

L&T Technology Services Limited

Second Quarter - FY 19 Results



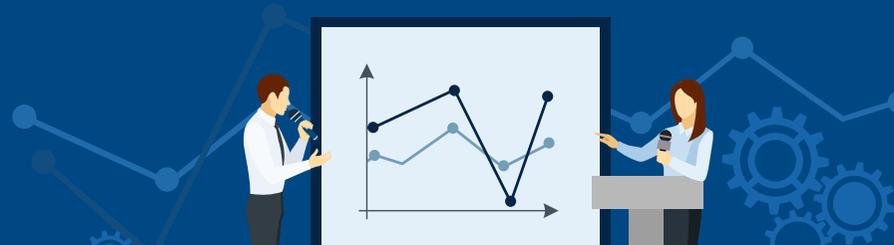
**INVESTOR
RELEASE**

Mumbai, India
October 25, 2018



**ENGINEERING
THE CHANGE** 

FINANCIAL HIGHLIGHTS



REVENUE IN INR

- Revenue at **₹12,661 million** for the quarter; growth of **9.9% QoQ; 40.6% YoY**

REVENUE IN USD

- Revenue at **\$177.2 million** for the quarter; growth of **4.9% QoQ; 27.1% YoY**
- Revenue growth in constant currency at **5.5% QoQ; 29.5% YoY**

PROFIT IN INR

- EBITDA at **₹2,289 million** for the quarter; EBITDA margin at **18.1%**
- Net Income at **₹1,910 million** for the quarter, down by **3.3% QoQ** and up by **55.7% 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 second quarter with a 29.5% YoY growth in constant currency. All five of our industry segments grew in double digits on a YoY basis, with Industrial Products also turning around this quarter. The strong growth was accompanied by good execution on the operational front as we improved EBITDA margins to 18.1% despite wage hikes, leading to a 56% YoY growth in Net profit to INR1910 million.

We are seeing a healthy deal pipeline and good traction in our focus areas such as Edge computing, Smart Manufacturing, IoT, Electric & Autonomous vehicles. In Q2 we won 6 multi-million dollar deals across Industrial Products, Process Industry and Telecom & Hi-tech. LTTTS has increased its USD30mn+ clients by 1, USD10mn+ clients by 3 and its USD5mn+ clients by 5 on a YoY basis. Revenues from digital & leading-edge technologies increased to 33% and grew by 66% YoY. The acquisition of Graphene Semiconductors will act as a force multiplier for LTTTS in the Semiconductor & Product OEM space.

We received multiple recognitions from the industry during the quarter. LTTTS was recognized as the 'Best Company of the Year' by Indo-American Chamber of Commerce. HfS positioned us in the 'Winner's Circle' in their 'Blueprint Report for Automotive Engineering Services for 2018'. LTTTS was rated as a 'Leader' in 6 market categories across 3 industries in the U.S. market by ISG while Everest Group ranked LTTTS as Market Leader for Embedded System Engineering Services.

A growing number of our customers are looking at LTTTS as a strategic partner in their transformation roadmap, which makes us optimistic about the future. I am proud of our employees for their relentless focus on quality and innovation. We would like to thank our investors and all stakeholders for their constant support and wish them happiness and good health this festive season.



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. The major deals are as mentioned below:

- LTTS won a large deal worth USD 40 million to provide digital content management services to a technology company's industrial products segment. LTTS will leverage centres in Europe, US and India while assuming complete ownership and talent to manage content for all current and future product suites for the customer.
- Awarded a multi-year contract from a European specialty chemicals maker to provide Engineering, Procurement & Construction Management (EPCM) Services for a greenfield project in Germany.
- Entered into an exclusive agreement with a European telecom and networking company to develop and maintain customer's Video processing platforms. LTTS will be the authorized partner for future upgrade, maintenance and support of this leading video software platform
- Won a landmark project to be the ER&D partner for a US Industrial Automation major and assist the customer in their digital transformation roadmap by providing information discovery & management and apply digital engineering expertise to provide a competitive edge.
- LTTS has been selected as a partner for a major five year Product Lifecycle Management (PLM) implementation program for an Indian Shipyard major. The scope of work by LTTS includes end to end implementation of the PLM solution from concept to design, and development of an efficient data management system to increase operational efficiencies.
- Selected as a strategic partner to provide ER&D, ETO and CTO Services for a leading European Manufacturer of Heavy Electrical Equipment and Industrial Automation Technologies.

FINANCIAL PERFORMANCE

INCOME STATEMENT (CONSOLIDATED)

Amount in ₹ million

	Q2FY18	Q1FY19	Q2FY19	QoQ	YoY
Revenue	9,006	11,522	12,661	9.9%	40.6%
Cost of sales	6,440	7,997	8,732		
Gross Profit	2,566	3,526	3,929	11.4%	53.1%
Selling, General & Administration Expenses	1,192	1,565	1,640		
EBITDA	1,374	1,961	2,289	16.7%	66.5%
Depreciation & Amortisation	146	260	270		
EBIT	1,228	1,701	2,018	18.7%	64.4%
Other Income, net	477	978	546		
Income tax expense	475	698	646		
Minority Interest	3	6	8		
Net Income	1,227	1,975	1,910	-3.3%	55.7%
Margins (%)					
Gross Margin	28.5%	30.6%	31.0%		
EBITDA Margin	15.3%	17.0%	18.1%		
EBIT Margin	13.6%	14.8%	15.9%		
Net Income Margin	13.6%	17.1%	15.1%		
Earnings Per Share (INR)					
Basic	12.04	19.28	18.51		
Diluted	11.67	18.73	18.17		

OTHER INCOME

Amount in ₹ million

	Q2FY18	Q1FY19	Q2FY19
Income from investments, net	12	41	46
Foreign exchange gains/(loss)	277	151	152
Others	188	786	348
Total	477	978	546

BALANCE SHEET (CONSOLIDATED)

Amount in ₹ million

	FY18	Q2FY19
Assets		
Property and equipment	1,251	1,271
Intangible Assets and Goodwill	5,844	5,776
Accounts Receivable	9,623	11,256
Unbilled Revenues	2,154	2,917
Cash & Investments	3,749	4,393
Other current assets	3,081	2,324
Other non-current assets	1,349	1,582
Total Assets	27,051	29,519
Liabilities and Shareholders' Equity		
Shareholders' Funds	19,364	19,935
Short term borrowings	702	595
Other current liabilities	6,935	7,838
Other non-current liabilities	47	1,134
Minority Interest	3	17
Total Liabilities	27,051	29,519

CASH FLOW SUMMARY (CONSOLIDATED)

Amount in ₹ million

	FY18	YTD FY19
Net cash provided by operating activities	4,136	2,462
Capex	-511	-327
Free Cash Flow	3,625	2,135
Free Cash Flow to Net Income (%)	72%	55%

OPERATIONAL PERFORMANCE



	Q2FY18	Q1FY19	Q2FY19	QoQ Growth	YoY Growth	In Constant Currency	
						QoQ Growth	YoY Growth
Revenue (USD Mn)	139.3	168.9	177.2	4.9%	27.1%	5.5%	29.5%

REVENUE BY VERTICAL

	Q2FY18	Q1FY19	Q2FY19	QoQ Growth	YoY Growth
Transportation	32.3%	30.9%	32.0%	8.5%	25.9%
Industrial Products	23.6%	20.4%	20.6%	5.9%	10.8%
Telecom & Hi-tech	24.3%	28.7%	26.7%	-2.4%	40.0%
Process Industry	12.8%	13.5%	14.2%	9.9%	40.8%
Medical Devices	7.0%	6.5%	6.5%	6.5%	18.4%

REVENUE BY GEOGRAPHY

	Q2FY18	Q1FY19	Q2FY19	QoQ Growth	YoY Growth
North America	60.8%	56.3%	57.7%	7.6%	20.6%
Europe	16.5%	18.5%	17.2%	-2.7%	33.0%
India	10.5%	12.4%	12.5%	5.7%	51.9%
Rest of the World	12.2%	12.8%	12.6%	2.9%	30.9%

REVENUE MIX

	Q2FY18	Q1FY19	Q2FY19
Onsite	50.8%	49.4%	47.1%
Offshore	49.2%	50.6%	52.9%

REVENUE BY PROJECT TYPE

	Q2FY18	Q1FY19	Q2FY19
Fixed Price	33.2%	40.9%	42.2%
Time and Material Contract	66.8%	59.1%	57.8%

CLIENT PROFILE

	Q2FY18	Q1FY19	Q2FY19
Number of Active Clients	229	235	239
50 Million dollar +	0	2	2
30 Million dollar +	2	2	3
20 Million dollar +	3	3	3
10 Million dollar +	11	12	14
5 Million dollar +	29	33	34
1 Million dollar +	79	89	94

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

CLIENT CONTRIBUTION TO REVENUE

	Q2FY18	Q1FY19	Q2FY19
Top 5 Clients	23.3%	28.3%	28.2%
Top 10 Clients	35.9%	40.5%	39.9%
Top 20 Clients	51.8%	55.6%	55.1%

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

UTILISATION

	Q2FY18	Q1FY19	Q2FY19
Including Trainees	76.1%	78.6%	80.3%

EMPLOYEE STATISTICS

	Q2FY18	Q1FY19	Q2FY19
Total Headcount	11,532	13,081	13,585
Billable	10,573	12,147	12,604
Sales & Support	959	934	981
Voluntary Attrition % (LTM)	13.4%	15.4%	15.0%

EXCHANGE RATE (USD/INR)

	Q2FY18	Q1FY19	Q2FY19
Period Realised	64.64	68.21	71.47
Period Closing	65.29	68.47	72.49

ACQUISITION

LTTS completed the acquisition of Bangalore-based Graphene Semiconductor Services Private Limited (“Graphene”), on October 15, 2018. Graphene provides end-to-end solutions— from chip design and embedded software to providing support for mass manufacturing, thereby being a one-stop service and solution provider. It has been one of the fastest growing companies in the Semiconductor Services domain, counting over 30 of the world’s top semiconductor fabrication and fabless companies as its customers.

Graphene’s strong offshore presence, coupled with expertise in complete VLSI Chip Design & Embedded Software, allows LTTS to further strengthen its footprint in SOC Design and consolidate its leadership in the Semiconductor & Product OEM space.

INDUSTRY RECOGNITIONS

LTTS was recognized as the ‘Best Company of the Year’ and was also conferred with the prestigious ‘Excellence in Corporate Social Responsibility’ award by the Indo-American Chamber of Commerce.

John Deere Partner Level Supplier Recognition – LTTS was acknowledged by John Deere for outstanding quality of product and services as well its commitment to continuous improvement.

LTTS has been recognized as a **‘Leader’ for Embedded System Engineering Services** and positioned among the top 3 leading companies by Everest Group.

LTTS was rated as a **Leader in 6 market categories across 3 industries in the U.S. market** in the inaugural edition of ISG Provider Lens™.

PATENTS

At the end of the second quarter, the patents portfolio of L&T Technology Services stood at **349**, out of which **256** are co-authored with its customers and **93** are filed by LTTS.

12 new patents were added in the quarter with **7** each being filed by LTTS and **5** co-authored with customers.



CSR & DIVERSITY

LTTS provided education & skill to over 63,000 youth annually under its Naya Savera program. As part of its social responsibility, LTTS has also taken up programs for water conservation and preservation of the environment. Here are some of the major CSR initiatives by LTTS during the second quarter:



1. LTTS collaborated with Indian Institute of Science (IISc) Bangalore to provide high quality training to under graduate science teachers imparting knowledge to students of 11th and 12th grade. Over 13,000 teachers have benefitted from this.
2. LTTS set up mini Science Lab, Science fair, Science quiz and Math puzzle workshops in collaboration with Arch Foundation for over 37,000 students from 23 government schools. We also organized a Science on Wheels program in collaboration with Agastya Foundation aimed at developing young students' interest in science and technology.
3. Under the Samaritans initiative, LTTS and Abhyuday, a social body of IIT Bombay, joined hands to facilitate online career counselling campaign for Grade 10 students of municipality schools located in Mumbai. At present, 100 volunteers are guiding 100 students towards academic and vocational excellence.
4. LTTS supported the second edition of the Marina Open Indian Wheelchair Tennis tournament that was organized in Chennai.

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 13,500 employees spread across 16 global design centers, 27 global sales offices and 45 innovation labs as of September 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