

L&T TECHNOLOGY SERVICES LTD

May-21

Industry: IT

Recommendation: Hold

Target Rs. 2912

Key Data

Date	22.5.2021
BSE Code	540115
NSE Code	LTTTS
52 Week High (Rs)	3062
52 Week Low (Rs)	1066
Market Cap (Rs Cr)	27569
Face Value	2
CMP	2624

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding March 2021

Promoters	74.24%
Public	25.76%

Promoters/ Management

Mr. Anilkumar Naik	Chairman
Mr. Keshab Panda	MD
Mr. Rajeev Gupta	CFO
Mr. Abhishek	Director

Key Ratios

P/E	40.96
ROE	20.15%
P/Bv	8.25

Price Chart



Research Team

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Q4FY21 Result Update:

Financial highlights:

LTTTS has posted three consecutive quarters of strong deal wins and sequential revenue and operating margin improvement. It was able to achieve revenue of ₹14,405 million for the quarter, showing growth of 2.8% QoQ and decline of 0.4% YoY. LTTTS reported 3.8% QoQ in constant currency (CC) terms growth in 4QFY21. EBITDA margins came at 20.35% showing a jump of 140bps QoQ. It improved benefiting from better utilization and offshore mix. Segments like Plant engineering supported the revenue growth (up 9.9%) followed by Transportation segment (up 6.5%) on QoQ basis while Telecom and medical devices segment showed flat growth. Also the annual free cash flow generation came at ₹1,252 crores which was at a record high.

Healthy pipeline build up:

LTTTS closed several multi-million dollar projects from global customers across various verticals. It won 6 deals with TCV of USD10 million plus during Q4FY21. They are seeing healthy deal win closures and pipeline build up as customers look for innovation and digital led transformation to strengthen their market positioning. Deal win includes 2 USD25 million plus deals which will augur growth. Across all their five segments, they are investing in disruptive technologies and design labs to further the growth.

Management guidance:

They have guided 13-15%-dollar revenue growth in FY22. We think its conservative due to uncertainty on supply side issues because of second wave of Covid. They have also mentioned their increasing spends and focus across all verticals with more quick decision making compared to previous quarters. Robust deal wins and plans to increase employee headcount should augur well and support the revenue's both onsite and offshore in the coming quarters.

Mview:

We remain optimistic on LTTTS, India's leading pure-play engineering services company for posting consecutive quarters of strong deal wins and sequential revenue and operating margin improvement with revenue back on a positive track year-over-year growth path. Management is confident to continue to execute better deals in an environment made difficult by Covid uncertainties. The company continues to maintain a healthy financial risk profile and robust liquidity with parental support from L&T, which is expected to continue over the long term. LTTTS niche presence in value-added segments and focus on emerging areas such as medical devices, process engineering, and industrial automation will aid sustained healthy growth in revenue in FY22-23E and operating profitability of about 18-20% over the medium term. We are bullish on improved industry IT spends when compared to the previous 4-5 years which the company has been able to expand the revenue share from existing clients and maintain steady acquisition of new clients. Similar growth and profitability are also expected to be maintained over the medium term and continue to benefit from the strong managerial and operational support from its parent L&T brand. Hence we recommend investors to "HOLD" on with a revised Target Rs 2912.

About the Company:

L&T Technology Services Limited (LTTTS) is a Hyderabad based technology company focused on Engineering and R&D (ER&D) services. It offer's consultancy, design, development and testing services across the product and process development life cycle. Its customer base includes 69 Fortune 500 companies and 53 of the world's top ER&D companies, across industrial products, medical devices, transportation, telecom & hi-tech, and the process industries. It provides services through 16,400 employees spread across 17 global design centers, 28 global sales offices and 69 innovation labs as of March 31, 2021.

QUARTERLY FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ	FY21	FY20	YoY
Revenue from operations	1440	1446	-0.41%	1401	3%	5445	5619	-3%
Expenses								
Employee benefit expenses	849	834	2%	856	-1%	3355	3252	3%
other expenses	298	344	-13%	344	-13%	1087	1257	-14%
Total expenses	1147	1178	-3%	1200	-4%	4442	4509	-1%
EBITDA	293	268	9%	201	46%	1003	1110	-10%
EBITDA %	20.35%	18.53%		14.35%		18.42%	19.75%	
depreciation	54	48	13%	48	13%	218	183	19%
other income	35	61	-43%	49	-29%	153	209	-27%
finance cost	12	9	33%	11	9%	45	36	25%
PBT	262	272	-4%	191	37%	893	1100	-19%
tax	66	66		64		231	278	
PAT	196	206	-4.85%	127	54%	662	822	-19%
PAT %	13.61%	14.25%		9.06%		12.16%	14.63%	
EPS	18.54	19.61		17.75		63.32	78.56	

TECHNICAL TREND





MSEARCH

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Disclosure of Interest Statement: Analyst ownership of the stock: No

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Msearch's Recommendation (Absolute Performance)

Buy : > 20% within the next 12 Months

Accumulate : 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

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