

# L&T Technology Services

ADD

CMP Rs2,797

Target Rs3,050

Upside 9.0%

## Result Highlights

- ✓ Reported inline revenue as it grew 3.9% QoQ to \$190mn (up 2.8% QoQ in INR terms). In CC terms, the revenue growth was 3.8% QoQ. The sequential revenue growth was led by strong growth in Transportation and Plant Engineering segments
- ✓ Revenues from digital and high-end technologies continues to grow at robust pace and stood at 52% during the quarter.
- ✓ EBIT margin grew by 138bps QoQ to 16.6%, led by better business mix. Offshore revenue mix increased by 80bps QoQ in the quarter.
- ✓ Deal win momentum remained strong for the company as it won 6 deals with TCW of \$10mn +.
- ✓ Employee utilization was up 140 bps QoQ to 78.9%.
- ✓ LTM attrition picked up by 150 bps QoQ to 12.2%, led by higher demand for talent.
- ✓ Board has recommended final dividend of Rs 14.5/share. (Total dividend payout is 35% for FY21)

**Our view:** The company has continued to deliver strong sequential revenue and margin performance over last 3 quarters. Deal win momentum should help to post strong growth in the range 13-15% for FY22 on a lower base. It should be able to maintain current EBIT margin of 16-17%, led by improved employee pyramid, higher offshoring and other productivity measures, even though it faces headwind of wage hike in FY22. The stock trades at rich valuation of PE of 31x on FY23 earnings. Initiate coverage on the stock with ADD rating.

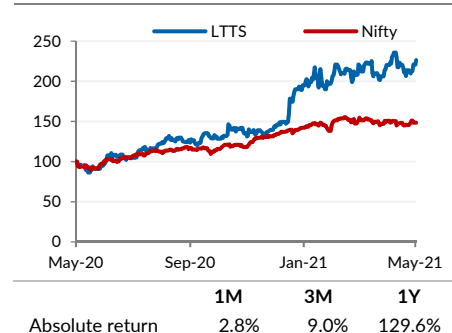
## Exhibit 1: Result table

Particulars (Rs mn)	Mar-21	Mar-20	yoy %	Dec-20	qoq %
Sales (\$ mn)	198	195	1.1	190	3.9
Sales	14,405	14,466	(0.4)	14,007	2.8
EBITDA	2,931	2,683	9.2	2,756	6.3
EBITDA %	20.3	18.5	180 bps	19.7	67 bps
Depreciation	540	485	11.3	624	(13.5)
EBIT	2,391	2,198	8.8	2,132	12.1
EBIT Margin %	16.6	15.2	140 bps	15.2	138 bps
Other income	346	614	(43.6)	488	(29.1)
Interest	125	94		114	
PBT	2,612	2,718	(3.9)	2,506	4.2
Tax	659	655	0.6	637	3.5
APAT	1,953	2,063	(5.3)	1,869	4.5
NPM (%)	13.6	14.3	(70) bps	13.3	21 bps

## Stock data (as on May 03, 2021)

Nifty	14,634
52 Week h/l (Rs)	3,062 / 1,066
Market cap (Rs/USD mn)	293,855 / 3,975
Outstanding Shares	105
6m Avg t/o (Rs mn):	767
Div yield (%):	0.8
Bloomberg code:	LTTS IN
NSE code:	LTTS

## Stock performance



## Shareholding pattern (As of Dec'20 end)

Promoter	74.4%
FII+DII	13.8%
Others	11.8%

## Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Net Revenue	54,497	62,562	70,676
YoY Growth	-3.0%	14.8%	13.0%
EBIDTA	10,074	12,478	13,994
YoY Growth	-9.3%	23.9%	12.2%
PAT	6,628	8,471	9,508
YoY Growth	-19.0%	27.8%	12.2%
ROE	22.2%	24.1%	22.7%
EPS	63	80	90
P/E	44.5	34.9	31.1
BV	304	362	430
P/BV	9.2	7.7	6.5

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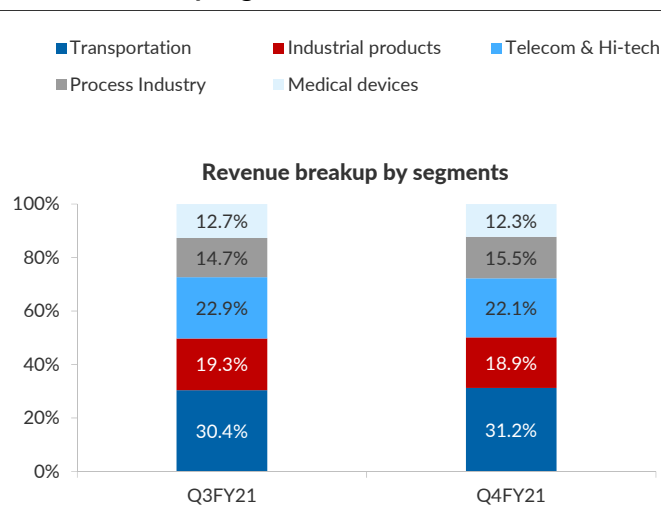
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## CON-CALL HIGHLIGHTS

- ✓ Guided for 13-15% revenue growth in CC terms for FY22 on a low base of FY21. Has been able to recover faster from the effect of the Pandemic compared to its peers
- ✓ Expect to maintain current EBIT margin of 16-17% in FY22 even though it faces headwind of wage hike in Q1FY22, using other levers, such as higher offshoring, improved employee pyramid; and better margin in transport and telecom segment
- ✓ Growth outlook is strong in the US led by improvement in macroeconomic situation; while in Europe, certain pockets are witnessing strong traction.
- ✓ Deal win momentum remains strong, though bigger deals are taking more time for closure
- ✓ Hiring will increase going ahead as it expects increased attrition due to higher demand for talent
- ✓ Has been able to maintain improvement in DSO, resulting in improved cash flow generation

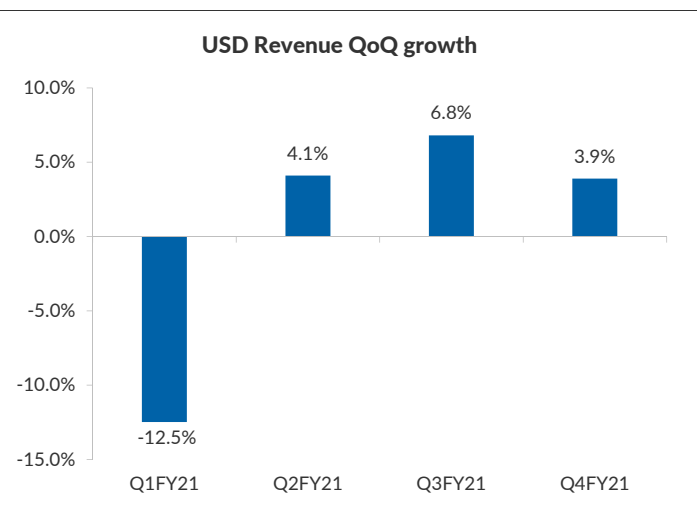
## CHARTS

**Exhibit 2: Q4FY21 Growth led by Transportation and Process Industry segments**



Source: Company, YES Sec – Research

**Exhibit 3: Strong sequential recovery continues**



Source: Company, YES Sec – Research

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