

L&T Technology Services Limited

Fourth Quarter - FY 19 Results

INVESTOR RELEASE

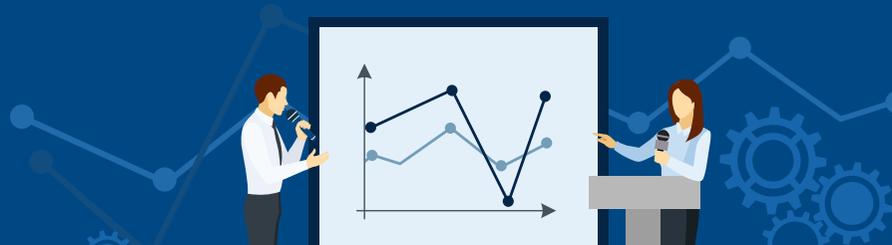
Mumbai, India
May 3, 2019

 **ENGINEERING
THE CHANGE** 

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 (LTTTS) does not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.

FINANCIAL HIGHLIGHTS



REVENUE IN INR

- Revenue of **₹13,431 million** for the quarter; growth of **2.0% QoQ** and **27.3% YoY**
- Revenue of **₹50,783 million** for the year; growth of **35.5%**

REVENUE IN USD

- Revenue of **\$191.3 million** for the quarter; growth of **3.0% QoQ** and **17.8% YoY**; growth in constant currency at **3.0% QoQ** and **20.0% YoY**
- Revenue of **\$723.1 million** for the year; growth of **24.6%**; growth in constant currency at **26.5%**

PROFIT IN INR

- EBITDA of **₹2,491 million** for the quarter; EBITDA margin at **18.5%**
- Net Income of **₹1,915 million** for the quarter, growth of **3.2% QoQ** and **20.5% YoY**; Net margin at **14.3%**
- EBITDA of **₹9,157 million** for the year; EBITDA margin at **18.0%**
- Net Income of **₹7,656 million** for the year, growth of **51.3%**; Net margin at **15.1%**

CAPITAL RETURN

- Dividend payout ratio ⁽¹⁾ of **34%** for the year
- ROE ⁽²⁾ of **35%** for the year

1. Dividend payout ratio is calculated as total dividend payout (including dividend distribution tax) divided by Net Income

2. ROE represents Return on Equity and is calculated as the Net Income divided by Average Shareholder equity

MESSAGE FROM THE CEO & MANAGING DIRECTOR



We are happy with our performance in FY19, closing the year with USD723mn in revenue – which is an industry leading growth of 26.5% YoY. We also achieved our twin objectives of broad-based and double-digit growth in all 5 of our industry segments. Digital & leading-edge technologies - the growth driver for ER&D, grew 58% YoY and contributed to 33% of revenues in FY19, demonstrating our success in aligning with the industry trends. Operational metrics too showed an improvement, aiding the EBITDA margin expansion of 250bps in FY19.

In Q4, we continued the growth momentum with 3% QoQ growth in revenues, 9 multi-million dollar deal wins and an increase in our USD50mn+ clients by 2, USD10mn+ clients by 4 and USD5mn+ clients by 10, on YoY basis. EBITDA margins were sustained at 18.5% despite the appreciation in the rupee.

Our strategy of continuously investing in new capabilities, cross-pollinating innovation across industry segments, and a deep understanding of core engineering disciplines has enabled us to participate in larger and more strategic engagements with our customers. We believe we are well positioned to partner our customers in their key priorities of digital transformation, product modernization and R&D productivity improvement. IDC, the global market intelligence firm in its recent profile on LTTS' Product Engineering and Operational Technology, commended our track record of building competencies across innovation accelerators (digital) and creating new patents and IPs.

We continue to see a healthy pipeline across geo's and industry segments. With our customers increasing digital spend, investing more in disruptive technology and re-evaluating spend effectiveness, we are seeing new opportunities and avenues for growth. For FY20, we expect USD revenue growth to be in the range of 14-16%.

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



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:

- A leading multinational conglomerate selected LTTS as a partner to develop home protection and alarm systems leveraging 5G technology, in an engagement spanning three years.
- LTTS was selected as the engineering partner to a multinational power management company for enhancing their metering, monitoring and protection platform that facilitates a unified power system. LTTS has been actively engaged in the development of this platform since inception and is currently enhancing its functionalities as well as furthering the adoption across the enterprise.
- Won a deal with an American automation major to re-engineer designs of two of its control peripherals along with certifications. LTTS will also be responsible for contemporizing the design to current standards to increase their efficiency.
- Selected as the ER&D partner for a global chemical major for harmonizing their engineering compliance standards across locations around the world.
- Secured multimillion-dollar deals with two leading automotive manufacturers, one in the space of Hardware-in-Loop simulation testing and the other involving Autonomous Level 2 and 3 support for multiple OEM programs centered around systems engineering, software development, integration & testing.
- Awarded a contract from a leading healthcare company for front-end software development to support its digital transformation in health management. LTTS is also supporting the customer's quality & regulatory business transformation activities in the patient care domain.
- Won a program from a top MedTech customer to implement state of the art manufacturing process compliance. The scope of work involves gap assessment and remediation activities in manufacturing, quality, regulatory and product packaging areas.
- A leading technology company awarded LTTS a large deal for developing software for modems to be used in next generation mobile phones. Under the program, LTTS was also responsible for validation, testing and support certifications for the customer.

FINANCIAL PERFORMANCE

INCOME STATEMENT (CONSOLIDATED)

Amount in ₹ million

	Q4 FY18	Q3 FY19	Q4 FY19	QoQ	YoY	FY18	FY19	YoY
Revenue	10,548	13,169	13,431	2.0%	27.3%	37,471	50,783	35.5%
Cost of sales	7,575	9,269	9,167			26,738	35,165	
Gross Profit	2,973	3,900	4,264	9.3%	43.4%	10,733	15,618	45.5%
Selling, General & Administration Expenses	1,278	1,483	1,773			4,922	6,461	
EBITDA	1,695	2,417	2,491	3.0%	47.0%	5,811	9,157	57.6%
Change in Contingent Consideration	55		11			55	11	
Depreciation & Amortisation	452	239	273			888	1,042	
EBIT	1,188	2,178	2,207	1.3%	85.8%	4,868	8,104	66.5%
Other Income, net	747	353	333			1,910	2,209	
Income tax expense	344	670	616			1,712	2,630	
Minority Interest	3	5	9			6	28	
Net Income	1,588	1,856	1,915	3.2%	20.5%	5,060	7,656	51.3%
Margins (%)								
Gross Margin	28.2%	29.6%	31.7%			28.6%	30.8%	
EBITDA Margin	16.1%	18.4%	18.5%			15.5%	18.0%	
EBIT Margin	11.3%	16.5%	16.4%			13.0%	16.0%	
Net Income Margin	15.1%	14.1%	14.3%			13.5%	15.1%	
Earnings Per Share (INR)								
Basic	15.52	17.86	18.44			49.60	74.06	
Diluted	15.08	17.58	18.15			48.18	72.91	

OTHER INCOME

Amount in ₹ million

	Q4 FY18	Q3 FY19	Q4 FY19	FY18	FY19
Income from investments, net	22	38	64	70	189
Foreign exchange gains/(loss)	376	278	353	1,147	933
Others	349	37	-83	693	1,087
Total	747	353	333	1,910	2,209

NOTES

- As part of the Graphene acquisition, a contingent consideration of INR115mn payable to the promoters of Graphene upon the achievement of financial targets for financial year ended March 31, 2019 was recorded in the balance sheet. The fair value of contingent consideration as on March 31, 2019 is estimated at INR126 Mn, and the change in such fair value of INR11 Mn has been recognised in the P&L in Q4FY19.

BALANCE SHEET (CONSOLIDATED)

Amount in ₹ million

	FY18	FY19
Assets		
Property and equipment	1,251	1,443
Intangible Assets and Goodwill	5,843	6,356
Accounts Receivable	9,623	10,643
Unbilled Revenues	2,154	2,421
Investments	2,207	5,749
Cash and Cash equivalents	1,542	2,051
Other current assets	3,080	2,851
Other non-current assets	1,351	2,124
Total Assets	27,051	33,638
Liabilities and Shareholders' Equity		
Shareholders' Funds	19,366	24,792
Short term borrowings	702	702
Other current liabilities	6,933	7,919
Other non-current liabilities	47	194
Minority Interest	3	31
Total Liabilities	27,051	33,638

CASH FLOW SUMMARY (CONSOLIDATED)

Amount in ₹ million

	FY18	FY19
Net cash provided by operating activities	4,092	8,061
Capex	-511	-885
Free Cash Flow	3,581	7,176
Free Cash Flow to Net Income (%)	71%	94%

OPERATIONAL PERFORMANCE



	Q4 FY18	Q3 FY19	Q4 FY19	QoQ Growth	YoY Growth	In Constant Currency	
						QoQ Growth	YoY Growth
Revenue (USD Mn)	162.4	185.7	191.3	3.0%	17.8%	3.0%	20.0%

	FY18	FY19	YoY Growth	In Constant Currency	
				YoY Growth	YoY Growth
Revenue (USD Mn)	580.4	723.1	24.6%	26.5%	

REVENUE BY VERTICAL

	Q4 FY18	Q3 FY19	Q4 FY19	QoQ Growth	YoY Growth	FY18	FY19	YoY Growth
Transportation	30.8%	31.7%	32.9%	6.9%	25.6%	31.8%	31.9%	24.9%
Industrial Products	20.9%	20.2%	19.3%	-1.8%	8.9%	22.8%	20.1%	10.0%
Telecom & Hi-tech	29.5%	27.0%	26.2%	0.0%	4.8%	25.7%	27.1%	31.2%
Process Industry	12.3%	14.4%	14.7%	5.1%	40.1%	12.9%	14.2%	37.1%
Medical Devices	6.5%	6.7%	7.0%	7.1%	25.6%	6.8%	6.7%	22.8%

	Q4 FY18	Q3 FY19	Q4 FY19	QoQ Growth	YoY Growth	FY18	FY19	YoY Growth
North America	57.6%	57.8%	58.9%	5.0%	20.4%	60.2%	57.7%	19.5%
Europe	18.6%	16.2%	16.0%	1.7%	1.3%	17.3%	16.9%	22.0%
India	11.7%	14.4%	13.9%	-0.9%	40.0%	10.8%	13.3%	53.3%
Rest of the World	12.1%	11.6%	11.2%	-0.1%	8.9%	11.7%	12.0%	27.9%

REVENUE MIX

	Q4 FY18	Q3 FY19	Q4 FY19	FY18	FY19
Onsite	50.0%	47.4%	44.8%	50.2%	47.1%
Offshore	50.0%	52.6%	55.2%	49.8%	52.9%

REVENUE BY PROJECT TYPE

	Q4 FY18	Q3 FY19	Q4 FY19	FY18	FY19
Fixed Price	37.0%	42.1%	43.6%	37.0%	42.2%
Time and Material Contract	63.0%	57.9%	56.4%	63.0%	57.8%

CLIENT PROFILE

	Q4 FY18	Q3 FY19	Q4 FY19
Number of Active Clients	235	244	251
50 Million dollar +	0	2	2
30 Million dollar +	3	3	3
20 Million dollar +	4	5	5
10 Million dollar +	12	16	16
5 Million dollar +	31	39	41
1 Million dollar +	84	98	106

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

CLIENT CONTRIBUTION TO REVENUE

	Q4 FY18	Q3 FY19	Q4 FY19
Top 5 Clients	27.1%	27.4%	26.4%
Top 10 Clients	39.7%	38.9%	37.7%
Top 20 Clients	54.8%	54.4%	53.5%

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

UTILISATION

	Q4 FY18	Q3 FY19	Q4 FY19	FY18	FY19
Including Trainees	80.7%	81.3%	80.2%	77.8%	80.2%

EMPLOYEE STATISTICS

	Q4 FY18	Q3 FY19	Q4 FY19
Total Headcount	12,307	14,777	15,140
Billable	11,360	13,711	14,034
Sales & Support	947	1,066	1,106
Voluntary Attrition % (LTM)	13.5%	14.9%	14.8%

EXCHANGE RATE (USD/INR)

	Q4 FY18	Q3 FY19	Q4 FY19	FY18	FY19
Period Realised	64.94	70.92	70.21	64.56	70.23
Period Closing	65.18	69.78	69.15	65.18	69.15

INDUSTRY RECOGNITIONS

LTTTS was recognized as a “Leader” and ranked among the Top Engineering Service Providers for Medical Devices by Everest Group.

IDC, a premier global market intelligence firm commended LTTTS’ track record of building competencies across innovation accelerators (digital) and creating new patents and IPs. IDC also praised LTTTS’ focus on building the Industry 4.0 services offering as demonstrated in its success with customers consuming operational technology services.

OTHER HIGHLIGHTS

LTTTS unveiled Factory D.0, its latest set of offerings for Industry 4.0 that address the fundamental problems with the smart factory solutions of today. LTTTS has developed a broad portfolio of proprietary technologies & platforms, to help customers accelerate implementations and realize the benefits of Industry 4.0. The provisions in Factory D.0 include, wireless material tracking, machine vision-based quality inspection, digital twin, energy optimization, collaborative robotics and 3D modelling.

To boost its security portfolio, LTTTS developed Iron Home is a next-gen smart home security platform, with a special focus on camera & video security in Israel

Developed a next-gen digital signage solution called FlyBoard which will change the way content is stored, distributed and consumed

LTTTS in partnership with Agappe Diagnostics Ltd, a leading Diagnostic Reagents & Equipment manufacturer, has successfully designed and developed India’s first indigenously built blood cell counter, which makes healthcare affordable to the masses. This is one of the most complex product development initiatives undertaken in the medical domain for India.

PATENTS

At the end of the fourth 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.

36 new patents were added in the quarter with **12** being filed by LTTs and **24** co-authored with customers.

CSR & DIVERSITY

As part of its Social Responsibility mandate, LTTs undertook several CSR initiatives throughout the year. The total contribution towards CSR in FY19 was INR101mn.

Few of the initiatives undertaken in Q4FY19 are:

- Helped save more than 11 million litres of water through restoration activities in villages in Pune and Kacheepuram
- Provided solar power to 33 households in Mysore and reduced usage of kerosene oil up to 4 litres per month per family
- Contributed to protection and restoration of public infrastructure - developed & maintained the road divider stretching 6 ½ Kms. in Navi Mumbai, completed development of 30,000 sq. ft green under-flyover area in Bengaluru and facilitated 3,14,000 sq. ft. of green coverage at Dr. Jagajivan Ram Park in Bengaluru and Dr. Rajkumar Park in Mysore.



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 15,100 employees spread across 17 global design centers, 28 global sales offices and 49 innovation labs as of March 31, 2019.



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For additional information about L&T Technology Services log on to www.LTTS.com