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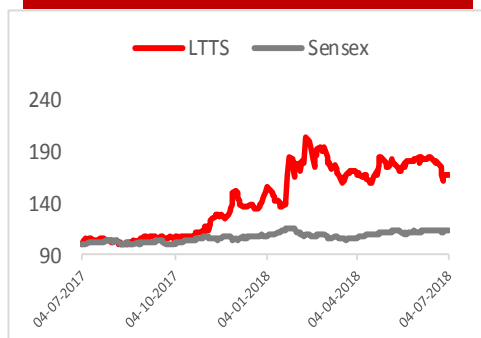
BUY

Current Price	1,222
Target Price	1,489
Upside/Downside	22%
52 Week Range	671/1547

Key Share Data

Market Cap (Rs.bn)	125.3
Market Cap (US\$ mn)	1818.4
No of o/s shares (mn)	101.5
Face Value	2
Monthly Avg. vol(BSE+NSE) Nos'000	78
BSE Code	540115
NSE Code	LTTS
Bloomberg	LTTS.IN

Price Performance



% Shareholding	Mar-18	Dec-17
Promoters	88.8	89.3
Institutions	11.2	10.7
Others	0	0
Total	100	100

L&T Technology Services is a pure-play Engineering, Research and Development (ER&D) Services Company that provides design and development solutions in the areas of Mechanical & Manufacturing Engineering, Embedded Systems, Software and Process Engineering.

Investment Rationale:

Expect overall Engineering outsourcing market to increase as well as outsourcing to India to grow at 13.7% CAGR between FY17 and FY2021E

Of the \$232 Bn spent by G500 companies on ER&D, only \$85 Bn is outsourced to 'offshore inhouse R&D centers' (\$34 Bn) and 'Offshore 3rd party engineering service providers' \$51 Bn). Industry estimates indicate that the pie of 3rd party engineering providers will increase at a CAGR of 9.3% between FY17 and FY21E. Of the \$51 Bn outsourced to 3rd party, Indian companies account for on \$8.9 Bn only. This figure is estimated to grow at 13.7% CAGR between FY17 and FY21E. We expect IT engineering service providers such as Cyient, Persistent, KPIT and Tata Elxsi to be major beneficiary of this trend.

Industry leading revenue guidance of ~16% CAGR coupled with target of \$1 Bn enterprise by FY21E

LTTS has a diversified industry presence in Transportation, Industrial Products, Telecom & HiTech, Process Industry and Medical Devices, which contribute 30.9%, 21.8%, 27.9%, 12.7% and 6.7% to total revenues, respectively. In Q4FY18, management has given a strong and broad-based FY19E USD revenue growth guidance of 16% yoy (highest amongst peers). Expect growth in Transportation segment due to heightened demand in the Autonomous Vehicle, EV, Aerospace and Truck & Off-highway space. Medical segment is expected deliver good growth due to high demand from Japan (which is a big market for LTTS in the Med space). Telecom & HiTech delivered strong growth in Q4FY18 and is expected to continue the trend due to extensive client ramp-ups, growth in semiconductor business (post acquisition of Esencia) and due to high demand from Consumer Electronics and Media segment. The worse seems to be over for Process Industry and Industrial Products as the company expects growth to pick up in these 2 verticals from Q4.

Expect EBITDA margins to expand to 17% by FY20E due to inherent levers

We expect EBITDA margins to remain steady at 15% with a possibility of expansion to 17% due to levers such as (i) higher off-shoring from Q4FY18 levels of 49%, (ii) increase in Billing Rates (company has won higher bill rates in certain clients and has better leverage in next gen technologies), (iii) reduction in SGA expenses as scale increases and (iv) higher component of IP sales

Strategy revamp to result in immense value unlocking for LTTS

LTTS redefined its growth strategy in FY18 through 5 main initiatives namely

- Geo-specific targeting:** Matching supply of services to identified demand in specific regions to reduce inefficiencies
- Augmenting Client Relationships:** through various programs and initiatives which improve involvement with clients and in turn result in higher client mining
- Hunting Agencies:** Snowballing strategy by approaching client offices in other geographies and other stakeholders of existing clients
- Micro-vertical focus:** Increased focus on sub-verticals which have high potential. For example, emphasize only Aerospace, Automotive and Off-Highway sub-verticals in the Transportation segment.
- Focus on Innovation, Solutions and Frameworks:** LTTS plans to monetize technology trends such as Connected Products & Services, Smart Manufacturing Operations, Perceptual Engineering and Pervasive Technologies through specialized offerings. The company has also developed solution frameworks such as i-BEMS for Intelligent Buildings, UBIQWeise – IoT Platform and WAGES for managing utilities (Water, Air, Gas, Energy, Steam) of companies.

LTTS has ~300 patents (across its verticals) in its portfolio as of Q4FY18, of which 228 are co-authored and 72 are own authored. Going ahead, the company also plans to focus on this segment through continuously authoring new patents and monetizing developed ones.



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Outlook and Valuation:

LTTS is currently trading at a PE Multiple of 19.6x and 16.4x to its FY19E and FY20E EPS. Factors such as Industry leading revenue growth guidance (16% USD revenue growth CAGR between FY18 and FY20E), broad-based growth across verticals, revival of growth in Process Industry and Industrial Products segments coupled with presence of margin levers such as steady Billing rates, higher off-shoring and leverage in SG&A expenses as scale increases will be the primary triggers for LTTS in order to outperform the peer group and command premium valuations. We assign a PE multiple of 20x FY20E EPS of INR 74.4 to arrive at a target of INR 1,489.

Consolidated Financials (In INR Mn)										
	Net Sales	% Growth	EBITDA	Margin (%)	PAT	PAT (%)	EPS	P/E (x)	ROE (%)	ROCE (%)
FY16	30,662	17.1%	5,194	16.9%	4,186	13.7%	41.2	29.6x	40.0%	33.6%
FY17	32,483	5.9%	5,847	18.0%	4,250	13.1%	41.9	29.2x	33.3%	30.0%
FY18E	37,471	15.4%	5,811	15.5%	5,111	13.6%	50.4	24.3x	30.5%	28.9%
FY19E	44,831	19.6%	7,265	16.2%	6,332	14.1%	62.4	19.6x	30.1%	28.9%
FY20E	51,916	15.8%	8,830	17.0%	7,556	14.5%	74.4	16.4x	28.8%	28.3%

Source: Company, Bloomberg Estimates and Dalal & Broacha Research



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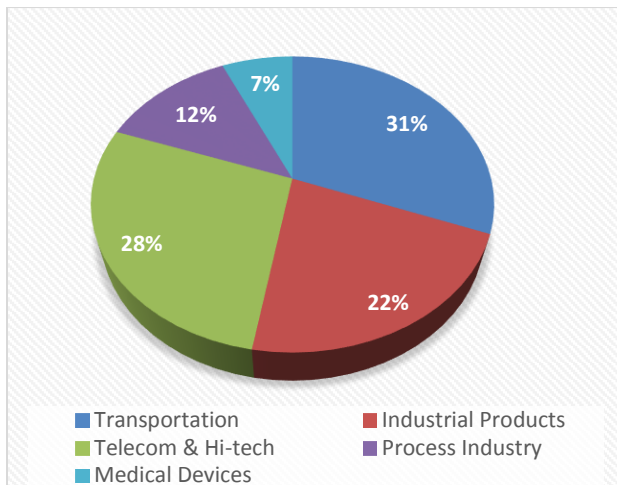
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BACKGROUND

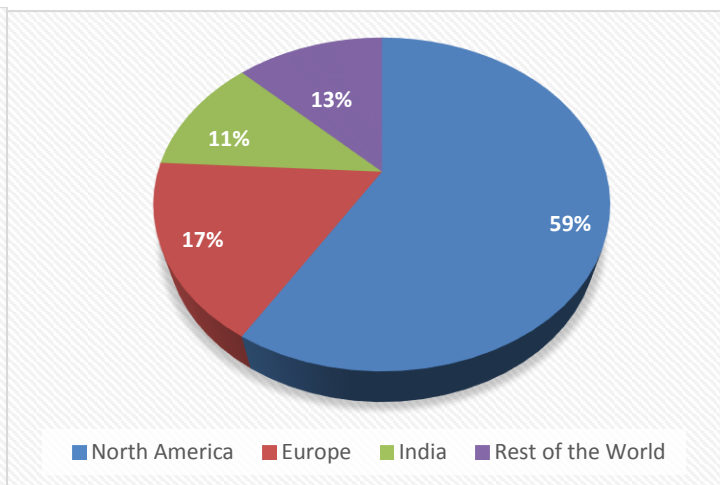
LTTS is an ER&D services company that offers design and development solutions across the product development value chain, for various industries such as Industrial Products, Transportation, Aerospace, Telecom & Hi-tech, and the Process Industry. The company offers services in the areas of Mechanical Engineering, Embedded Systems, Engineering Process Services, and Product Lifecycle Management; besides proprietary solutions in Engineering Data Analytics, Power Electronics, Machine-to-Machine, and the Internet-of-Things. LTTS serves more than 200 customers globally, including 48 of the top 100 Global Engineering R&D spenders.

BUSINESS SEGMENTS

Vertical-wise Presence (%)

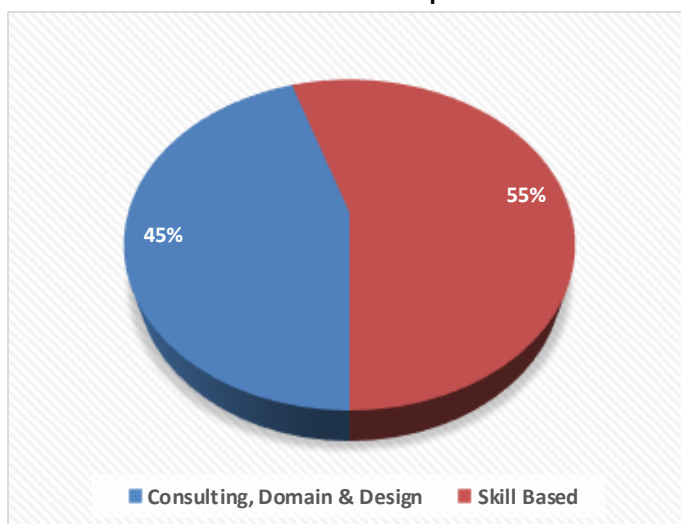


Geographic Contribution (%)



Source: Company, Bloomberg Estimates and Dalal & Broacha Research

LTTS Services Breakup



Source: Company, Bloomberg Estimates and Dalal & Broacha Research

→LTTS derives majority of its revenues from the Transportation Sector (31% of rev) followed by Telecom and Hi-Tech (28% of rev) and Industrial Products (22% of rev).

→N. America and Europe form the largest geographies.

→Consulting, Domain and Design services contribute 45% to revenues and Skill Based Services contribute 55% to overall revenues



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INVESTMENT RATIONALE

Revamped Strategy to achieve above industry average growth

LTTS completely revamped its operational strategy in mid-FY18 which has yielded considerable output – evident through robust quarterly performance and industry leading guidance. LTTS adopted a 5-pronged approach – Multi-vertical & Regional Strategy, Global Design Centers & New Technologies, Non-Linear (IP) Revenues, Top Account Mining and Inorganic Growth.

Multi-Vertical & Regional Strategy	<ul style="list-style-type: none"> •5 Verticals •L Model
Global Design Centers & New Technologies	<ul style="list-style-type: none"> •Proximity & near-shore centers •Specialized centers for POCs, solutions & frameworks •Connected Product & Services, Smart Mfg & Operations, Perceptual Engg., Pervasive Technologies
Non-Linear Revenues	<ul style="list-style-type: none"> •Licensed Revenues •IP Influenced Revenues
Top Account Mining and Selective Hunting	<ul style="list-style-type: none"> •T30 Program •A3 Hunting Adjacencies •Focus on Larger Deals
Acquisitions	<ul style="list-style-type: none"> •Selective acquisitions in Product Software & New age technologies which cuts across domains

Source: Company, Bloomberg Estimates and Dalal & Broacha Research

Geo-Specific Growth Approach:

LTTS has narrowed down its focus on specific regions within the geographies that it is present in, namely North America, Europe & ROW and drafted strategies specific to requirements, thereby improving marketing & operational efficacy.

- North America: LTTS has laid out 7 local design centers and increased hiring of local talent. Being a mature market, sales engine is verticalized
- Europe: Demand is relatively high in Automotive, Digital Engineering and Plant Engineering space. LTTS has placed 2 local design centers and has clustered products and services offered according to regions.
- ROW: While Japan and India have traditionally been focus areas, Company is exploring opportunities in South Africa, Australia and Singapore and has set up a new design center in Israel as well.

T30 Account Mining:

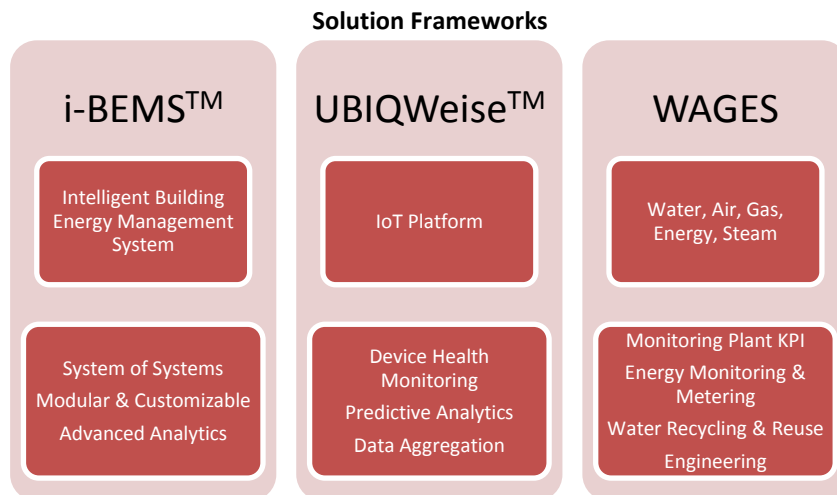
Mining top 30 clients and focusing on clientele adjacent to them will be two main focus areas. We believe that greater focus on Client Mining than Client farming will also enable the company to optimize its employee pyramid and support margin expansion.



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Non-Linear Revenues:

IPs like i-BEMS, UBIQWeise and WAGES are already under LTTS's offerings. Additionally, company has 57 own patents and 197 co-authored patents. Going ahead, we expect IP solutions to be a major source of de-linear growth. As major effort on IP solutions are already incurred, 80% of IP revenues directly flow into EBITDA and thus can potentially boost margins immensely.



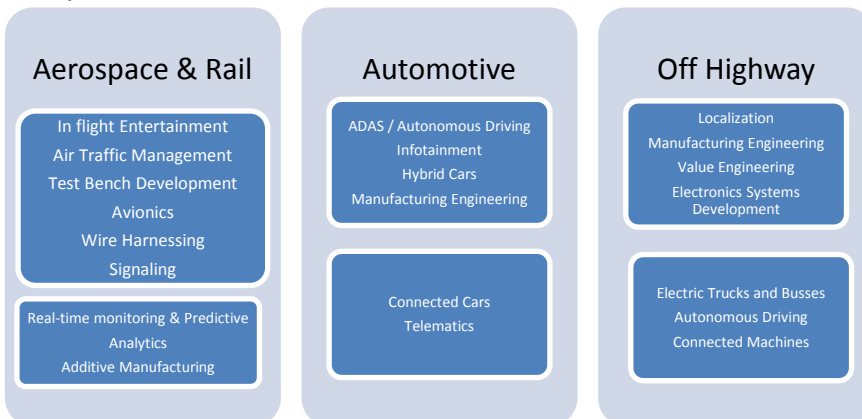
Source: Company, Bloomberg Estimates and Dalal & Broacha Research

Apart from licensing its flagship platforms as mentioned above, LTTS plans to Create and Monetize patents. As of Q4FY18, LTTS' patents portfolio stood at 328 patents out of which 245 were co-authored with its customers and 83 were filed by self. Patent monetization is also a high margin business with margins upwards of 80% as majority of the effort has already been incurred.

Micro-vertical focus

LTTS has laid out a micro-vertical focus within its broad sector presence. For example, within Transportation, Aerospace & Rail, Automotive, Off-highway will be key focus areas.

Transportation



Source: Company, Bloomberg Estimates and Dalal & Broacha Research

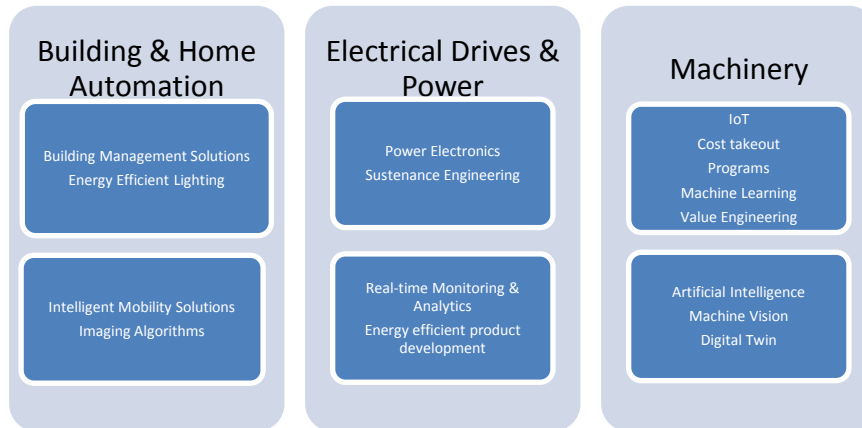
- The Transportation vertical has grown at a 4 quarter and 8 quarter CQGR of 2.3% and 3.4% respectively.
- Expect Aerospace to outperform as company announced a large (\$50 Mn) deal and ramped up a project at a new client in FY18
- Expect Automotive segment to deliver 15% + YoY on the back of robust R&D spend on Autonomous cars and EVs by Global Automotive Manufacturers and OEMs. Expect spending in V2X connectivity to also drive revenues



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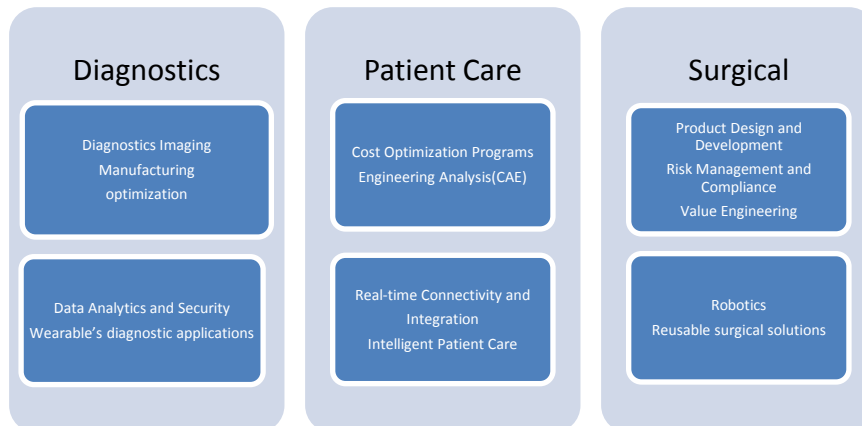
Industrial Products



Source: Company, Bloomberg Estimates and Dalal & Broacha Research

- We expect spending in the Industrial Products space to pick up as majority of the 35 new G500 entrants in 2016 belong to Industrial and Semiconductor space
- Additionally, LTTS has been consistently ranked in the Leadership Zone by Zinnov amongst Product Engineering Services companies over the last 3 years
- We believe that Building & Home Automation is another area which can potentially deliver above average growth as Digital and Automation technologies gradually seep in commercial and residential segments

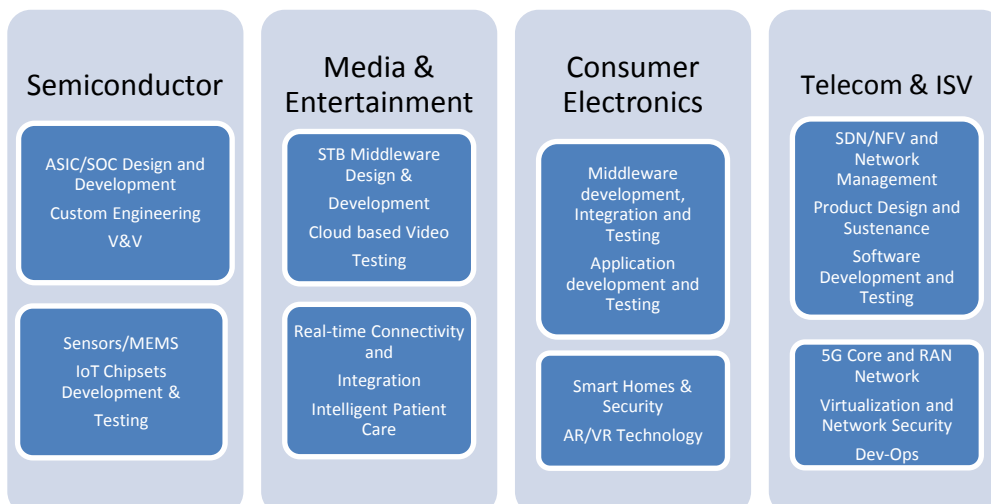
Medical Devices & Healthcare



Source: Company, Bloomberg Estimates and Dalal & Broacha Research

- Global Medical has reported YoY growth of ~11% over the last 2 years. Going ahead, expect global healthcare industry to grow at ~10% YoY between FY18 and FY20E as the industry is witnessing the adoption of digital technology solutions, AI, Internet of Medical Things (IoMT) and Robotics
- Medical Devices vertical has delivered a 4 quarter and 8 quarter CQGR of 4.5% and 4% respectively.

Telecom & Hi-Tech



Source: Company, Bloomberg Estimates and Dalal & Broacha Research

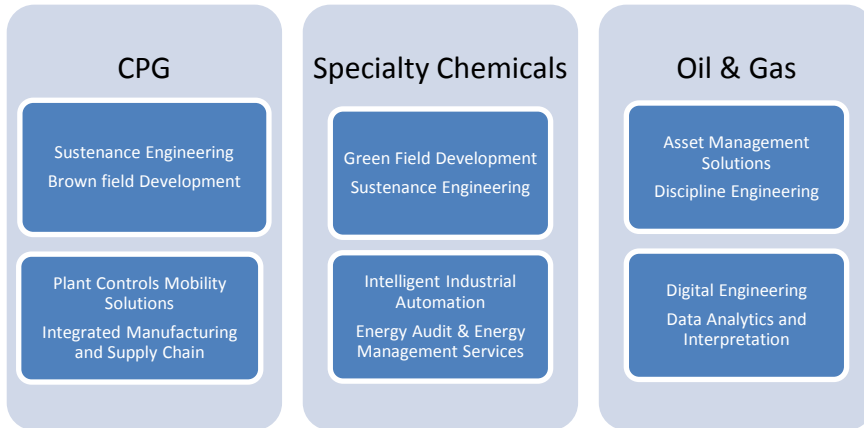
- Telecom & Hi-Tech has been the fastest growing vertical for LTTS with a 4 quarter and 8 quarter CQGR of 17.6% and 6.9% respectively.
- As per industry estimates, semiconductor space is expected to grow at 7.5% CAGR between FY18 and FY20E driven by adoption of AI, 5G and Autonomous Vehicle.
- Furthermore, with Data traffic growing almost 50% YoY and introduction of 5G and higher tech, service providers are expected to extend as well as upgrade networks. Expect Telecom & Hitech to continue robust growth.



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Process Industry



- Expect Oil & Gas spend to be subdued in FY19E mainly due to heightened oil prices. Growth in Specialty Chemicals is expected to be in the lower single digits.
- Slow down in Oil & Gas space is expected to be offset by growth in the CPG industry which is driven by robust growth due to booming e-commerce sales.

Source: Company, Bloomberg Estimates and Dalal & Broacha Research

Expect EBITDA margins to expand to 17% by FY20E on account of presence of several levers

We believe that there are several margin levers at the company's disposal which can enable margin expansion over the next two years:

(i) **Greater Off-shoring**

(ii) **Higher Billing Rate** – Pricing power in the ER&D space and COLA (Cost of Living Appreciation) clauses in client contracts ensure stability

(iii) **Optimization of Employee Pyramid** – Typically, as scale increases, hiring of freshers increase, which optimizes employee cost

(iv) **SG&A leverage as scale increases**

We expect margin to expand to a minimum of 17% in FY20E from 15.3% in FY18 on the back of above mentioned levers. Furthermore, management focus on IP solutions can convert into greater margin expansion from estimated levels as 80% of IP sales directly flow into EBITDA. However, IP sales are inherently volatile in nature and can therefore we estimate a base case of 17% EBITDA margins in our forecast by FY20E.

Industry leading USD revenue growth guidance of 16% CAGR and target of USD 1 Bn enterprise by FY21E

In Q4FY18, LTTS guided for a **16% CAGR growth in USD revenues between FY18 and FY21E** with an objective of \$1 Bn. Further, this objective is estimated to be achieved through Organic contribution of ~\$880 Mn and Inorganic contribution of ~\$120 Mn, implying an organic CAGR of 15% between FY18 and FY21E. Management expects growth to be broad-based across all verticals but mainly led by **Transportation** due to high spend in the Autonomous and Electric Vehicle space and **Telecom & Hi-Tech** segment due to high traction in Consumer Electronics and Media & Entertainment space.

We believe that development of **VANGEN** (Video Annotation Generator) and advancement in algorithmic applications in Advanced Driver Assistance Services (ADAS) and LiDAR (Light Detection & Ranging) should translate into higher than historical average growth (8 quarter CQGR of 3.4%) in the Transportation Segment.

Additionally, acquisition of Esencia (in Q1FY18) has enabled LTTS to improve its capability, execution and delivery which is evident in the robust growth in Telecom & Hi-Tech (4 quarter CQGR of ~25%). Esencia has enabled LTTS to be considered for larger and more complicated new projects as well as ramp ups. Robust spending in the internet media platforms space and by MSOs should ensure healthy growth in this segment.



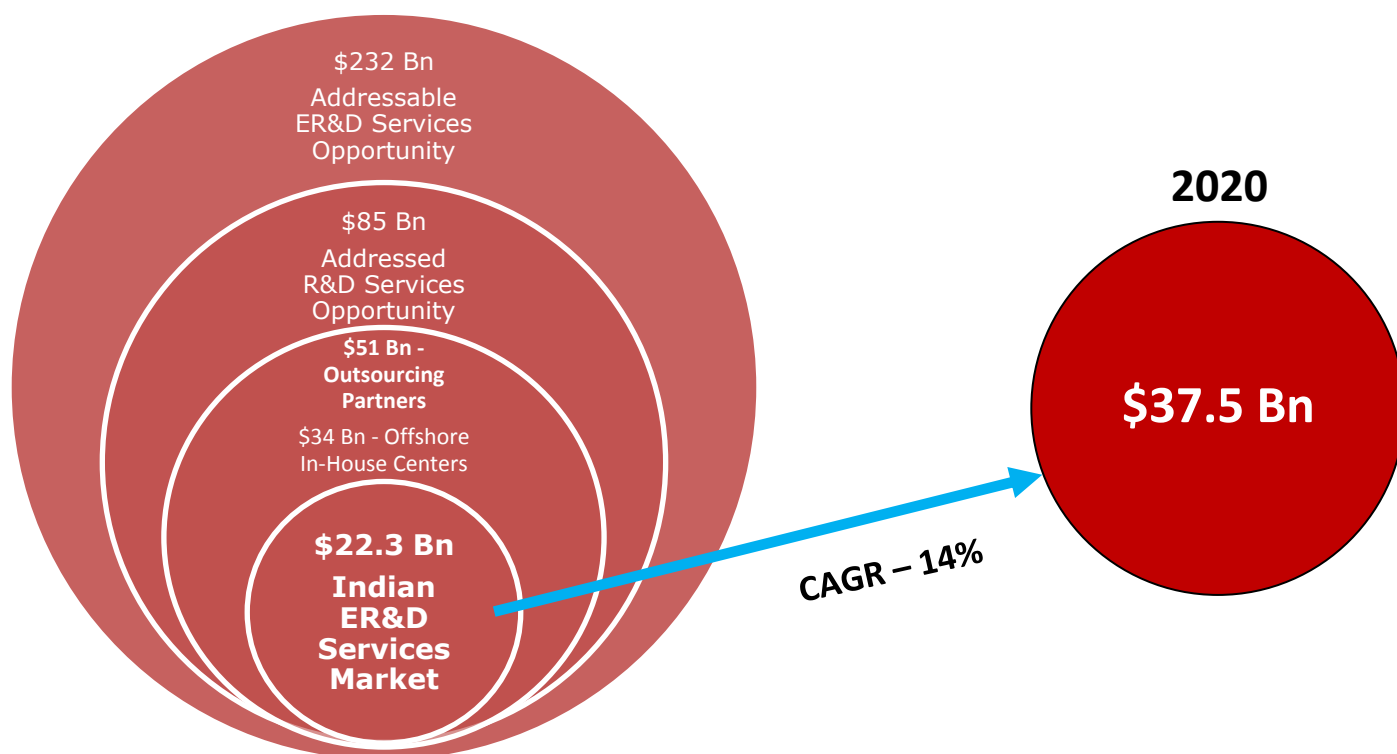
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Expect both – Overall Engineering Outsourcing market as well as India’s share – to grow at CAGR of 14% between FY16 and FY20E

Global Research & Development spend stood at \$621 Bn in 2016, of which \$232 Bn is the addressable market as rest is invested in heavy capital expenditure items such as buildings, centers and equipment which cannot be outsourced. Of the \$232 Bn of addressable market, \$147 Bn is captive and \$85 Bn is divided between **off-shore in-house R&D Centers** (\$34 Bn) and **3rd party Outsourcing Partners** (\$51 Bn).

2016



Of the total \$51 Bn market for ER&D Offshore Outsourcing Service Providers, **\$22.3 Bn is addressed by Indian service providers and only \$8.9 Bn is addressed by 3rd party Indian services providers**. Industry estimates suggest that India’s ER&D services market is expected to grow from \$22.3 Bn to \$37.5 Bn at a CAGR of 13.3% between FY16 and FY20E whereas 3rd party Indian outsourcer market is est. to grow at 13.9% CAGR till FY20 mainly due to the following drivers:

- **Indian ESPs are moving up the value chain:** Through directed investments in creating assets (intellectual property, accelerators or solutions), India-based ESPs have been able to move up the value chain and contribute to critical R&D programs of the end customers
- **India's mature talent and innovation ecosystem:** India offers a large engineering talent pool of 314,500 people across various skill sets that is growing at a rate of 14%. In addition, the Indian innovation ecosystem is rapidly maturing in emerging technologies such as embedded systems, big data technologies and IoT
- **Significant cost arbitrage:** India-based service providers operate at 30% to 50% lesser rates than Western Europe and US based service providers
- **More stringent labour laws on temporary staffing in Europe:** A revision in staffing laws in Germany and proposed revisions in France which include right to equal pay for temporary workers and 18 month supply limitations will make onshore staffing more expensive and limiting. Thus outsourcers are expected to explore offshore options to meet flexible workforce requirements.
- **Maturing in-house R&D centres landscape:** As global in-house R&D centres in India are moving up the value chain and are delivering high end work out of India, they are becoming potential customers to and collaborators with third-party



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ER&D service providers. In addition, companies are becoming open to co-sourcing with both in-house R&D centres and third-party ER&D service providers

India leads the race in set-up of new R&D centers

As far as R&D centres are concerned, India leads the race in the share of new lab set-ups compared to other outsourcing destination. This is evidenced by a resurgence in the setup of new R&D centres, particularly in India. According to industry estimates, nearly 65-70% of the new offshore technology centres were set up in India with 29 centres in, among other cities, Bangalore, Chennai, the National Capital Region and Pune.

Industry-wise R&D Spend and Growth Rate (2016)

According to industry estimates, Automotive and Software/Internet companies are the largest ER&D spenders (contributing 17% of total spend) followed by Semiconductor (8% of total spend) and Telecom & Networking companies (7% of total spend). While Semi-Conductor and Telecom & Networking have grown at 5% and 4% yoy respectively in 2016, Medical industry R&D spend has grown at 11% yoy. Aerospace & Defense (4.5% of total spend) has grown at 4% yoy whereas Energy & Utilities (3.4% of spend) have reported a de-growth of 4% yoy.

Industry estimates suggest that global **A&D** market will experience stronger growth (> 4% in 2016) in 2018 following years of subdued growth rates driven primarily by spending in the US. Similarly, **Communications** industry is expected to deliver higher growth due to increase in fiber deployment across Australia, New Zealand, US and India. **Medical Industry** is also estimated to continue its double digit growth till 2021 and mainly driven by advances in medical devices and increasing health awareness.

Examples such as tie-up of French Car maker Groupe PSA with TCS indicative of rise in Engineering Outsourcing activity to India

In FY18, French car maker Groupe PSA partnered with Tata Consultancy Services for engineering its Smart Car plan and executing it for the Indian market. Design and development activities have been outsourced to TCS wherein local content in the process of sourcing, design, development and execution will be to tune of 90%. Additionally, preliminary estimates indicate that outsourcing engineering to India will enable Groupe PSA to cut costs by approximately 20-30%.

Volkswagen Group's elementary level discussions with the likes of Mahindra Engineering Services, Tata Technologies and Hinduja Technologies are other examples of increasing willingness of top global players in outsourcing activities to India.



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Valuation & Outlook

LTTS is currently trading at a PE Multiple of 19.6x and 16.4x to its FY19E and FY20E EPS. Factors such as Industry leading revenue growth guidance (16% USD revenue growth CAGR between FY18 and FY20E), broad-based growth across verticals, revival of growth in Process Industry and Industrial Products segments coupled with presence of margin levers such as steady Billing rates, higher off-shoring and leverage in SG&A expenses as scale increases will be the primary triggers for LTTS in order to outperform the peer group and command premium valuations. We have a **BUY** rating on the stock as we assign a PE multiple of 20x FY20E EPS of INR 74.4 to arrive at a target of INR 1,489.

Peer Comparison

Co. Name	Mkt Cap	Revenue (INR Mn)				EBITDA (INR Mn)				Net Income (INR Mn)				ROE	ROCE	P/E
		FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E			
LTTS	135500	32,483	37,471	44,831	51,916	5,847	5,811	7,265	8,830	4,250	5,111	6,320	7,544	30.5%	28.9%	16.4x
Cyient	84770	35,858	39,139	45,757	51,219	4,772	5,354	7,355	8,182	3,438	4,054	5,776	6,437	20.8%	21.1%	13.1x
KPIT Tech	56682	33,200	36,630	41,817	46,587	3,486	2,942	3,994	4,524	2,385	2,511	3,141	3,868	14.9%	9.6%	15.0x
Persistent	63244	28,784	30,337	34,938	39,193	4,653	4,660	6,715	7,512	3,129	3,231	4,676	5,184	16.1%	11.3%	15.2x
HCL Tech	1272920	4,67,220	5,05,690	5,80,108	6,26,848	1,03,130	1,14,390	1,48,653	1,57,412	84,610	87,810	1,12,681	1,19,899	23.5%	22.6%	11.5x
Tata Elxsi	75700	12,330	13,863	16,690	18,661	2,720	3,460	4,683	5,241	1,733	2,400	3,139	3,582	35.4%	38.3%	23.8x

Co. Name	Revenue Growth (%)				EBITDA Margin (%)				PAT Margin (%)			
	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E
LTTS	6%	15%	20%	16%	18%	16%	16%	17%	13%	14%	14%	15%
Cyient	15.9%	9.1%	16.9%	11.9%	13.3%	13.7%	16.1%	16.0%	9.6%	10.4%	12.6%	12.6%
KPIT Tech	3.1%	10.3%	14.2%	11.4%	10.5%	8.0%	9.6%	9.7%	7.2%	6.9%	7.5%	8.3%
Persistent	24.5%	5.4%	15.2%	12.2%	16.2%	15.4%	19.2%	19.2%	10.9%	10.6%	13.4%	13.2%
HCL Tech	14.2%	8.2%	14.7%	8.1%	22.1%	22.6%	25.6%	25.1%	18.1%	17.4%	19.4%	19.1%
Tata Elxsi	14.7%	12.4%	20.4%	11.8%	22.1%	25.0%	28.1%	28.1%	14.1%	17.3%	18.8%	19.2%

Key Risks

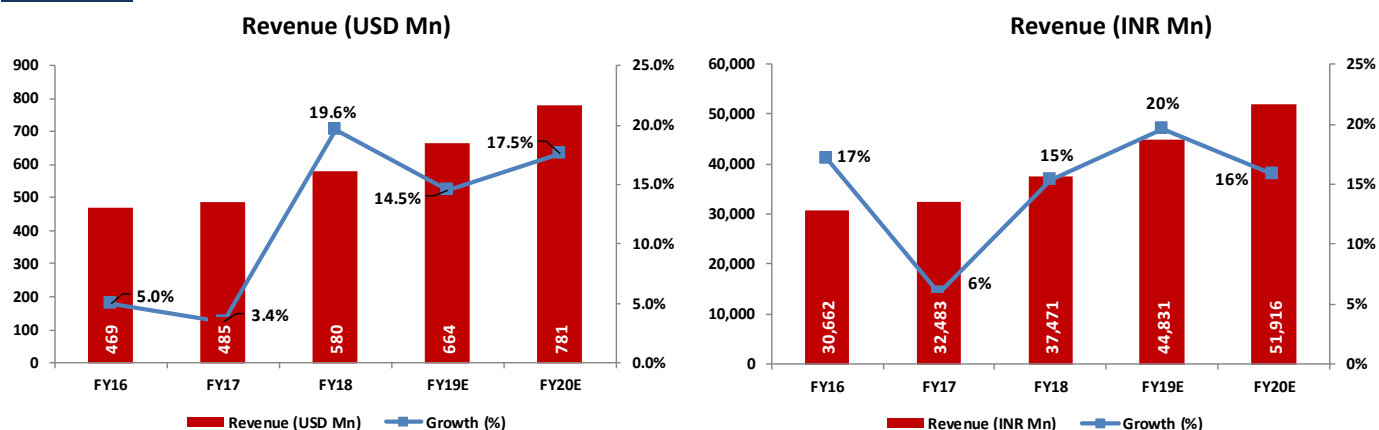
Promoter holding currently stands at 87%, which will have to be reduced to 75% by September 2019. The company has sold the maximum permissible limit of 2% in the open market and an Offer for Sale (OFS) is expected any time during the course of the current financial year. In such a case, liquidity of the stock will increase and might put short term pressure on the stock price. However, we believe that long term prospects remain intact and the OFS, if below the market price at that time, should be considered as a buying opportunity.



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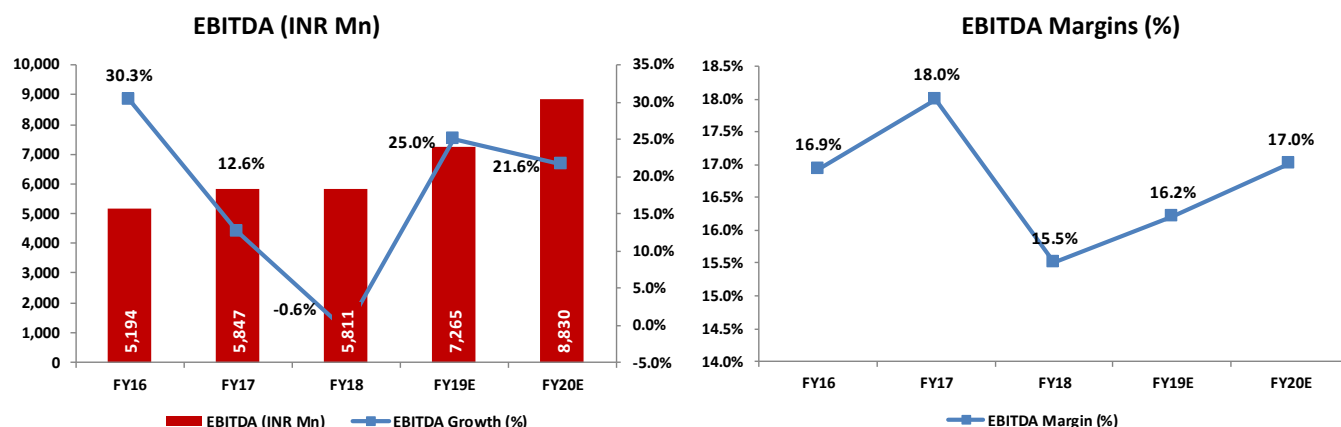
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FINANCIALS



Source: Company and Dalal & Broacha Research

Historically, LTTS has reported a 2 year CAGR of 11.2% between FY16 and FY18. We expect Dollar revenues to grow from \$580 Mn in FY18 to \$781 Mn in FY20E at a 16.6% CAGR. In INR terms, we expect company to report a 17.7% CAGR between FY18 and FY20E as revenues grow from INR 37,471 Mn to INR 51,916 Mn. We incorporate an USD/INR rate of 67.5 in FY19E and 66.5 in FY20E. Based on order bookings in the H2FY18 and robust demand environment in ER&D Services, company has guided for USD revenue CAGR of 16% between in FY19E and FY21E and targeted a \$1 Bn revenue by FY21E through a combination of organic and inorganic growth. Company targets to achieve a revenue of \$880 Mn by FY21E through organic initiatives and \$120 Mn through inorganic route.



Source: Company and Dalal & Broacha Research

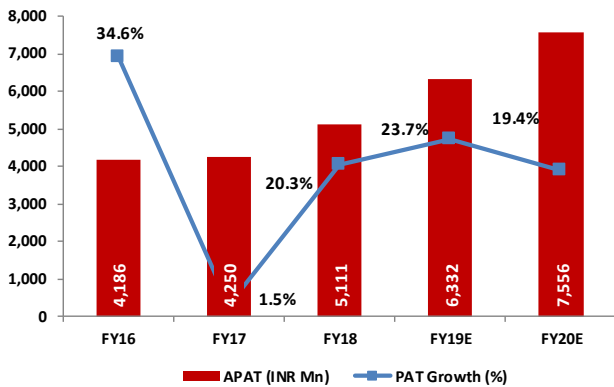
We expect EBITDA to grow at 23.3% CAGR between FY18 and FY20E whereas margins to improve from 15.5% to 17%. Historically, EBITDA growth was subdued at 6% CAGR between FY16 and FY18 mainly due to aggressive client addition which involved higher onsite effort and a top heavy employee pyramid. Going ahead, we expect EBITDA margins to improve because of **increase in off-shoring, reduction in SG&A expenses, employee pyramid optimization, stability in billing rates and focus on IP sales.**



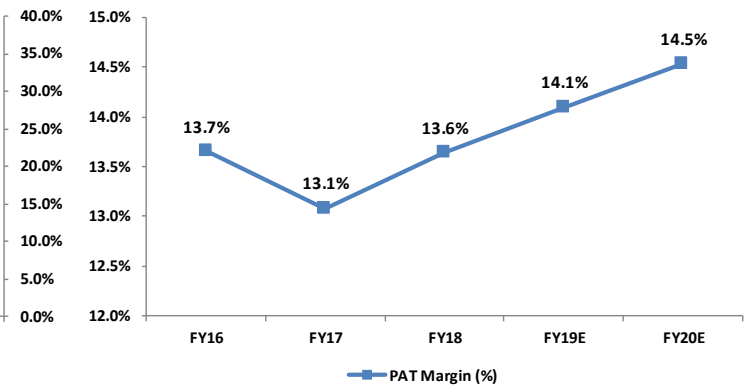
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PAT (INR Mn) and PAT Growth (%)



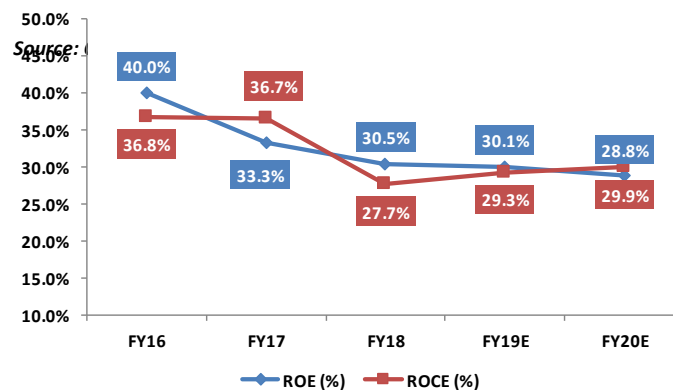
PAT Margins (%)



Source: Company and Dalal & Broacha Research

We estimate PAT to grow at 21.6% CAGR to INR 7,556 Mn by FY20E. In line with PAT, we expect PAT margins to improve from 13.6% in FY18 to 14.5% by FY20E. Company has INR 702 Mn of short term borrowings on its books and debt free company as far as Long Term borrowings are concerned. We expect company to payoff entire Short Term borrowings by FY20E and thereby eliminate its interest expense of INR 8 Mn completely.

Profitability Ratios (%)



LTTS' ROE and ROCE stand at 30.5% and 27.7% as of FY18. ROE and ROCE has been consistently maintained around the 30% mark over the last 5 years. Going ahead, we expect ROE to remain steady in a broad range of 28-30% over the next 2 years.



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Profit & Loss A/c					
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Total Revenue	30,662	32,483	37,471	44,831	51,916
Growth %	17%	6%	15%	20%	16%
Less:					
Employee Cost	19,681	20,958	24,600	29,386	34,135
SG&A Expenses & Other	5,787	5,678	7,060	8,181	8,951
Total Operating Expenditure	25,468	26,636	31,660	37,567	43,086
EBIDTA	5,194	5,847	5,811	7,265	8,830
Growth %	30%	13%	-1%	25%	22%
Less: Depreciation	589	625	889	807	831
EBIT	4,605	5,222	4,922	6,458	8,000
Interest Paid	25	21	27	32	0
Non-operating Income	845	591	1,934	2,017	2,077
Profit Before tax	5,425	5,792	6,829	8,443	10,076
Tax	1,239	1,542	1,712	2,117	2,526
Net Profit before Minority	4,186	4,250	5,117	6,326	7,550
Minority Interest	0	0	6	6	6
Net Profit	4,186	4,250	5,123	6,332	7,556
Adjusted Profit	4,186	4,250	5,111	6,332	7,556
Growth %	35%	2%	20%	24%	19%
Reported Diluted EPS Rs	41.2	41.9	50.4	62.3	74.3
Adjusted Diluted EPS Rs	41.2	41.9	50.4	62.4	74.4

Cash Flows (Consolidated)					
YE December (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
PAT	4,186.0	4,250.0	5,111.0	6,320.4	7,544.3
Less: Non Operating Income	(845.0)	(591.0)	(1,934.0)	(2,017.4)	(2,076.7)
Add: Depreciation	589.0	625.0	889.0	807.0	830.7
Add: Interest Paid	25.0	21.0	27.0	32.0	0.0
Operating Profit before WC Changes	3,955.0	4,305.0	4,093.0	5,141.9	6,298.3
(Inc)/Dec in Current Assets	(54.0)	24.0	(2,564.2)	(1,433.9)	(1,064.4)
Inc/(Dec) in Current Liabilities	1,066.0	(1,158.0)	541.3	1,251.6	1,209.8
Changes in Inventory	0.0	0.0	0.0	0.0	0.0
Net Cash From Operations	4,967.0	3,171.0	2,070.1	4,959.6	6,443.7
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(828.0)	(744.0)	(500.0)	(1,200.0)	(1,200.0)
(Inc)/Dec in Capital Work In Progress	(139.0)	120.0	(3.5)	(108.0)	(21.3)
(Inc)/Dec in Investment (Strategic)	0.0	0.0	(261.9)	(51.4)	(49.5)
Add: Non Operating Income	845.0	591.0	1,934.0	2,017.4	2,076.7
Cash From Investing Activities	(516.0)	933.0	1,168.6	658.0	805.9
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	(233.0)	(936.0)	(50.0)	(50.0)	(919.0)
Dividend Paid	(2,270.0)	(1,215.0)	(1,277.8)	(1,580.1)	(1,886.1)
Less: Interest Paid	(25.0)	(21.0)	(27.0)	(32.0)	0.0
Net Cash from Financing Activities	(4,049.0)	(1,011.0)	(1,348.0)	(1,668.4)	(2,803.8)
Net Inc/Dec in cash equivalents	402.0	3,093.0	1,890.7	3,949.2	4,445.8
Opening Balance	703.0	832.0	672.0	2,286.5	4,773.6
Closing Balance Cash and Cash Equivalents	1,105.0	3,925.0	2,562.7	6,235.7	9,219.5

Free Cash Flow Statement					
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
EBITDA	5,194	5,847	5,811	7,265	8,830
FC Investment	527	-447	500	1,200	1,200
WC Changes	1,012	-1,134	-1,701	-182	145
Depreciation Tax Shield	135	166	223	202	208
Tax Expenses	1,402	1,421	1,457	1,821	2,214
FCF	4,412	3,905	2,376	4,263	5,770

Balance Sheet (Consolidated)					
YE March (Rs. mn)	FY16	FY17	FY18E	FY19E	FY20E
Liabilities					
Equity Capital	3,000	203	203	203	203
Reserves & Surplus	7,661	14,653	18,486	23,227	28,885
Equity	10,661	14,856	18,689	23,430	29,088
Net Worth	10,661	14,856	18,689	23,430	29,088
Total Loans	1,955	1,019	969	919	0
Capital Employed	12,611	15,871	19,661	24,345	29,086
Assets					
Gross Block	1,359	1,757	2,257	3,457	4,657
Less: Depreciation	288	567	1,456	2,263	3,094
Net Block	1,071	1,190	801	1,194	1,563
Capital WIP	143	23	27	134	156
Investments	250	227	489	540	590
Intangible Assets	5,137	4,948	4,948	4,948	4,948
Current Assets					
Sundry Debtors	7,259	7,106	9,650	11,054	12,090
Current Investments	555	1,946	2,248	2,690	3,115
Cash and Bank Balance	832	672	2,287	4,774	7,802
Loans and Advances	518	1,308	1,509	1,793	2,077
Other Current Assets	2,485	3,686	3,898	4,664	5,401
Total Current Assets	11,649	14,718	19,592	24,975	30,485
Less: Current Liabilities & Provisions					
Sundry Creditors	2,138	1,847	2,168	2,573	2,951
Provisions	1,232	1,271	1,404	1,736	2,071
Other Current Liabilities	3,442	2,536	2,623	3,138	3,634
Total Current Liabilities & Provisions	6,812	5,654	6,195	7,447	8,657
Capital Applied	12,611	15,871	19,661	24,345	29,086

Key Ratios (Consolidated)					
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Key Operating Ratios					
EBITDA Margin (%)	16.9%	18.0%	15.5%	16.2%	17.0%
Tax / PBT (%)	22.8%	26.6%	25.1%	25.1%	25.1%
Net Profit Margin (%)	13.7%	13.1%	13.6%	14.1%	14.5%
RoE (%)	40.0%	33.3%	30.5%	30.1%	28.8%
RoCE (%)	33.6%	30.0%	28.9%	28.9%	28.3%
Current Ratio (x)	1.7x	2.6x	3.2x	3.4x	3.5x
Dividend Payout (%)	54.2%	28.6%	25.0%	25.0%	25.0%
Book Value Per Share (Rs.)	105.0	146.4	184.1	230.8	286.6
Financial Leverage Ratios					
Debt/ Equity (x)	0.2x	0.1x	0.1x	0.0x	0.0x
Interest Coverage (x)	207.8x	278.4x	215.2x	227.0x	227.0x
Growth Indicators %					
Sales Growth (%)	17.1%	5.9%	15.4%	19.6%	15.8%
EBITDA Growth (%)	30.3%	12.6%	(0.6%)	25.0%	21.6%
Net Profit Growth (%)	34.6%	1.5%	20.3%	23.7%	19.4%
Diluted EPS Growth (%)	1889.8%	1.5%	20.3%	23.7%	19.4%
Turnover Ratios					
Debtors (Days of net sales)	83	81	82	84	81
Creditors	45	40	36	36	36

Valuation Ratios					
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
P/E (x)	29.6x	29.2x	24.3x	19.6x	16.4x
P/BV (x)	11.6x	8.3x	6.6x	5.3x	4.3x
EV/EBITDA (x)	24.1x	21.3x	21.1x	16.5x	13.2x
EV/Sales	4.1x	3.8x	3.3x	2.7x	2.2x
Market Cap./ Sales (x)	4.0x	3.8x	3.3x	2.8x	2.4x
Dividend Yield (%)	1.8%	1.0%	1.0%	1.3%	1.5%



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