

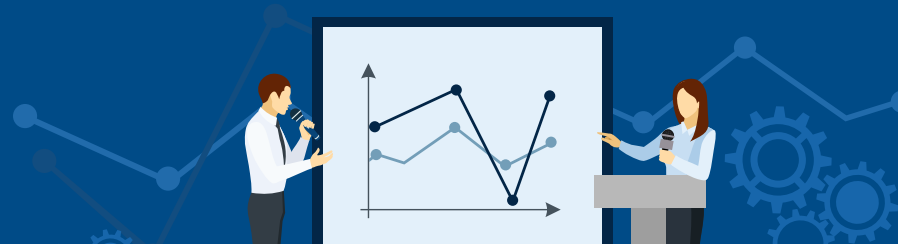
# L&T TECHNOLOGY SERVICES LIMITED FIRST QUARTER - FY 20 RESULTS

**Investor Release**

*Mumbai, India, July 19, 2019*



## FINANCIAL HIGHLIGHTS



### REVENUE IN INR

- Revenue of **₹13,475 million** for the quarter; growth of **0.3% QoQ** and **16.9% YoY**

### REVENUE IN USD

- Revenue of **\$193.9 million** for the quarter; growth of **1.4% QoQ** and **14.8% YoY**; growth in constant currency at **1.3% QoQ** and **15.2% YoY**

### PROFIT IN INR

- EBIT of **₹2,299 million** for the quarter, growth of **4.2% QoQ** and **35.2% YoY**; EBIT margin at **17.1 %**
- Net Income of **₹2,039 million** for the quarter, growth of **6.4% QoQ** and **3.2% YoY**; Net margin at **15.1%**

## 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 quarter in four of our five segments – Industrial Products, Transportation, Medical and Process Industry, with sequential growth accelerating in Q1 as compared to Q4 on the back of multiple deal wins, good deal conversions and investments in labs. Digital & leading-edge technologies - the growth driver for ER&D, contributed to 37% of Q1 revenues and grew by 44% YoY. Customers are leveraging our capabilities in smart buildings and energy management for Industrial Products, IoT & telematics in Transportation, asset digitization in Plant Engineering, and connected healthcare in Medical.

The overall growth in Q1 was restricted to 1.4% on sequential basis, on account of some challenges that we faced in Telecom & Hitech. Our performance in Telecom & Hitech was impacted by re-prioritization of spends in the Semiconductor sub-segment, which along with the headwinds at one of our customers that we reported in Q4FY19, further constrained our efforts to drive growth in this segment. We are however confident about our capabilities and competitive position, which is reflected in the large deals that we won in Q1 in the areas of physical design and next generation video equipment, and the strong deal pipeline.

Innovation and speed-to-market are key priorities for our customers, and our end-end capabilities spanning product and process engineering is enabling us to engage with them at a more strategic level. We have been consistently winning large deals across segments every quarter and the increasing deal sizes in our pipeline reflect this trend. In Q1 we won 7 multi-million dollar deals across all major industry segments. Our client penetration metrics have seen improvement and on a YoY basis, LTTS has increased its USD20mn+ clients by 2 and its USD10mn+ clients by 5.

We remain optimistic on growth, although the loss of momentum in the Telecom and Hitech Vertical in Q1 leads us to revise our USD revenue growth guidance to 12-14% for FY20.

I would like to highlight two achievements during the quarter - Honda conferred LTTS with the 'Performance Excellence Award' for exceeding performance standards including quality, cost and service, and secondly LTTS was appraised with Maturity Level 5 in CMMI V2.0.

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 selected by a global semiconductor OEM to set up a center of excellence as part of a two-year embedded systems program with a value of USD 15 million in the first phase of the project.
- A European media and communications conglomerate has awarded a Digital Rights Management (DRM) contract to LTTS. Under the engagement, LTTS will develop next-generation Hybrid Boxes that support 4K used Widewine as the DRM solution for linear and OTT STB's.
- A global automotive manufacturer has chosen LTTS for the development of AUTOSAR platform and integration of 5G telematics modules for the customer. Under the engagement, LTTS has also been selected by their after-market group for cloud migration and maintenance support.
- For a leading medical device manufacturer, LTTS is executing a complete DHF and EU Medical Device Regulation & Remediation project in the Newborn Care and Neurology markets. As part of the project, the team will be conducting gap analysis & complete DHF and MDR remediation and certifications for 50+ accessories covering class 1 products.
- A European components supplier for autonomous vehicles has selected LTTS as its engineering partner for key programs in Advanced Driving Assistance Systems (ADAS) and Automated Driving (AD) domains.
- LTTS is setting up a greenfield food manufacturing plant for a global consumer goods firm. The project is expected to be completed over a period of two years.
- For an industrial automation company, LTTS won a deal to develop IoT firmware for next generation motor drives and controllers.

# FINANCIAL PERFORMANCE

## INCOME STATEMENT (CONSOLIDATED)

Amount in ₹ million

	Q1 FY19	Q4 FY19	Q1 FY20	QoQ	YoY
<b>Revenue</b>	<b>11,522</b>	<b>13,431</b>	<b>13,475</b>	<b>0.3%</b>	<b>16.9%</b>
Cost of sales	7,996	9,167	9,040		
<b>Gross Profit</b>	<b>3,526</b>	<b>4,264</b>	<b>4,435</b>	<b>4.0%</b>	<b>25.8%</b>
Selling, General & Administration Expenses	1,565	1,773	1,708		
<b>EBITDA</b>	<b>1,961</b>	<b>2,491</b>	<b>2,727</b>	<b>9.5%</b>	<b>39.1%</b>
Change in Contingent Consideration		11	0		
Depreciation & Amortisation	260	273	428		
<b>EBIT</b>	<b>1,701</b>	<b>2,207</b>	<b>2,299</b>	<b>4.2%</b>	<b>35.2%</b>
Other Income, net	978	333	474		
Income tax expense	698	616	733		
Minority Interest	6	9	2		
<b>Net Income</b>	<b>1,975</b>	<b>1,915</b>	<b>2,039</b>	<b>6.4%</b>	<b>3.2%</b>
<b>Margins (%)</b>					
Gross Margin	30.6%	31.7%	32.9%		
EBITDA Margin	17.0%	18.5%	20.2%		
EBIT Margin	14.8%	16.4%	17.1%		
Net Income Margin	17.1%	14.3%	15.1%		
<b>Earnings Per Share (INR)</b>					
Basic	19.28	18.41	19.60		
Diluted	18.73	18.13	19.30		

## OTHER INCOME

Amount in ₹ million

	Q1 FY19	Q4 FY19	Q1 FY20
Income from investments, net	41	64	11
Foreign exchange gains/(loss)	151	353	222
Others	786	-83	241
<b>Total</b>	<b>978</b>	<b>333</b>	<b>474</b>

## NOTES

1. LTTS has adopted Ind AS 116 "Leases" on April 1, 2019 by using modified retrospective approach and accordingly comparatives for the year ended March 31, 2019 have not been retrospectively adjusted. As on April 1, 2019, the cumulative effect of initially applying this Standard has resulted in creation of right of use assets by ₹ 3,333 million (grouped under Property and equipment) and an increase in lease liability by ₹ 3,674 million (grouped under current liabilities and non-current liabilities) with corresponding charge to retained earnings of ₹ 345 million (net of taxes).
2. In Q1FY20 results, the nature of expense in respect of operating leases has changed from lease rent in previous periods to depreciation cost for the right-of-use asset and finance cost for interest accrued on lease liability. Accordingly, instead of lease rent of ₹ 232 million which would have been recognised under the erstwhile Standard, interest expense on lease liabilities amounting to ₹ 86 million and depreciation on right-of- use assets amounting to ₹ 179 million has been recorded in the Income statement, and the lease rent of ₹ 232 million has been classified as financing cash flow in the Cash flow statement.
3. The changes to the Income Statement due to the adoption of Ind AS 116 is as below:

Income Statement item	Q1 FY20 (reported)	Change due to Ind AS 116	Q1 FY20 (proforma w/o Ind AS 116)
Revenue	13,475		13,475
EBITDA	2,727	-232	2,495
<i>EBITDA Margin</i>	20.2%		18.5%
Depreciation & Amortisation	428	-179	248
EBIT	2,299	-53	2,247
<i>EBIT Margin</i>	17.1%		16.7%
Other income, net	474	86	560
Income tax expense	733	6	739
Net Income	2,039	27	2,066
<i>Net Income Margin</i>	15.1%		15.3%

## BALANCE SHEET (CONSOLIDATED)

Amount in ₹ million

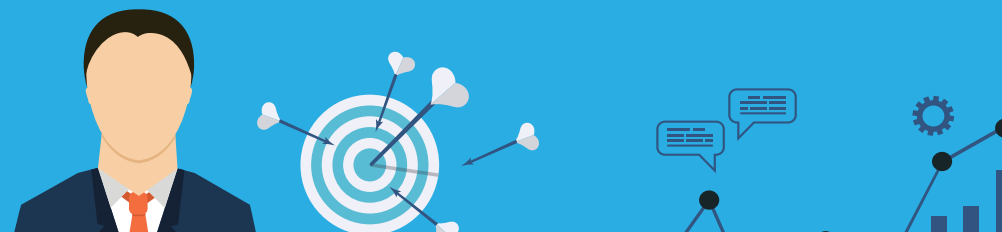
	FY19	Q1 FY20
<b>Assets</b>		
Property and equipment	1,443	5,120
Intangible Assets and Goodwill	6,356	6,273
Accounts Receivable	10,643	10,182
Unbilled Revenues	2,421	3,362
Investments	5,749	7,408
Cash and Cash equivalents	2,051	2,237
Other current assets	2,851	3,064
Other non-current assets	2,124	1,925
<b>Total Assets</b>	<b>33,638</b>	<b>39,572</b>
<b>Liabilities and Shareholders' Equity</b>		
Shareholders' Funds	24,792	26,517
Short term borrowings	702	276
Other current liabilities	7,919	9,248
Other non-current liabilities	194	3,498
Minority Interest	31	33
<b>Total Liabilities</b>	<b>33,638</b>	<b>39,572</b>

## CASH FLOW SUMMARY (CONSOLIDATED)

Amount in ₹ million

	FY19	YTD FY20
Net cash provided by operating activities	8,061	2,865
Capex	-885	-267
<b>Free Cash Flow</b>	<b>7,176</b>	<b>2,598</b>
Free Cash Flow to Net Income (%)	94%	127%

# OPERATIONAL PERFORMANCE



	Q1 FY19	Q4 FY19	Q1 FY20	QoQ Growth	YoY Growth	In Constant Currency	
						QoQ Growth	YoY Growth
Revenue (USD Mn)	168.9	191.3	193.9	1.4%	14.8%	1.3%	15.2%

## REVENUE BY VERTICAL

	Q1 FY19	Q4 FY19	Q1 FY20	QoQ Growth	YoY Growth
Transportation	30.9%	32.9%	34.9%	7.6%	29.6%
Industrial Products	20.4%	19.3%	19.6%	2.9%	10.0%
Telecom & Hi-tech	28.7%	26.2%	22.3%	-13.8%	-10.9%
Plant Engineering	13.5%	14.7%	15.3%	5.9%	29.8%
Medical Devices	6.5%	7.0%	8.0%	15.6%	42.4%

Note: Process Industry has been renamed to Plant Engineering

## REVENUE BY GEOGRAPHY

	Q1 FY19	Q4 FY19	Q1 FY20	QoQ Growth	YoY Growth
North America	56.3%	58.9%	60.9%	4.8%	24.3%
Europe	18.5%	16.0%	15.6%	-1.1%	-3.3%
India	12.4%	13.9%	12.8%	-6.3%	19.0%
Rest of the World	12.8%	11.2%	10.7%	-3.6%	-4.7%



## REVENUE MIX

	Q1 FY19	Q4 FY19	Q1 FY20
Onsite	49.4%	44.8%	44.3%
Offshore	50.6%	55.2%	55.7%

## REVENUE BY PROJECT TYPE

	Q1 FY19	Q4 FY19	Q1 FY20
Fixed Price	40.9%	43.6%	42.4%
Time and Material Contract	59.1%	56.4%	57.6%

## CLIENT PROFILE

	Q1 FY19	Q4 FY19	Q1 FY20
Number of Active Clients	235	251	258
50 Million dollar +	2	2	1
30 Million dollar +	2	3	3
20 Million dollar +	3	5	5
10 Million dollar +	12	16	17
5 Million dollar +	33	41	44
1 Million dollar +	89	106	110

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

## CLIENT CONTRIBUTION TO REVENUE

	Q1 FY19	Q4 FY19	Q1 FY20
Top 5 Clients	28.3%	26.4%	24.7%
Top 10 Clients	40.5%	37.7%	36.7%
Top 20 Clients	55.6%	53.5%	52.5%

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

## UTILISATION

	Q1 FY19	Q4 FY19	Q1 FY20
Including Trainees	78.6%	80.2%	79.6%

## EMPLOYEE STATISTICS

	Q1 FY19	Q4 FY19	Q1 FY20
Total Headcount	13,081	15,140	15,913
Billable	12,147	14,034	14,755
Sales & Support	934	1,106	1,158
Voluntary Attrition % (LTM)	15.4%	14.8%	15.8%

## EXCHANGE RATE (USD/INR)

	Q1 FY19	Q4 FY19	Q1 FY20
Period Realised	68.21	70.21	69.48
Period Closing	68.47	69.15	69.02

## INDUSTRY RECOGNITIONS

Zinnov rated LTTTS in the leadership zone for its deep expertise in the Broadcasting domain and recognized the practice as mature and **established in in the OTT and Content Security ratings** in its Zinnov Zones for Media & Technology Report 2019.

**Honda** conferred LTTTS with the '**Performance Excellence Award**' for exceeding performance standards including quality, cost and service.

At the 17<sup>th</sup> Annual American Business Awards, LTTTS was recognized as the Best Human Resource Team of the Year and conferred with the **Stevie® Award**

## OTHER HIGHLIGHTS

Organized an ER&D Bus Hackathon across Europe. The company's **16-day** pan Europe initiative included a **3,000 km Innovation-on-Wheels** bus drive covering **9 cities** across the UK, France, the Netherlands and Germany. The drive was attended by **230 visitors**, including customers, analysts, industry experts and engineering students. The initiative culminated with a 24-hour hackathon in Munich focused on challenges related to **Factories of the Future, Mobility Solutions and MRO**



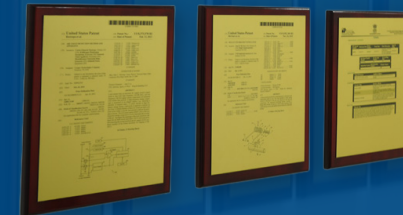
LTTTS was appraised with **Maturity Level 5** in the **CMMI V2.0 Development** view, the highest capability maturity level in the new CMMI framework. LTTTS' CMMI Maturity Level 5 certification is an indication of the company's continually improving processes and business performance.

LTTTS set up an office in **Eindhoven**, Netherlands to cater to the rising demand for digital engineering services in the region. The office will act as a focal point to serve LTTTS' local customers and prospects better in their digital journey

Inaugurated **new delivery center in RGA Tech Park in Bengaluru**. The new center will cater to LTTTS' customers in **Industrial Products, Transportation and Hi-tech & Semiconductor domains**

## PATENTS

At the end of the first quarter, the patents portfolio of L&T Technology Services stood at **399**, out of which **288** are co-authored with its customers and **111** are filed by LTTs.



## CORPORATE SOCIAL RESPONSIBILITY

### UN RECOGNITION FOR WATER MANAGEMENT PROJECT

L&T Technology Services launched its comprehensive village development program called Watershed + for water conservation and enhancing agriculture productivity in rural areas. Under the initiative, LTTs covered 5 villages and assisted more than 3000 people with clean drinking water, better sanitation facilities, renewable energy and livelihood support through community enterprise. LTTs was adjudged the winner of the Innovative Practices Awards for Sustainable Development Goals by the UN Global Connect Network India for its contributions towards Water conservation. LTTs won the prestigious accolade under the private sector category.



## 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 15,900 employees spread across 17 global design centers, 28 global sales offices and 49 innovation labs as of June 30, 2019.



For more information please contact:

**Pinku Pappan**

Head, Investor Relations

Email: [pinku.pappan@LTTS.com](mailto:pinku.pappan@LTTS.com)

For additional information about L&T Technology Services log on to [www.LTTS.com](http://www.LTTS.com)