

L&T Technology Services Limited

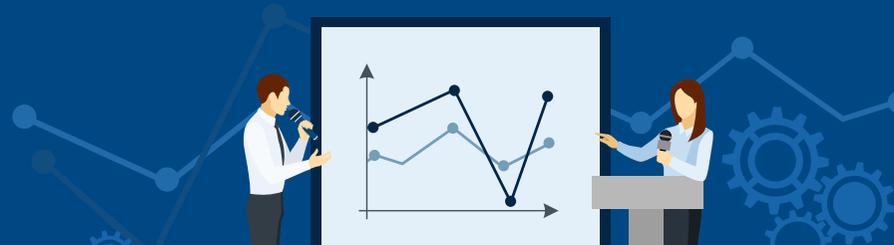
First Quarter - FY 19 Results

INVESTOR RELEASE

Mumbai, India
July 23, 2018

 **ENGINEERING
THE CHANGE** 

FINANCIAL HIGHLIGHTS



REVENUE IN INR

- Revenue at **₹11,522 million** for the quarter; growth of **9.2% QoQ; 40.1% YoY**

REVENUE IN USD

- Revenue at **\$168.9 million** for the quarter; growth of **4.0% QoQ; 32.4% YoY;**
- Revenue growth in constant currency at **5.6% QoQ; 33.2% YoY**

PROFIT IN INR

- EBITDA at **₹1,961 million** for the quarter; EBITDA margin at **17.0%**
- Net Income at **₹1,975 million** for the quarter, up **24.3% QoQ** and **101.1% YoY;** Net margin at **17.1%**

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



We had a strong first quarter with **5.6%** sequential revenue growth that was broad based. Process Industry, a key differentiator for LTTTS has come back as a growth engine with double-digit sequential growth in the quarter. On the profitability front, we executed well in Q1 with EBITDA margins rising to **17%** and Net profit doubling on YoY basis to INR1,975 million.

During the quarter, LTTTS won five multi-million dollar deals across Process Industry, Telecom & Hi-tech, Industrial Products and Transportation. Two clients have crossed USD50mn+ in annual billing. On a YoY basis, LTTTS has increased its USD10mn+ clients by 2 and its USD5mn+ clients by 5.

The demand environment remains healthy and we are seeing clients prioritizing spending on digital engineering to gain the competitive edge and achieve faster time to market. Our deep industry expertise and capabilities in emerging technologies like NBloT, Edge Computing, M2M and 5G position us well to capture a higher wallet share of digital engineering spend. I would like to highlight our work in Medical segment where we are transforming healthcare using automated image processing algorithms to accelerate patient diagnosis. Revenues from digital & leading-edge technologies increased to **31%** of the overall business and grew **79%** YoY.

We continue to build competencies in emerging technologies and invest in the creation of new labs. During the quarter, we launched AIKno™, LTTTS' proprietary AI framework for industrial engineering, connecting assets, data analytics and processes. I am happy to share that our AIKno™ framework was selected as one of the Top 50 use cases in the NASSCOM Artificial Intelligence Game Changer Awards 2018.

I would like to thank our employees for their untiring effort and our investors & stakeholders for their continued support and encouragement.



Dr. Keshab Panda

CEO & Managing Director
L&T Technology Services Limited





KEY DEAL WINS

We closed several multimillion dollar projects from global customers across various verticals. A few key deals are as mentioned below:

- L&T Technology Services secured its largest deal ever in Smart Manufacturing for a leading automotive major in USA. The deal will focus on complete data acquisition, monitoring and control and enable the customer to maximise operational efficiencies and productivity.
- LTTS won a significant new order from a leading multinational chemicals company to provide digital engineering and design services for a large Capex project at the customer's plant in New Jersey.
- A leading Indian tyre maker has selected LTTS as its engineering services partner to set up a greenfield plant in India. LTTS will provide detailed design, procurement and construction management for the customer.
- LTTS won a multi-year project to develop and maintain the middleware stack for a leading international multi-system cable operator.
- LTTS has been selected as a strategic partner to provide ER&D services and end to end engineering support for a leading European wind turbine manufacturer.

FINANCIAL PERFORMANCE

INCOME STATEMENT

Amount in ₹ million

	Q1FY18	Q4FY18	Q1FY19	QoQ	YoY
Revenue	8,226	10,548	11,522	9.2%	40.1%
Cost of sales	5,831	7,575	7,996		
Gross Profit	2,395	2,973	3,526	18.6%	47.2%
Selling, General & Administration Expenses	1,138	1,278	1,565		
EBITDA	1,257	1,695	1,961	15.7%	56.0%
Change in Contingent Consideration		55			
Depreciation & Amortisation	145	452	260		
EBIT	1,112	1,188	1,701	43.2%	52.9%
Other Income, net	260	747	978		
Income tax expense	392	344	698		
Minority Interest	-2	3	6		
Net Income	982	1,588	1,975	24.3%	101.1%
Margins (%)					
Gross Margin	29.1%	28.2%	30.6%		
EBITDA Margin	15.3%	16.1%	17.0%		
EBIT Margin	13.5%	11.3%	14.8%		
Net Income Margin	11.9%	15.1%	17.1%		
Earnings Per Share (INR)					
Basic	9.66	15.52	19.28		
Diluted	9.36	15.08	18.73		

OTHER INCOME

Amount in ₹ million

	Q1FY18	Q4FY18	Q1FY19
Income from investments, net	20	22	41
Foreign exchange gains/(loss)	235	376	151
Others	5	349	786
Total	260	747	978

NOTES

1. As disclosed in Q4FY18, Esencia Technologies (a 100% subsidiary of LTTTS) received the second milestone payment of USD12mn as part of a transaction with one of its customers. The same has been recorded under Other Income in Q1FY19.

BALANCE SHEET

Amount in ₹ million

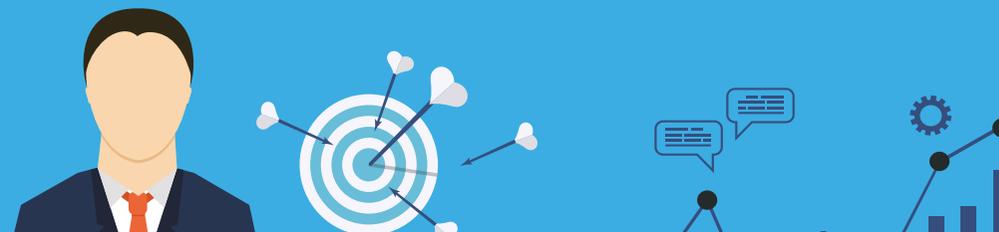
	FY18	Q1FY19
Assets		
Property and equipment	1,251	1,236
Intangible Assets and Goodwill	5,844	5,777
Accounts Receivable	9,623	9,479
Unbilled Revenues	2,154	2,789
Cash & Investments	3,749	5,753
Other current assets	3,081	2,504
Other non-current assets	1,349	1,360
Total Assets	27,051	28,898
Liabilities and Shareholders' Equity		
Shareholders' Funds	19,364	20,521
Short term borrowings	702	253
Other current liabilities	6,935	7,700
Other non-current liabilities	47	415
Minority Interest	3	9
Total Liabilities	27,051	28,898

CASH FLOW SUMMARY

Amount in ₹ million

	FY18	YTD FY19
Net cash provided by operating activities	4,136	2,576
Capex	-511	-181
Free Cash Flow	3,625	2,395
Free Cash flow to Net Income (%)	72%	121%

OPERATIONAL PERFORMANCE



	Q1FY18	Q4FY18	Q1FY19	QoQ Growth	YoY Growth	In Constant Currency	
						QoQ Growth	YoY Growth
Revenue (USD Mn)	127.6	162.4	168.9	4.0%	32.4%	5.6%	33.2%

REVENUE BY VERTICAL

	Q1FY18	Q4FY18	Q1FY19	QoQ Growth	YoY Growth
Transportation	33.6%	30.8%	30.9%	4.3%	21.9%
Industrial Products	25.5%	20.9%	20.4%	1.8%	6.2%
Telecom & Hi-tech	20.1%	29.5%	28.7%	1.4%	89.0%
Process Industry	13.9%	12.3%	13.5%	14.2%	28.4%
Medical Devices	6.9%	6.5%	6.5%	1.9%	22.9%

REVENUE BY GEOGRAPHY

	Q1FY18	Q4FY18	Q1FY19	QoQ Growth	YoY Growth
North America	64.5%	57.6%	56.3%	1.6%	15.5%
Europe	16.6%	18.6%	18.5%	3.7%	47.3%
India	9.3%	11.7%	12.4%	10.2%	76.7%
Rest of the World	9.6%	12.1%	12.8%	10.1%	77.1%

REVENUE MIX

	Q1FY18	Q4FY18	Q1FY19
Onsite	49.2%	50.0%	49.4%
Offshore	50.8%	50.0%	50.6%

REVENUE BY PROJECT TYPE

	Q1FY18	Q4FY18	Q1FY19
Fixed Price	30.2%	37.0%	40.9%
Time and Material Contract	69.8%	63.0%	59.1%

CLIENT PROFILE

	Q1FY18	Q4FY18	Q1FY19
Number of Active Clients	226	235	235
50 Million dollar +	0	0	2
30 Million dollar +	1	3	2
20 Million dollar +	3	4	3
10 Million dollar +	10	12	12
5 Million dollar +	28	31	33
1 Million dollar +	82	84	89

The number of clients have been restated based on LTM (Last Twelve Months) revenue

CLIENT CONTRIBUTION TO REVENUE

	Q1FY18	Q4FY18	Q1FY19
Top 5 Clients	23.0%	27.1%	28.3%
Top 10 Clients	35.3%	39.7%	40.5%
Top 20 Clients	51.4%	54.8%	55.6%

The client contribution has been restated based on LTM (Last Twelve Months) revenue

UTILISATION

	Q1FY18	Q4FY18	Q1FY19
Including Trainees	75.1%	80.7%	78.6%

EMPLOYEE STATISTICS

	Q1FY18	Q4FY18	Q1FY19
Total Headcount	10,805	12,307	13,081
Billable	9,886	11,360	12,147
Sales & Support	919	947	934
Voluntary Attrition % (LTM)	13.4%	13.5%	15.4%

EXCHANGE RATE (USD/INR)

	Q1FY18	Q4FY18	Q1FY19
Period Realised	64.45	64.94	68.21
Period Closing	64.58	65.18	68.47

INDUSTRY RECOGNITIONS

NASSCOM Artificial Intelligence Game Changer Awards 2018

LTTS' AIKno™ framework was selected as one of the Top 50 use cases in the NASSCOM Artificial Intelligence Game Changer Awards 2018.

Zinnov Zones Media and Technology Survey 2018

LTTS was positioned in the “Leadership Zone” in Broadcasting vertical of the Zinnov Zones 2018 Media & Entertainment Services Report.

“Most Admired Brand” 2018

LTTS was recognized among the “Most Admired Brands” for the year 2018 by VARINDIA, a tech publication. LTTS was also felicitated with a 5-star rating as the most customer-friendly company as part of the valedictory function and was included in the 7th edition of the Brand Book as one of the Top 50 ICT brands in India.

Faxies Award

LTTS was recognized among the top 5 global organizations for social media marketing by the US-based CFX Faxies, a premiere US awards agency.

NEW TECHNOLOGIES & INITIATIVES

To capitalise on the disruptions and current digitalisation wave, we are investing in building new age solutions and technology platforms for employees. Below are some of these interesting solutions and technology initiatives launched during the quarter:

AiKno™

Cognitive intelligence framework which combines contextual intelligence and AI, enabling customers to develop a range of digital virtual agents, problem solving applications and robotic process automations.

nBon

A Narrow Band IoT (NBloT) solution that provides Wide Area Network connectivity at low power. Specifically designed for indoor coverage, at low cost with long battery life and high connectivity and easy integration into target platform.

Wizneers

WIZneers is an internal platform to create a community of Technology Architects within LTTS who come together every fortnight to discuss and ideate on next-gen technology trends in the engineering services space like Blockchain, Artificial Intelligence, Machine Vision and Automated cockpits.

OTHER HIGHLIGHTS

LTTS Inaugurates Innovation and Technology Hub in Jerusalem

The CoE will develop hi-tech solutions focusing on Security and Traffic Supervision, Waste Handling, Energy Management, Smart Parking, Smart Meters and WiFi provision across the city among others.

LTTS & Microsoft Applied Innovation Center in Bengaluru

LTTS' Applied Innovation Center (AIC) with Microsoft will focus on Digital Engineering & Industrial Transformation at LTTS' design center in Bengaluru. The AIC will bring together LTTS' globally proven cutting-edge digital solutions in Smart Manufacturing, Smart Asset Performance Management, and Smart Buildings with Microsoft's AI platform, Azure IoT, Microsoft Cognitive Services and Azure Machine Learning power.

PATENTS

At the end of the fourth quarter, the patents portfolio of L&T Technology Services stood at **337** patents out of which **251** are co-authored with its customers and **86** are filed by LTTS.

9 new patents were added in the quarter with 3 being filed by LTTS and **6** being co-authored with customers.



CSR & DIVERSITY



As part of its social responsibility, LTTS undertook a number of CSR initiatives during the first quarter:

LTTS organized an 11 day Mobile Eye Surgery Camp and performed cataract surgery on 150 people in Santhipuram, Chithoor District, Andhra Pradesh.

LTTS volunteers also called Samaritans conducted a corporate volunteering program wherein they helped in reconstructing and painting a school called Shishu Vikas Mandir High School, Bail Bazaar, Kurla(West) in Mumbai.

LTTS Samaritans from Baroda organised and participated in the Mini Science hands on experiment program at Bhopati Vidyalaya, Baroda on 23rd June, 2018. The main objective of the program was to inculcate interest of the students in science. 15 LTTS volunteers participated in the program that benefited around 60 students.

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 52 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 13,000 employees spread across 16 global design centers, 27 global sales offices and 42 innovation labs as of June 30, 2018.



For more information please contact:

Pinku Pappan

Head, Investor Relations

Email: pinku.pappan@LntTechservices.com

For additional information about L&T Technology Services log on to www.LntTechservices.com
Reach us at investor@LntTechservices.com