NARNOLIA

LARSEN & TOUBRO INFOTECH LIMITED

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11th July 2016

IPO Note

Issue Detail

Type	100% Book Building
Issue Size	Rs. 1400 Crore
Offer Price	*Rs (705 - 710)/Equity Share
Min App Size	20 Shares
Issue Open	11-Jul-16
Issue Close	13-Jul-16
Shares Offer	1.750
Face Value	Rs 1
Lead Mgrs	Citigroup Global Mkt India Pvt Ltd , ICICI Securities Ltd, Kotak Mahindra Capital Company Ltd.
Listing	NSE,BSE
Registrar	Link Intima India Pvt. Ltd.
Market Cap (Post Issue)	11368.1

No of shares (Post & Pre Issue)

No of Shares (Pre Issue)	161,250,000
Offer for Sale	17,500,000
Fresh Issue made	
No of Shares (Post Issue)	161250000

Shareholding Pattern (Pre Issue)

Promoters Grp	100%
Foreign and corporate bodies	
Non promoters	
Public	

Shareholding Pattern (Post Issue)

Promoters Grp	89.15%
Non promoters	
Public	10.85%

Bid allocation pattern

QIB	50%
Non-Institutional	15%
Retail	35%

Company Overview

L&T Infotech was incorporated in 1996 a subsidiary of Larsen & Toubro Ltd is Mumbai, India based IT Solutions & Services Company. In 2015, NASSCOM ranked it as the sixth largest Indian IT services company in terms of export revenues. It is amongst the top 20 IT service providers globally in 2015 .

The services offered by L&T Infotech includes application development, maintenance and outsourcing, enterprise solutions, infrastructure management services, testing, digital solutions and platform-based solutions. Content in this paragraph is copied from chittorgarh.com. Company serve clients across these industries, leveraging domain expertise, diverse technological capabilities, wide geographical reach, an efficient global delivery model, thought partnership and "new age" digital offerings.

For L&T Infotech, the percentage of its revenue from North America, Europe, Asia Pacific and the rest of the world amounted to 68.6%, 17.9%, 2.4% and 6.9%, for Financial Year 2015. Company had 22 Delivery Centres and 42 sales offices globally. Company sold and transferred the assets and liabilities of PES Business to LTTSL. PES Business was responsible for the operations of our telecom cluster, providing IT services and solutions to clients in the telecommunication sector.

Company Strategies

> L&T Infotech intends to continue building long-term sustainable business relationships with its existing clients to generate greater revenues . Company is able to capitalise on strategic opportunities at a faster pace due to the readily available domain and institutional knowledge at our disposal

> L&T infotech regularly tracks new technologies, industry segments and market trends in the IT solutions market and believe that digitalisation will increasingly become systematically critical in the future.

Competitive Strengths

> Company is among the few IT service providers that are part of a diversified business conglomerate . Business-to-IT Connect model is supplemented by the knowledge sharing of subject matter experts from L&T group companies to facilitate the development of solutions driven by business context and domain knowledge.

> L&T InfoTech is targeting clients who have the potential to offer opportunities with large total contract values. It intends to originate large engagements by either identifying opportunities with its existing client accounts or by targeting new clients whose existing engagements with IT vendors will be up for renewal.

> L&T infotech regularly tracks new technologies, industry segments and market trends in the IT solutions market and believe that digitalisation will increasingly become systematically critical in the future. The Company plans to further enhance its digital platforms, build industry and technology frameworks, the „internet of things", business process digitalisation and end-to-end digital transformational delivery capabilities.

Objects of the Issue:

Particulars
To achieve the benefits of listing the Equity Shares on the Stock Exchanges
To carry out the sale of up to 17,500,000 Equity Shares by the Selling Shareholder
To Parent company L&T to use the cash proceds for working capital requirment.

Recommendation

L&T Infotech Ltd has sustainable revenue growth , high EBITDA margin and good export revenue . Though revenue is still concentrated towards traditional IT service with large exposure to BFSI. Company does not have presence in SMAC. Company Management expects that company's revenue will be doubling in next three to four year . According to NASSCOM , Company is ranked as sixth in terms of export revenue . Company is traded at 11.5 X FY16 P/E which is attractive as compared to its mid cap IT peers. We recommend investors to" Subscribe ".

LARSEN & TOUBRO INFOTECH LIMITED

Financials

Yearly Profit & Loss Account (Consolidated Figure)

Figure in Rs (Crore)

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Total Income	5,070	4,837	3,874	3,192	2,463
EBITDA	843	814	677	481	325
PAT	769	996	562	419	316
EBITDA Margin	17%	17%	17%	15%	13%
PAT Margin	15%	21%	14%	13%	13%
No of Shares	16.12	16.12	16.12	16.12	16.12
Post Issue Diluted EPS	47.68	61.81	34.84	26.01	19.62
Price	Rs 705-710				
P/E(At upper price band)	11.5				
P/E(At lower price band)	11.4				
EV/EBITDA(At upper price band), X	13.58				
EV/EBITDA(At lower price band), X	13.48				
ROE %	24%	61.9%	41.9%	37.9%	27.8%

Balance Sheet

Figure in Rs (Crore)

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
EQUITY AND LIABILITIES					
Share capital	16	16	16	16	16
Reserves and surplus	2010	1594	1323	1089	1120
Shareholders' funds	**2026**	**1610**	**1339**	**1105**	**1136**
Minority interest	**0**	**0**	**0**	**0**	**0**
Long-term borrowings	14	27	36	45	0
Short-term borrowings	190	70	185	218	216
Total Borrowing	**204**	**97**	**222**	**263**	**216**
Deferred tax liability (net)	24	41	21	12	3
Other long-term liabilities	54	73	126	202	82
Long-term provisions	10	13	9	5	**4**
Non - current liabilities	**88**	**127**	**156**	**219**	**88**
Current maturities of long-term borrowings	14	13	12	6	**0**
Trade payables	272	241	207	202	208
Other current liabilities	172	374	252	171	84
Short-term provisions	282	238	179	162	213
Current liabilities	**726**	**853**	**637**	**535**	**504**
TOTAL Liabilities	**3044**	**2687**	**2353**	**2122**	**1944**
Fixed assets	709	705	841	740	600
Non-current investments	**0**	0	0	2	6
Deferred tax assets	1	0	6	2	6
Long-term loans and advances	244	253	193	137	179
Non-current assets	**954**	**959**	**1040**	**881**	**791**
Current investments	104	169	49	57	103
Inventory	0	0	0	0	0
Trade receivables	1090	931	741	685	526
Unbilled revenue	154	119	133	90	118
Cash and bank balances	201	159	119	132	146
Short-term loans and advances	555	363	283	284	259
Current assets	**2104**	**1741**	**1325**	**1247**	**1153**
Total	**3058**	**2701**	**2366**	**2128**	**1944**