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MINDTREE LTD.

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MindTree Limited (MINDTREE) was incorporated in the year 1999. MINDTREE is an international IT consulting and implementation company that delivers business solutions through global software development. It has two business units: IT Services and Product Engineering (PE) Services. Its subsidiaries include MindTree Software (Shenzhen) Co Ltd and MindTree Wireless Pte. Ltd.

Investor's Rationale

Topline grew 5.8% QoQ led by volumes – MINDTREE, registered a good quarter with 5.8% QoQ growth in consolidated topline at ₹6,477 mn led by growth in volumes and aided by PES (1% QoQ). Onsite volumes increased 10.1% QoQ while offshore increased 3.1% QoQ resulting in blended volume growth of 4.1% QoQ. While, onsite and offshore price realisations decreased 1.7% and 0.8% QoQ, respectively. Among the key businesses, IT services continued to be the primary driver of the performance growing 5.4% QoQ in dollar terms while PE services remained stable with growth of 1.1%. Among geographies, growth was largely led by US with growth of 5% in dollar terms and within services, ADM (+9% QoQ), IMS (+7.9% QoQ) and testing (+6.5% QoQ) drove the growth performance.

EBITDA margin contracted 60bps QoQ on higher other expenses– The EBITDA of the company grew marginally by 2.4% QoQ at ₹1,191mn mainly due to increase in other expenses by 20.2% QoQ at ₹1,462mn. Further, employee expenses also increased by 2.1% QoQ at ₹3,824mn. As a result, OPM contracted by 60bps QoQ at 18.4% against 19.0%.

Robust growth in bottom-line on strong forex gain– The company's bottom-line registered a healthy growth of 71.6% QoQ at ₹1,354mn primarily assisted by healthy forex gain of ₹618mn against loss of ₹153mn in last quarter. Thus, NPM expanded 797bps QoQ at 20.5% against 12.6%.

Robust employee addition and impressive client mining– The employee additions during Q1FY14 were robust with net additions of ~700 employees (+6% QoQ) and at the same time attrition too trended down to 12.4% from 13.4% last quarter. Impressive client mining resulted in Top 6-10/Non top 10 clients grew well at 6.2% and 3.6% QoQ in dollar terms respectively. The company has 222 active customers as of June 30, 2013. Its US\$10mn+ clients also went up impressively from 9 in last quarter to 10 currently.

Market Data

Rating	BUY
CMP (₹)	982.4
Target Price	1,080
Stop Loss	928
Duration	Short-term
52-week High-Low (₹)	986/623
Rise from 52WL (%)	57.7
Correction from 52WH (%)	-0.4
Beta	0.34
1 year Average Volume ('0000)	7.1
Stock Return (%)	3M- 12.2 6M- 27.3 1Y- 55.8
Market Cap (₹bn)	40.8
Book Value (₹)	314

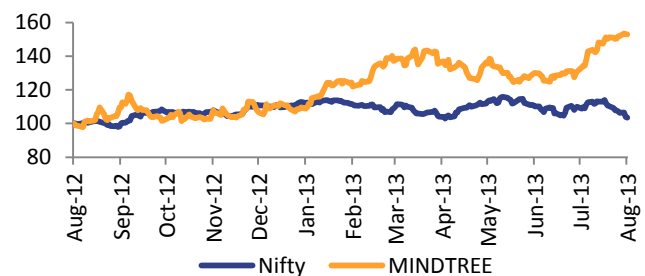
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	16.8	18.82	-2.02
FII (%)	30.99	30.74	0.25
DII (%)	8.44	7.5	0.94
Public & Others (%)	43.77	42.94	0.83

Quarterly Performance (Consolidated)

(₹Mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Sales	6,477	5,630	6,124	15.0	5.8
Op. exp	5,286	4,456	4,961	18.6	6.6
EBITDA	1,191	1,174	1,163	1.4	2.4
OPM (%)	18.4	20.9	19.0	(246bps)	(60bps)
Net profit	1,354	892	789	51.8	71.6
NPM (%)	20.5	15.7	12.6	483bps	797bps
EPS (₹)	32.4	21.7	18.9	49.7	71.5

One Year Price Chart





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