



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- In Q4, Mindtree registered US \$ revenue growth of 5.2%. Company has posted highest ever quarterly revenue of US \$288.2 million for the quarter. After providing the wage hikes across the organization effective Jan 1st, Mindtree's EBITDA for the quarter was 21.9%. For the full year, revenue is at US \$1,076.5 million and EBITDA is at 20.8% which is 680 basis points improvement from last year.

2. MANAGEMENT COMMENTARY:

- Mindtree continue to cross sell and up sell within and across its clients base, thus leading to growth in order book by 20% sequentially to US \$375 million.
- Mindtree aims to deliver double digit growth in FY22 while sustaining EBITDA at 20% plus levels.
- Company is very hopeful about BFSI segment gaining momentum in the coming quarters as there are some of the deals that company is very close to closing, which will start ramping up moving ahead.

3. SEGMENTAL ANALYSIS:

- In Q4FY21, amongst industry segments, communications, media and technology grew 4.1%; retail, CPG and manufacturing grew 8.6%; banking, financial and insurance declined 1.1% and travel, transportation and hospitality grew 16.1% sequentially. For the full year FY21, communications, media and technology grew 20.7%; retail, CPG and manufacturing grew 0.6%, while other showed the de-growth.
- Amongst geographies for the Q4FY21, North America contributed 76.6%; Continental Europe, UK and Ireland together contributed 15.7%; APAC and Middle East contributed 7.7%

4. OTHER DEVELOPMENTS:

- Mindtree have successfully set up and scaled its strategic partnerships with key hyperscalers and the industry leaders such as Microsoft Azure, Databricks, ServiceNow and Google Cloud platform etc.
- Company ended Q4 with over 23,800 employees including a net addition of more than 1600 employees. With continued focus on employee engagement initiatives, Mindtree's attrition dropped to 12.1% on an LTM basis for the quarter from 12.5% in Q3.
- Company's continued efforts in collections during the quarter led to the reduction of DSO by one day. For the quarter, the DSO stands at 60 days. Company's EBITDA to operating cash flow is at 76.8% for the quarter and 120.5% for the full year. Also, Free cash flow to EBITDA is at 68.5% for the quarter and 116.4% for the full year. Company's utilization for the quarter is at 84.3% from 83.1% in Q3

5. VALUATION AND OUTLOOK:

- Mindtree has posted very strong set of numbers in Q4& FY21.
- Company being leading digital transformation partner with a history of over two decades has rolled out its robust strategy of 4/4/4 and have started executing on it which will benefit company going forward.
- With company returning to broad based profitable growth & keeping focus on long-term annuity deals have successfully set up and scaled its strategic partnerships with key hyperscalers and the industry leaders such as Microsoft Azure, Databricks, ServiceNow and Google Cloud platform and many more.
- Presently company is trading at 28x of FY22E & 23x of FY23E eps, we believe that company is poised for strong growth in long term. Hence we recommend BUY on stocks at every dip with long term price target of Rs 2820 (19% upside from current levels).

RECOMMENDATION - BUY

CMP - 2359

TARGET - 2820 (19%)

Industry	IT-Software
NSE CODE	MINDTREE
BSE CODE	532819
Market Cap (₹ Cr)	38854.72
Shares Outstanding (in Cr)	16.47
52 wk High/Low (₹)	2365/858
P/E	34.99
P/BV	5.02
Face Value (₹)	10.00
Book Value (₹)	261.59
EPS (FY21) (₹)	67.41
Dividend Yield (%)	1.06
Debt / Equity	0.00
Interest Coverage	30.73

SHAREHOLDING PATTERN

	Mar 21	Dec 20	Mar 20
Promoters	61.03	61.03	74.11
Mutual Funds	7.60	7.47	3.68
FII/FPI	13.92	13.27	11.86
Retail & Others	17.45	18.23	10.35
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2021A	2022E	2023E
Crore			
Sales	7967.80	9470.00	10906.00
Sales Gr. (%)		18.85	15.16
EBITDA	1656.70	1991.00	2331.00
EBITDA mrg. (%)	21.02	21.02	21.37
Adj. PAT	1110.50	1366.00	1656.00
Adj. EPS (₹)	67.43	82.94	100.55
EPS Gr. (%)		23.01	21.23
BV/Sh. (₹)	269.94	315.00	384.52
Ratios	25.71	26.25	26.15
RoE (%)	36.00	34.75	33.70
RoCE (%)	37.08	32.92	29.79
Payout (%)	37.08	32.92	29.79
Valuation			
P/E (x)	34.99	28.44	23.46
P/BV (x)	8.74	7.49	6.13
EV/EBITDA (x)	22.32	18.86	15.74
Div. Yield (%)	1.06	1.16	1.27

Valuation

Historical P/E (3 Yr Avg)	19.46
Industry P/E	29.99
Historical P/B (3 Yr Avg)	4.12
Industry P/B	7.53

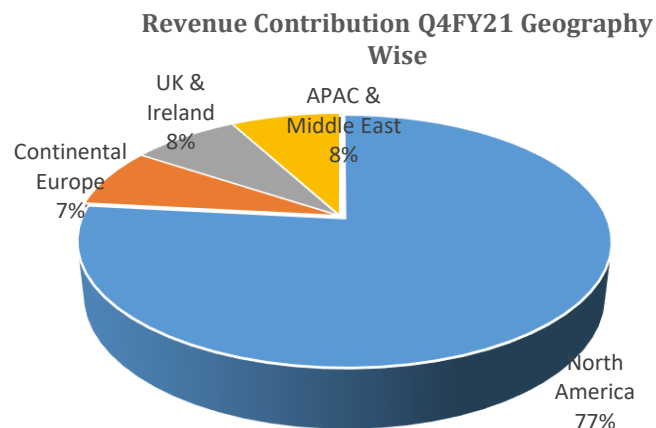


QUARTERLY PERFORMANCE

Revenue (%) (4QFY21)

Industry Groups	Q4FY20	Q3FY21	Q4FY21
BFSI	20.4%	19.6%	18.4%
CMT	43.1%	49.9%	49.4%
RCM	20.3%	21.6%	22.4%
TTH	16.2%	8.9%	9.9%

Criteria	Q4FY20	Q3FY21	Q4FY21
Total Contract Value (\$ in millions)	393	312	375
No of Active Clients	307	276	270
New Clients added	5	8	4



QUARTERLY FINANCIALS (CONSOLIDATED)

(₹ Cr)

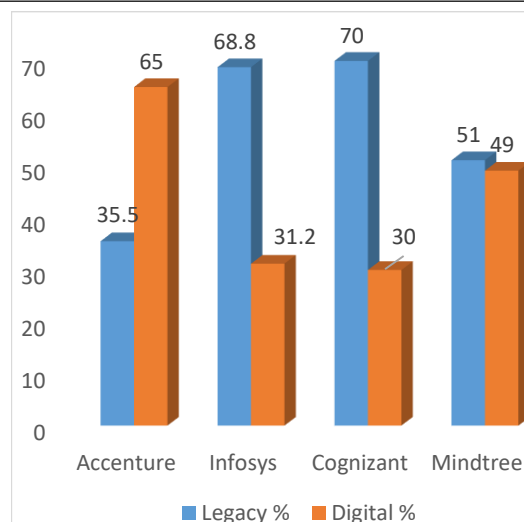
Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net sales	1834.20	1914.30	1965.30	2050.50	1908.80	1926.00	2023.70	2109.30	7764.30	7967.80
YoY change (%)		4.37	2.66	4.34	-6.91	0.90	5.07	4.23		2.62
EBITDA	184.10	248.20	306.30	323.70	322.00	390.30	467.90	462.60	1081.50	1656.70
Margins (%)	10.04	12.97	15.59	15.79	16.87	20.26	23.12	21.93	13.93	20.79
YoY growth (%)		34.82	23.41	5.68	-0.53	21.21	19.88	-1.13		53.19
Depreciation	66.90	70.70	69.90	67.90	59.70	56.90	71.70	71.30	275.40	259.60
Interest	13.00	13.80	13.30	12.80	13.10	13.20	12.70	11.40	52.90	50.40
Other income	22.00	19.70	34.80	18.30	40.60	24.50	61.60	38.90	75.60	151.70
PBT	126.20	183.40	257.90	261.30	289.80	344.70	445.10	418.80	828.80	1498.40
Tax	33.50	48.40	60.90	55.10	76.80	91.00	118.60	101.50	197.90	387.90
Rate (%)	26.55	26.39	23.61	21.09	26.50	26.40	26.65	24.24	23.88	25.89
Adjusted PAT	92.70	135.00	197.00	206.20	213.00	253.70	326.50	317.30	630.90	1110.50
YoY change (%)										
Operating & Manufacturing Cost (% of Sales)	21.64	20.97	20.63	21.14	16.20	14.20	14.57	15.85	20.84	15.03
Staff Cost (% of Sales)	68.32	66.06	63.78	63.07	66.93	65.54	62.31	62.21	65.23	64.17
EBITDA Margin (%)	10.04	12.97	15.59	15.79	16.87	20.26	23.12	21.93	13.93	20.79
PAT Margin (%)	5.05	7.05	10.02	10.06	11.16	13.17	16.13	15.04	8.13	13.94

Source: Company, Ace Equity Database



INDUSTRY OVERVIEW

The IT-BPM sector in India stood at USD 177 billion in 2019 and is expected to witness a growth of 6.2 per cent year-on-year to reach USD 252 billion by 2025. Digital services are expected to gain significant traction going forward and witness a growth of 12.2 per cent year-on-year to reach USD 52 billion by 2025. Legacy services at the same time is expected to grow at a CAGR of 3.1% only. The growth of digital services is expected to be higher than that of the legacy segment owing to the attractiveness of cost-effective digital alternatives to traditional solutions. Moreover, more and more enterprises want to digitally transform themselves to stay ahead of the technology curve and make their operations sustainable to stay competitive. Many organisations, particularly within the IT space, have already implemented digital services within their workspace (such as automation of internal functions) to bolster productivity and drive cost efficiency.



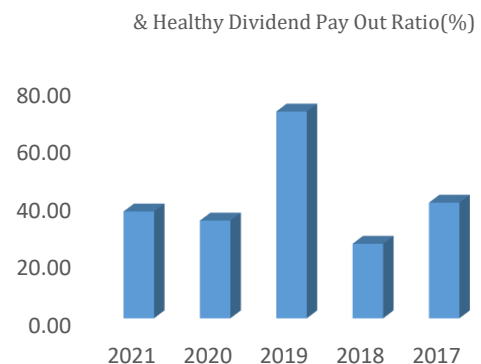
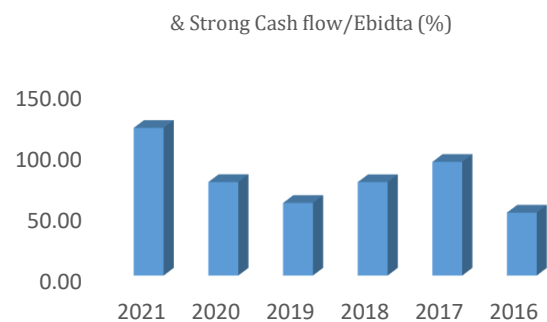
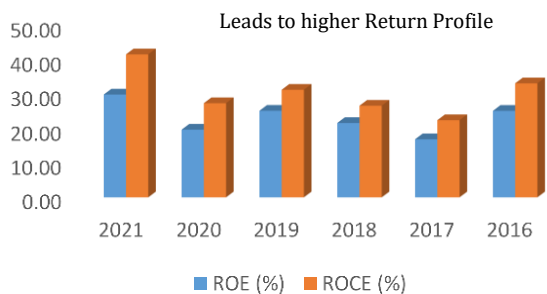
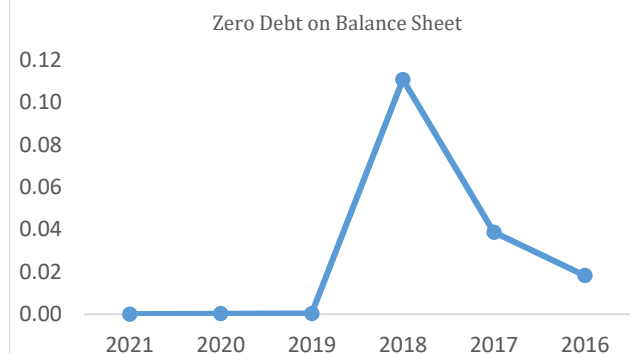
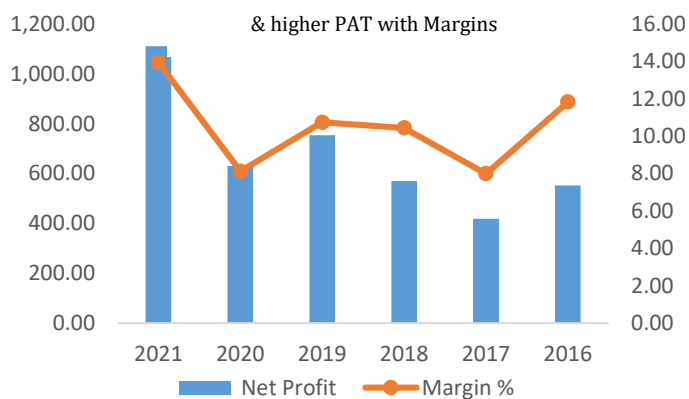
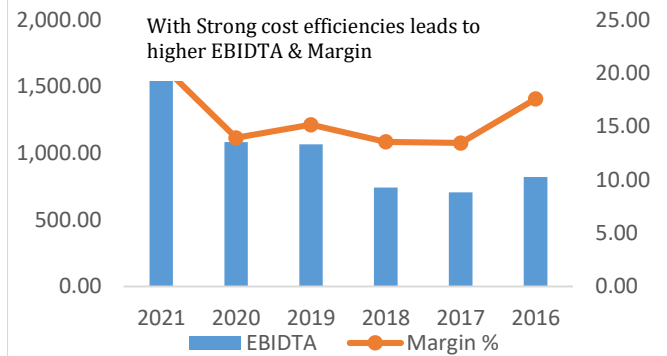
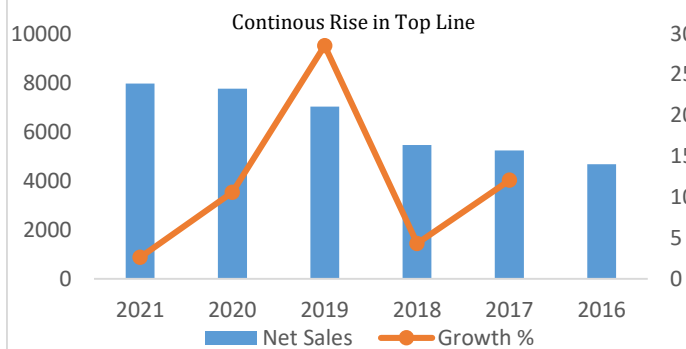
PEER PERFORMANCE

Particulars (FY21) (Rs Cr)	Mindtree	Infosys	TCS	Wipro	HCL Tech
Net Sales	7967.80	100472	164177	61943	75379
EBIDTA	1656.70	27889	46546	14771	20048
PAT	1110.50	19423	32562	10855	11169
EPS (Rs)	67.43	45.55	87.65	19.71	41.05
EBIDTA Margin %	20.79	27.76	28.35	23.85	26.60
PAT Margin %	13.94	19.33	19.83	17.53	14.82
ROCE %	35.86	35.13	52.77	23.34	25.67
ROE%	25.71	25.44	37.67	19.77	18.64
P/E	34.99	30.93	35.86	27.34	22.98
P/B	9.02	7.88	13.59	5.38	4.27
EV/EBIDTA	21.07	19.07	23.22	16.81	12.21
Div Yield %	1.06	1.92	1.21	0.19	1.27
Mcap/Sales	4.88	5.96	7.08	4.76	3.40

Source: Ace Equity Database



STORY IN CHARTS





INVESTMENT RATIONALE:

- **Strong focus on 4/4/4 strategy :** Mindtree's focus on the execution of 4/4/4 strategy, will strengthen its position by targeted investments both organic and inorganic in building domain strength in industry groups and specifically in healthcare, increasing geographical presence, strengthening alliances and partner ecosystem, strengthening company's unique culture and verticals envisioning and embracing the future of work.
- **Robust order book with strong future guidance :** Mindtree continue to cross sell and up sell within and across its clients base, thus leading to growth in order book by 20% sequentially to US \$375 million. Also company has given strong guidance aiming to deliver double digit growth in FY22 while sustaining EBITDA at 20% plus levels.
- **Healthy Financial Performance:** In Q4, Mindtree registered US \$ revenue growth of 5.2%. Company has posted highest ever quarterly revenue of US \$288.2 million for the quarter. After providing the wage hikes across the organization effective Jan 1st, Mindtree's EBITDA for the quarter was 21.9%. For the full year, revenue is at US \$1,076.5 million and EBITDA is at 20.8% which is 680 basis points improvement from last year.

RISK FACTORS:

- Failure to attract and retain highly skilled IT professionals, may adversely affect company's business, financial condition and results of operations.
- The technology services industry is competitive and continuously evolving, subject to rapidly changing demands and constant technological developments. As a result, success and performance metrics are difficult to predict and measure in industry.
- Failure to perform any contractual obligations could result in cancellation or non-renewal of a contract, which could cause company an increase in its expenses as a percentage of revenues.

COMPANY RECAP

- Mindtree is a global technology consulting and services company, enabling enterprises to increase scale with agility to achieve competitive advantage.
- Founded in 1999 and now part of the Larsen & Toubro Group, Mindtree provide analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, independent testing, infrastructure management services, mobility, product engineering, and SAP services.
- With around 23814 employees across 24 countries, company partner the digital transformation journey of more than 300 enterprise customers.



ANNUAL PERFORMANCE

Income Statement

(Rs Cr)	FY21	FY20	FY19	FY18	FY17	FY16
Net Sales	7,967.80	7,764.30	7,021.50	5,462.80	5,236.40	4,673.00
Growth %	2.62	10.58	28.53	4.32	12.06	
Total Expenditure	6,311.10	6,682.80	5,957.00	4,722.30	4,531.90	3,852.00
EBIDTA	1,656.70	1,081.50	1,064.50	740.5	704.5	821
Growth %	53.19	1.60	43.75	5.11	-14.19	
Margin %	20.79	13.93	15.16	13.56	13.45	17.57
Other Income	151.7	75.6	89.3	190.2	55.3	83.9
EBIDT	1,808.40	1,157.10	1,153.80	930.7	759.8	904.9
Interest	50.4	52.9	2.9	16.9	19.1	16
EBDT	1,758.00	1,104.20	1,150.90	913.8	740.7	888.9
Depreciation	259.6	275.4	164.1	171.5	185.8	165.8
PBT	1,498.40	828.8	986.8	742.3	554.9	723.1
Tax	387.9	197.9	232.7	172.2	136.3	170.6
Tax Rate %	25.89	23.88	23.58	23.20	24.56	23.59
Consolidated Net Profit	1,110.50	630.9	754.1	570.1	418.6	552.5
Growth%	76.02	-16.34	32.28	36.19	-24.24	
Margin %	13.94	8.13	10.74	10.44	7.99	11.82

Balance Sheet

(Rs Cr)	FY21	FY20	FY19	FY18	FY17	FY16
LIABILITIES						
<i>Share Capital</i>	164.7	164.6	164.2	163.9	168	167.8
<i>Share Warrants & Outstandings</i>	9.8	10.1	16.5	20.1	5.1	10.7
<i>Total Reserves</i>	4144.5	2982.1	3125.4	2557.4	2404	2236.4
Shareholder's Funds	4319	3156.8	3306.1	2741.4	2577.1	2414.9
<i>Long-Term Borrowings</i>			0.5	0.9	1.3	1.8
<i>Deferred Tax Assets / Liabilities</i>	-35.1	-183.5	-38.8	-31.8	-62.4	-40.9
<i>Other Long Term Liabilities</i>	449.8	676.2	17.4	8.5	30.1	85.8
Total Current Liabilities	1592.6	1323.6	855	985.7	782.1	774.4
Total Liabilities	6326.3	4973.1	4140.2	3704.7	3328.2	3236
ASSETS						
<i>Gross Block</i>	2790.4	2697.4	2050.5	1902	1821.1	1800.2
<i>Less: Accumulated Depreciation</i>	1514.6	1288.2	1083.6	945.2	799.1	638.2
Net Block	1275.8	1409.2	966.9	956.8	1022	1162
<i>Capital Work in Progress</i>	22.4	13.6	29.7	9.2	19.2	23.2
<i>Other Non Current Assets</i>	452.7	295.4	376.4	235.6	226	223.4
<i>Currents Investments</i>	1930.7	694.4	683.6	720.6	586.9	226.6
<i>Sundry Debtors</i>	1274.2	1438.9	1335.6	1015.5	896.2	972.8
<i>Cash and Bank</i>	759.7	587	256.2	328.9	250.8	233.2
<i>Other Current Assets</i>	610.8	534.6	491.8	438.1	327.1	394.8
Total Current Assets	4575.4	3254.9	2767.2	2503.1	2061	1827.4
Total Assets	6326.3	4973.1	4140.2	3704.7	3328.2	3236



Ratios

Rs Cr	FY21	FY20	FY19	FY18	FY17	FY16
Earnings Per Share (Rs)	67.43	38.33	45.93	34.78	24.92	32.93
CEPS(Rs)	83.19	55.06	55.92	45.25	35.98	42.81
DPS(Rs)	25.00	13.00	33.00	9.00	10.00	16.00
Book Value (Rs)	261.64	191.17	200.34	166.03	153.10	143.28
Dividend Pay Out Ratio(%)	37.08	33.92	71.86	25.87	40.13	48.59
Margin Ratios						
PBIDTM (%)	22.70	14.90	16.43	17.04	14.51	19.36
PATM (%)	13.94	8.13	10.74	10.44	7.99	11.82
Performance Ratios						
ROA (%)	19.66	13.85	19.23	16.21	12.75	18.90
ROE (%)	29.79	19.60	25.09	21.54	16.82	25.06
ROCE (%)	41.43	27.28	31.17	26.55	22.35	33.04
Asset Turnover(x)	1.41	1.70	1.79	1.55	1.60	1.60
Debtors Turnover(x)	5.87	5.60	5.97	5.72	5.60	5.60
Fixed Asset Turnover (x)	2.90	3.27	3.55	2.93	2.89	3.24
Sales/Working Capital (x)	267%	402%	367%	360%	409%	444%
Efficiency Ratios						
Fixed Capital/Sales(x)	0.34	0.31	0.28	0.34	0.35	0.31
Receivable days	62.14	65.21	61.11	63.87	65.14	65.19
Payable days	17.09	15.43	14.82	15.48	16.87	18.01
Financial Stability Ratios						
Total Debt/Equity(x)	0.00	0.00	0.00	0.11	0.04	0.02
Current Ratio(x)	2.87	2.46	3.24	2.54	2.64	2.36

Cash Flow Statement

Rs Cr	FY21	FY20	FY19	FY18	FY17	FY16
Profit Before Tax	1498.4	828.8	986.8	742.3	554.9	723.1
Adjustment	205.2	314.4	105.2	68.6	154	143.8
Changes In working Capital	609.2	-154.1	-236	-83.3	121.7	-251.6
Cash Flow after changes in Working Capital	2312.8	989.1	856	727.6	830.6	615.3
Interest Paid						
Tax Paid	-316.8	-164	-225.5	-163.2	-177.1	-193.9
Other Direct Expenses paid						
Extra & Other Item						
Cash From Operating Activities	1996	825.1	630.5	564.4	653.5	421.4
Cash Flow from Investing Activities	-1183.3	-22.9	-193.3	-200	-453.3	-425.7
Cash from Financing Activities	-422.5	-696	-522.1	-287.5	-137.6	-172
Net Cash Inflow / Outflow	390.2	106.2	-84.9	76.9	62.6	-176.3
Opening Cash & Cash Equivalents	390.9	255.9	327.5	250.8	193.7	360.8
Effect of Foreign Exchange Fluctuations	-21.4	28.8	13.3	-0.2	-5.5	9.2
Closing Cash & Cash Equivalent	759.7	390.9	255.9	327.5	250.8	193.7

Source: Ace Equity Database



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	$\geq 15\%$
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	$< -5\%$



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INH100002250 (RESEARCH ANALYST)

IN-DP-CDSL-83-2000 (DEPOSITORY PARTICIPANT)

INP000006794 (PORTFOLIO MANAGER)

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