

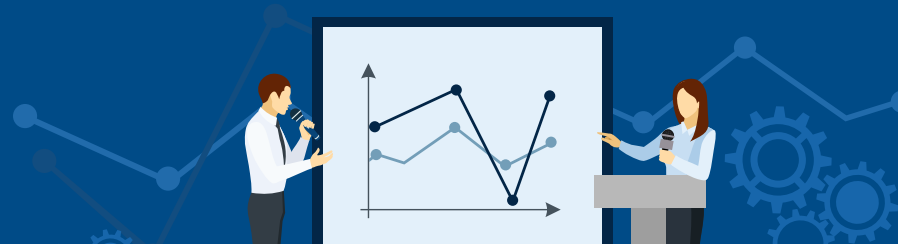
# L&T TECHNOLOGY SERVICES LIMITED SECOND QUARTER - FY 20 RESULTS

**Investor Release**

*Mumbai, India, October 18, 2019*



## FINANCIAL HIGHLIGHTS



### REVENUE IN INR

- Revenue of **₹14,021 million** for the quarter; growth of **4% QoQ** and **10.7% YoY**

### REVENUE IN USD

- Revenue of **\$197.7 million** for the quarter; growth of **1.9% QoQ** and **11.6% YoY**; growth in constant currency at **2.5% QoQ** and **11.9% YoY**

### PROFIT IN INR

- EBIT of **₹2,388 million** for the quarter, growth of **3.9% QoQ** and **18.3% YoY**; EBIT margin at **17.0%**
- Net Income of **₹2,058 million** for the quarter, growth of **1.0% QoQ** and **7.8% YoY**; Net margin at **14.7%**

## SAFE HARBOUR STATEMENT

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve number of risks, and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements. L&T Technology Services Limited (LTTS) does not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.

## MESSAGE FROM THE CEO & MANAGING DIRECTOR



Our Q2 revenue growth of 2.5% QoQ in constant currency was a bit softer than what we expected. While Plant Engineering and Medical Devices each grew in excess of 20% YoY and was inline with our expectation, the growth in Telecom & Hitech and Transportation came below expectations on account of decision-making delays amid continuing uncertainty over global trade negotiations. We see a likelihood of some of these trends persisting in the current quarter too and hence expect Q3 growth in these segments to be relatively muted. With greater visibility into the second half, our revised USD revenue growth guidance stands at 10%.



We continue to see significant growth opportunities ahead. Our conversations with customers indicate that spends on areas such as cognitive engineering, cybersecurity and engineering analytics are becoming more pervasive and are leading to development of next generation smart products, services and operations. LTTS' portfolio of offerings in digital & leading-edge technologies which accounts for 39% of revenue, is rightly positioned to capture such opportunities.

During the quarter, LTTS won 8 multi-million dollar deals across all major industry segments, including new digital engineering programs for Automotive, Plant Engineering and Medical customers. On a YoY basis, LTTS has increased its USD20mn+ clients by 4 and its USD10mn+ clients by 3.

We remain confident about our capabilities across a wide spectrum of industries that is helping us mitigate headwinds in certain segments and continue the double-digit growth trajectory.

Thanking all our stakeholders for the continued support and encouragement.



**Dr. Keshab Panda**

CEO & Managing Director  
L&T Technology Services Limited



## KEY DEAL WINS

LTTS closed several multi-million dollar projects from global customers across various verticals. The major wins are listed below:

- LTTS has been chosen as a preferred engineering partner by a global technology conglomerate based out of the United States. Under the new 3 year engagement, LTTS will provide Engineering R&D Services for the customer in the Embedded, RF Engineering, Hardware, Electrical, Thermal and Firmware domains. LTTS will also set up a U.S. based Center of Excellence focused on incubating new & emerging technologies.
- Selected as strategic partner by a European automotive manufacturer for its electric Powertrain (ePowertrain) practice. LTTS will be responsible for the functional qualification of the ePowertrain Electronics Control Unit.
- Awarded a 2 year program to set up a center of excellence in the embedded systems space. The program is extendable by an additional two years after completion of the first phase. In the CoE, LTTS will provide VLSI design services to support the next-generation product development requirements of the customer in the semiconductor domain.
- A Sweden-based leading component supplier for autonomous vehicles has selected LTTS as a strategic partner for key programs in Autonomous Driving domains.
- A leading German chemical company has awarded LTTS a program to offer end-end services for a brownfield plant expansion. The entire spectrum of engineering, procurement and construction management activities will be delivered by LTTS.
- Won a large deal to implement over 600 engineering applications for a leading U.S-based EPC company. LTTS will ensure uptime of the applications and improve engineering productivity.
- A medical technology company has awarded LTTS a multi-year program to set up a global team to support the customer's manufacturing operations worldwide. LTTS will provide next-generation software that will help digitally transform the customer's end-end systems and processes.
- LTTS has secured the next phase of development of a digital health program for one of the top life sciences companies in the US. LTTS will integrate the customer's new range of glucose monitoring devices to physician portals and handheld devices.

# FINANCIAL PERFORMANCE

## INCOME STATEMENT (CONSOLIDATED)

Amount in ₹ million

	Q2 FY19	Q1 FY20	Q2 FY20	QoQ	YoY
<b>Revenue</b>	<b>12,661</b>	<b>13,475</b>	<b>14,021</b>	<b>4.0%</b>	<b>10.7%</b>
Cost of sales	8,732	9,040	9,497		
<b>Gross Profit</b>	<b>3,929</b>	<b>4,435</b>	<b>4,524</b>	<b>2.0%</b>	<b>15.2%</b>
Selling, General & Administration Expenses	1,640	1,708	1,692		
<b>EBITDA</b>	<b>2,289</b>	<b>2,727</b>	<b>2,832</b>	<b>3.9%</b>	<b>23.8%</b>
Depreciation & Amortisation	270	428	444		
<b>EBIT</b>	<b>2,018</b>	<b>2,299</b>	<b>2,388</b>	<b>3.9%</b>	<b>18.3%</b>
Other Income, net	546	474	378		
Income tax expense	646	733	704		
Minority Interest	8	2	3		
<b>Net Income</b>	<b>1,910</b>	<b>2,039</b>	<b>2,058</b>	<b>1.0%</b>	<b>7.8%</b>
<b>Margins (%)</b>					
Gross Margin	31.0%	32.9%	32.3%		
EBITDA Margin	18.1%	20.2%	20.2%		
EBIT Margin	15.9%	17.1%	17.0%		
Net Income Margin	15.1%	15.1%	14.7%		
<b>Earnings Per Share (INR)</b>					
Basic	18.51	19.60	19.79		
Diluted	18.17	19.30	19.49		

## OTHER INCOME

Amount in ₹ million

	Q2 FY19	Q1 FY20	Q2 FY20
Income from investments, net	46	11	13
Foreign exchange gains/(loss)	152	222	71
Others	348	241	294
<b>Total</b>	<b>546</b>	<b>474</b>	<b>378</b>

## BALANCE SHEET (CONSOLIDATED)

Amount in ₹ million

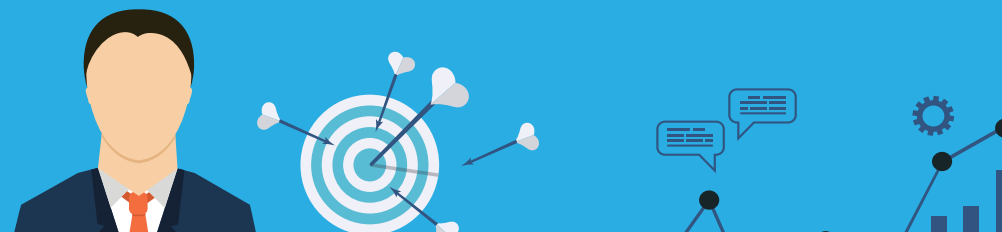
	FY19	Q2 FY20
<b>Assets</b>		
Property and equipment	1,443	5,412
Intangible Assets and Goodwill	6,356	6,207
Accounts Receivable	10,643	11,355
Unbilled Revenues	2,421	3,943
Investments	5,749	5,671
Cash and Cash equivalents	2,051	1,488
Other current assets	2,851	3,192
Other non-current assets	2,124	1,585
<b>Total Assets</b>	<b>33,638</b>	<b>38,853</b>
<b>Liabilities and Shareholders' Equity</b>		
Shareholders' Funds	24,792	26,346
Short term borrowings	702	284
Other current liabilities	7,919	8,608
Other non-current liabilities	194	3,578
Minority Interest	31	37
<b>Total Liabilities</b>	<b>33,638</b>	<b>38,853</b>

## CASH FLOW SUMMARY (CONSOLIDATED)

Amount in ₹ million

	FY19	YTD FY20
Net cash provided by operating activities	8,061	2,719
Capex	-885	-829
<b>Free Cash Flow</b>	<b>7,176</b>	<b>1,890</b>
Free Cash Flow to Net Income (%)	94%	46%

# OPERATIONAL PERFORMANCE



	Q2 FY19	Q1 FY20	Q2 FY20	QoQ Growth	YoY Growth	In Constant Currency	
						QoQ Growth	YoY Growth
Revenue (USD Mn)	177.2	193.9	197.7	1.9%	11.6%	2.5%	11.9%

## REVENUE BY VERTICAL

	Q2 FY19	Q1 FY20	Q2 FY20	QoQ Growth	YoY Growth
Transportation	32.0%	34.9%	35.0%	2.3%	22.2%
Industrial Products	20.6%	19.6%	19.4%	1.1%	5.1%
Telecom & Hi-tech	26.7%	22.3%	20.6%	-5.8%	-13.9%
Plant Engineering	14.2%	15.3%	16.2%	7.5%	27.0%
Medical Devices	6.5%	8.0%	8.8%	13.1%	51.2%

Note: Process Industry has been renamed to Plant Engineering

## REVENUE BY GEOGRAPHY

	Q2 FY19	Q1 FY20	Q2 FY20	QoQ Growth	YoY Growth
North America	57.7%	60.9%	61.7%	3.3%	19.3%
Europe	17.2%	15.6%	14.4%	-5.7%	-6.3%
India	12.5%	12.8%	13.1%	4.1%	17.3%
Rest of the World	12.6%	10.7%	10.7%	2.5%	-5.1%



## REVENUE MIX

	Q2 FY19	Q1 FY20	Q2 FY20
Onsite	47.1%	44.3%	43.8%
Offshore	52.9%	55.7%	56.2%

## REVENUE BY PROJECT TYPE

	Q2 FY19	Q1 FY20	Q2 FY20
Fixed Price	42.2%	42.4%	41.8%
Time and Material Contract	57.8%	57.6%	58.2%

## CLIENT PROFILE

	Q2 FY19	Q1 FY20	Q2 FY20
Number of Active Clients	239	258	259
50 Million dollar +	2	1	1
30 Million dollar +	3	3	3
20 Million dollar +	3	5	7
10 Million dollar +	14	17	17
5 Million dollar +	34	44	42
1 Million dollar +	94	110	106

Client profile is based on LTM (Last Twelve Months) revenue

## CLIENT CONTRIBUTION TO REVENUE

	Q2 FY19	Q1 FY20	Q2 FY20
Top 5 Clients	28.2%	24.7%	22.9%
Top 10 Clients	39.9%	36.7%	35.7%
Top 20 Clients	55.1%	52.5%	51.3%

Client contribution is based on LTM (Last Twelve Months) revenue

## UTILISATION

	Q2 FY19	Q1 FY20	Q2 FY20
Including Trainees	80.3%	79.6%	77.8%

## EMPLOYEE STATISTICS

	Q2 FY19	Q1 FY20	Q2 FY20
Total Headcount	13,585	15,913	16,789
Billable	12,604	14,755	15,614
Sales & Support	981	1,158	1,175
Voluntary Attrition % (LTM)	15.0%	15.8%	13.4%

## EXCHANGE RATE (USD/INR)

	Q2 FY19	Q1 FY20	Q2 FY20
Period Realised	71.47	69.48	70.92
Period Closing	72.49	69.02	70.87

## INDUSTRY RECOGNITIONS

Everest Group has named LTTS as a **Leader for automotive engineering services** in its Peak Matrix™ assessment study. LTTS was lauded as a “Star Performer” in the segment because of noteworthy progress across its automotive engineering capabilities and the resultant market impact.

Recognized as the **‘Best Company for Excellence in Services’** by the Indo-American Chamber of Commerce, West India Council (IACC-WIC). The award was presented to LTTS by the Chief Guest, Shri Nitin Gadkari, Hon’ble Minister for Road Transport & Highways and Micro, Small and Medium Enterprises.

LTTS was recognized at the BML Munjal Awards for **Business Excellence through Learning & Development** in the private services category. The award was presented to LTTS by Mr. Pranab Mukherjee, Former President of India.

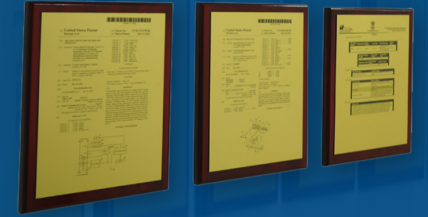
Adjudged as the Gold Winner of the Stevie® Award for **Best Employer of the Year 2019**.

## OTHER HIGHLIGHTS

**United Technologies Corporation (UTC)** has chosen LTTS as a strategic engineering partner for its subsidiary Collins Aerospace.

## PATENTS

At the end of the second quarter, the patents portfolio of L&T Technology Services stood at **416**, out of which **300** are co-authored with its customers and the rest are filed by LTTS.



## CORPORATE SOCIAL RESPONSIBILITY

### LTTS launches unique incentive-based waste management program in village near Vadodara

LTTS launched a unique waste management program in Dumad Village near Vadodara to ensure segregation of wet and dry waste. The waste management campaign is further distinct as it involves use of electric vehicles as against fossil fuel powered vehicles to collect waste from decentralized locations & transport them to a centralized composter. The centralized composter will be operated by wind and solar energy. The unit will generate liquid fertilizer as well as compost which will be sold to the farmers to promote organic farming. The dry waste derived will be processed to generate income for the unemployed, as well as the Gram Panchayat thus making the project sustainable.



## ABOUT L&T TECHNOLOGY SERVICES

L&T Technology Services Limited (LTTS) is a listed subsidiary of Larsen & Toubro Limited focused on Engineering and R&D (ER&D) services. We offer consultancy, design, development and testing services across the product and process development life cycle. Our customer base includes 69 Fortune 500 companies and 51 of the world's top ER&D companies, across industrial products, medical devices, transportation, telecom & hi-tech, and the process industries. Headquartered in India, we have over 16,700 employees spread across 17 global design centers, 28 global sales offices and 49 innovation labs as of September 30, 2019.



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