15%
Retail portion	35%

Book Running Lead Managers:

➤ Citigroup Global Markets India Pvt. Ltd.
➤ Kotak Mahindra Capital Company Ltd.
➤ ICICI Securities Ltd.

Registrar

➤ Link Intime India Pvt. Ltd.

Company & Business Profile

Larsen & Toubro InfoTech Ltd. (LTIL) is one of India's global IT services and solutions companies. In 2015, NASSCOM ranked it as the Sixth largest Indian IT services company in terms of export revenues. Its Clients comprise some of the world's largest and well-known organizations, including 49 of the Fortune Global 500 Companies.

LTIL offers an extensive range of IT services to clients in diverse industries such as banking and financial services, insurance, energy and process, consumer packaged goods, retail and pharmaceuticals, media and entertainment, hi-tech and consumer electronics and automotive and aerospace. The services include application development, maintenance and outsourcing, enterprise solutions, infrastructure management services, testing, digital solutions and platform-based solutions.

LTIL is among the few IT service providers that are part of a diversified business conglomerate. It gets benefit from the expertise and experience of the L&T group in verticals such as hydrocarbons, heavy engineering, oil and gas and automotive and aerospace. This provides the benefit of strong domain experience and understanding of businesses that operate in these verticals and differentiates from competitors.

Objects of the Issue:

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and to carry out the Offer for Sale. The Company believes that the listing of the Equity Shares will enhance its brand name and provide liquidity to the existing shareholders. Listing will also provide a public market for the Equity Shares in India. The main purpose of the IPO is to give autonomy and freedom to the company to chart its own destiny. The fund will be utilized to build up expertise in the domain technology through cloud, digital, IoT etc.

Business Model:

LTIL caters various service offerings with industry specific experience to provide services to clients engaged in various business verticals. The following table presents the percentage contribution of various business verticals to revenue from continuing operation for FY16 and FY15.

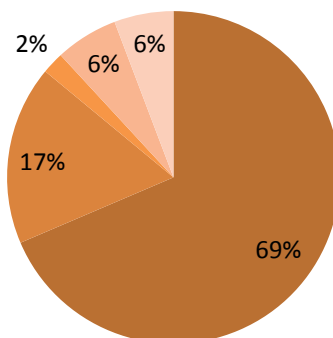
Business Verticals	FY16	FY15
Banking and financial services	26.3%	27.1%
Insurance	20.7%	20.0%
Energy and process	12.7%	16.2%
Consumer packaged goods, retail and pharmaceuticals	9.3%	9.3%
Hi-Tech and Consumer Electronics	5.2%	6.9%
Automotive and Aerospace	6.8%	5.7%
Media and Entertainment	6.2%	5.4%
Others*	12.8%	9.4%
Total	100%	100%

*include plant and equipments, engineering and construction and travel and logistics

Segmental reporting of revenues on the basis of the geographical location of the customers is as under:

Geographic spread

■ North america ■ Europe ■ Asia Pacific ■ India ■ Rest of the world



Investment Positives:

- Company intends to continue building long-term sustainable business relationships with existing clients to generate greater revenues.
- Company enjoys 60% of the market share in IT space. (source: company's management.)
- Company enjoys a clear advantage over its competitors as IT infrastructure is created using the resources offered by the entire group.
- Company has achieved increase in employee utilization from 71.6% to 73.8% in current financial year.

Financial Highlights:

- Revenue has been growing at 17% long term CAGR.
- Profit after Tax has been growing at 18.2% CAGR.
- Return on Net worth stands at 44.5%.
- 95% of revenues are from overseas clients.

Concern:

- Intense competition in the market for technology services could affect pricing, which could reduce share of business from clients and decrease our revenues and profitability.
- Exchange rate fluctuations in various currencies in which business could negatively impact company's business.
- Major revenue depends to a large extent on a limited number of clients, and revenue could decline if company lose a major client.
- Company has paid good dividend in last financial year. In future, dividend will depend on cash requirements by the company.

Outlook & Valuations:

- The issue has been offered in a price band of Rs 705-711 per equity share. At the upper price band the stock is available at P/E of 12.6 (x) based on FY16 financials. Industry composite PE for the company stands at 17.6 (x). However, the RoE for the stock is 49.52% for FY16. We have “4 star” rating for the issue.

Financials (Rs. in Crs):

Description	Mar-16	Mar-15	Mar-14
Total Income	6,143	5,070	4,837
PBIDT	1,332	1,096	1,063
PBIT	1,158	937	885
PBT	1,147	927	854
PAT	922	761	689
Net Worth	2,023	2,026	1,611
Total Debt	0	14	27
Cash and Bank balance	203	201	159
RONW(%)	46%	38%	43%
PBIDTM(%)	22%	22%	22%
PATM(%)	15%	15%	14%

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