

- ❑ L&T Technology Services Limited (LTTS) has reported a growth of 7.7% in its revenues at ₹14,466 million in Q4-FY20 as against ₹13,431 million in Q4-FY19. In US dollar terms the revenue growth was 2.1% YoY and decline of 2% QoQ at \$195.4 million. The subdued performance during the quarter was mainly due to furloughs and some productivity loss due to twin impact of COVID-19 and significant Oil price declined leading to delays.
- ❑ On profitability front, the company's EBITDA margin stood at 18.5% at ₹2,683 million in Q3-FY20 as against 18.5% at ₹2,481 million in same quarter previous year. The consolidated profit after tax (PAT) margin (before XO items) for the company stood 14.3% at ₹2,063 million as against 14.3% at ₹1,924 million in same quarter previous year.
- ❑ On segment basis, Transportation segment witnessed a sequential dip of 2% on account of furloughs and some productivity loss, Telecom and Hi-Tech segment, had an almost flat quarter sequentially due to deal ramp-up slowdowns as on boarding at the customer end was delayed. The Plant Engineering and Industrial Products segments lost some of the strong momentum due to a few abrupt project closures in the Oil and Gas upstream segment.
- ❑ During the quarter, LTTS has won 9 multi-million dollar deals across all major industry segments which includes one deal with TCV of USD30mn plus. On a YoY basis, LTTS has increased its USD20mn+ clients by 3 and its USD10mn+ clients by 5.
- ❑ In terms of guidance, the management has not given any guidance given a lack of clarity on when the effects of pandemic will start reversing. However, it maintains optimistic stance on the overall business readiness post lockdown and improving productivity and expects a recovery from second quarter onwards this year.
- ❑ We have incorporated latest quarterly numbers for LTTS and have revised our estimates for the company in terms of both revenues and earnings. We continue to remain positive on the company for medium to long term, we maintain our rating to **HOLD** with a revised target price **₹1,579 per share**.

Q4-FY20 results (Consolidated)

(In ₹ mn)	Q4-FY20	Q4-FY19	Chg	FY20	FY19	Chg
Net Sales	14,466	13,431	7.7%	56,191	50,783	10.6%
Operating Expense	11,783	10,950	7.6%	45,086	41,636	8.3%
EBITDA	2,683	2,481	8.1%	11,105	9,147	21.4%
Other Income	614	337		2,091	2,228	
Depreciation	485	273		1,829	1,042	
EBIT	2,812	2,545	10.5%	11,367	10,333	10.0%
Interest	94	5		365	19	
PBT	2,718	2,540	7.0%	11,002	10,314	6.7%
Tax	655	616		2,778	2,630	
Exceptional Items	-	-		-	-	
PAT	2,063	1,924	7.2%	8,224	7,684	7.0%
Minority /Other Adj.	(1,922)	635		(2,517)	17	
Consolidated PAT	141	2,559	-94.5%	5,707	7,701	-25.9%

Margins	Q4-FY20	Q4-FY19	ChgBPS	FY20	FY19	ChgBPS
Operating Margin %	18.5%	18.5%	7	19.8%	18.0%	175
Net Margin %	14.3%	14.3%	-6	14.6%	15.1%	-50

Financials (Consolidated):

(In ₹ Mn.)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	50,783	56,191	57,103	62,585
Operating Expense	41,637	45,086	47,355	50,950
EBITDA	9,146	11,105	9,748	11,635
Other Income	2,229	2,091	2,284	2,503
Depreciation	1,042	1,829	1,903	2,209
EBIT	10,333	11,367	10,128	11,929
Interest	19	365	348	332
Misc. items	-	-	-	-
PBT	10,314	11,002	9,781	11,597
Tax	2,630	2,778	2,470	2,928
Minority Interest	(28)	(2,517)	-	-
PAT	7,656	5,707	7,311	8,669

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	35.5%	10.6%	1.6%	9.6%
Operating Margin %	18.0%	19.8%	17.1%	18.6%
Net Margin %	15.1%	10.2%	12.8%	13.9%

Source: Company, Anand Rathi Research

(In ₹ Mn.)	FY-19	FY-20	FY-21E	FY-22E
Liabilities				
Equity Share Capital	552	209	209	209
Reserves & Surplus	24,239	27,477	34,788	43,457
Total Shareholder's Funds	24,791	27,686	34,997	43,666
Minority Interest	31	69	69	69
Long-Term Liabilities	-	-	(250)	(500)
Other Long-term Liabilities	60	4,890	4,890	4,890
Deferred Tax Liability	8	(311)	(311)	(311)
Short-term Liabilities	8,622	10,388	10,557	11,570
Total	33,512	42,722	49,952	59,384
Assets				
Net Fixed Assets	7,800	11,136	11,262	11,090
Long-Term L&A	913	686	686	686
Non Current Investments	-	310	310	310
Other Non-Current Assets	1,084	1,488	1,488	1,488
Current Asset	23,715	29,102	36,206	45,810
Total	33,512	42,722	49,952	59,384

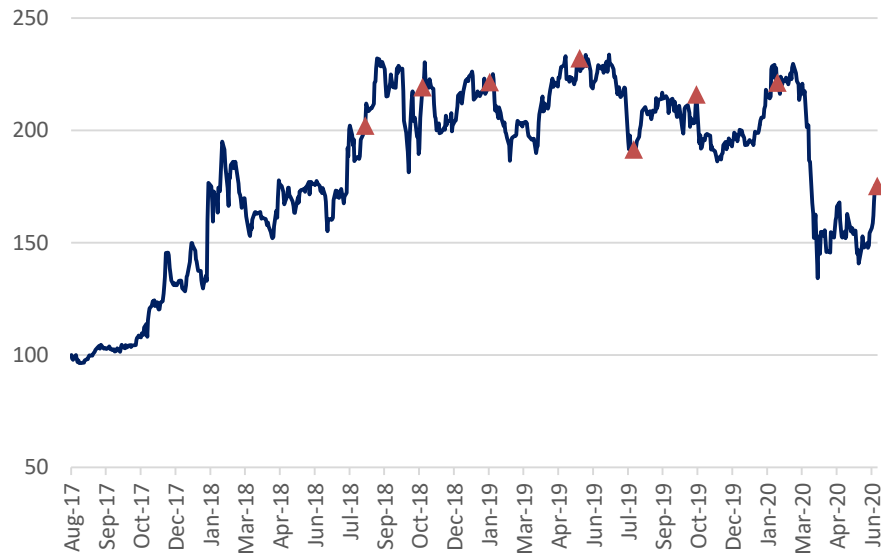
(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	74.7	55.7	71.4	84.6
P/E (x)	17.8	23.9	18.6	15.7
P/B (x)	5.5	4.9	3.9	3.1
ROE	30.9%	20.6%	20.9%	19.9%

Key Risks:

- The company's business is exposed to foreign exchange risks.

Rating and Target Price history:

LTTS rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 8 June 2020 close.

LTTS rating details

Date	Rating	Target Price (₹)	Share Price (₹)
16-Aug-18	BUY	1,940	1,545
29-Oct-18	BUY	1,940	1,669
24-Jan-19	BUY	1,940	1,678
20-May-19	HOLD	1,940	1,760
29-Jul-19	BUY	1,804	1,453
21-Oct-19	BUY	1,804	1,639
31-Jan-20	HOLD	1,804	1,681
08-Jun-20	HOLD	1,579	1,330

Source: Bloomberg, Anand Rathi Research

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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