



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q2 FY19 Result Update@ Dalal&Broacha

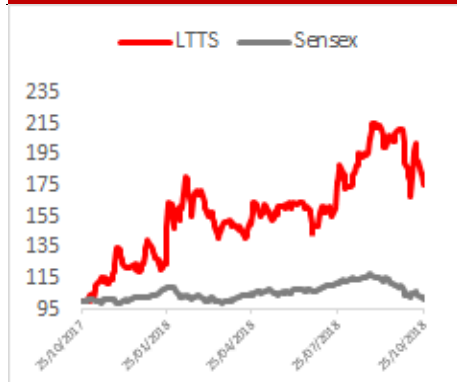
BUY

Current Price	1,553
Target Price	2,077
Upside	33%
52 Week Range	1852/807

Key Share Data

Market Cap (Rs.bn)	161.01
Market Cap (US\$ mn)	2190.61
No of o/s shares (mn)	103.64
Face Value	2
Monthly Avg.	
Vol(BSE+NSE) Nos	80.91
BSE Code	540115
NSE Code	LTTS
Bloomberg	LTTS:IN

Price performance



% Shareholding	Sept-18	June-18
Promoters	80.66	87.10
Public	12.90	19.34
Others	0	0
Total	100	100

Consolidated Financials (In INR Mn)

	Net Sales	% Growth	EBITDA	Margin (%)	PAT	PAT (%)	EPS	EPS	P/E (x)	ROE (%)	ROCE (%)
FY16	30,662	17.1%	5,194	16.9%	4,186	13.7%	41.2	35%	37.7x	40.0%	33.6%
FY17	32,483	5.9%	5,847	18.0%	4,250	13.1%	41.9	2%	37.1x	33.3%	29.9%
FY18	37,471	15.4%	5,811	15.5%	5,111	13.6%	50.4	20%	30.8x	29.9%	28.5%
FY19E	49,034	30.9%	7,670	15.6%	6,869	14.0%	67.7	34%	23.0x	31.3%	30.5%
FY20E	57,205	16.7%	9,529	16.7%	8,134	14.2%	80.1	18%	19.4x	29.5%	29.0%
FY21E	68,082	19.0%	12,498	18.4%	10,530	15.5%	103.9	30%	15.0x	30.5%	30.1%

Source: Company, Dalal&Broacha Research

Q2FY19 results beat our estimates convincingly on all fronts

- USD revenues came in at USD 177.2 Mn, +4.9% qoq / +27.2% yoy and 2.3% above our est. of USD 173 Mn
- In Rupee terms, revenue was reported at INR 12,661 Mn, 9.9% qoq / +40.6% yoy and 4.3% above our estimate of INR 12,138 Mn
- EBITDA stood at INR 2,288 Mn, +16.7% qoq / +66.5% yoy and a big beat on our estimate of INR 2,092 Mn | EBITDA translated into a margin of 18.1% versus our estimate of 17.2%. Comparatively, margins in Q1FY19 and Q2FY18 stood at 17% and 15.3% respectively
- PAT was reported at INR 1,910 Mn, -3.3%qoq / +55.7% yoy_ and +1.6% vs our estimate of INR 1,880 Mn. PAT was down qoq mainly due to 44% drop in Other Income.
- EPS was reported at INR 18.5vs our estimate of INR 18.3 and Q1FY19 and Q2FY18 EPS of INR 19.3 and INR 12 respectively.

Broad-based growth coupled with healthy client addition

- Transportation (32% of rev) and Process Industry (14.2% of rev) led the growth pack with a 9% qoq growth and 10% qoq respectively. Medical Devices (6.5% of rev) grew 5% qoq in Q2FY19
- Industrial Products reported a healthy 6% qoq growth after many quarters of low single digit quarterly growth.
- LTTS added 1 client in the \$30 Mn bucket, 2 clients in the \$10 Mn bucket and 1 client in the \$5 Mn bucket

Key Concall Takeaways

(i) Growth was equally distributed in the subsegments under Transportation, i.e. Automotive, Aero and Off-highway (ii) Industrial Products turned around in the quarter as company witnessed increasing demand for infusing digital tech into physical products (iii) Telecom segment in Europe saw a soft quarter as some work was shifted off-shore. However, pipeline in the segment was strong and one can expect a bounce-back in H2 (iv) Company sees trade tariffs as an opportunity as various companies plan relocating / re-sourcing to/from favorable locations (v) Other Income was lower as Q1FY19 had non-recurring component (vi) FY19E organic growth guidance at 21% yoy (vii) Medical devices witnessed good momentum in US and Japan (viii) NBloT and IBeMs displaying immense traction

Valuation & Outlook:

Management has consistently delivered on guidance and reiterated a 21% organic growth in FY19E. Higher growth should be driven by strong order pipeline across all segments and higher growth in IP business. At CMP of INR 1,553, the stock is currently trading at 15x FY21E EPS. **We apply a PE multiple of 20x to FY21e EPS of INR 104 and maintain our BUY rating on the stock with a target price of INR 2,077**



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q2 FY19 Result Update@ Dalal&Broacha

YE March (Rs. mn)	Q2 FY19	Q1 FY19	Q-o-Q change %	Q2 FY18	Y-o-Y change %	Q2 FY19 Est.	Deviation %
Total Revenue (USD Mn)	177	169	4.9%	139	27.2%	173	2.3%
Total Revenue (INR Mn)	12,661	11,522	9.9%	9,006	40.6%	12,138	4.3%
Less:							
Cost of Revenues	7,924	7,381	7.4%	6,125	29.4%	7,740	2.4%
SG&A Expenses	2,449	2,180	12.3%	1,507	62.5%	2,306	6.2%
Total Expenditure	10,373	9,561	8.5%	7,632	35.9%	10,046	3.3%
EBIDTA	2,288	1,961	16.7%	1,374	66.5%	2,092	9.4%
Less: Depreciation	270	260	3.8%	146	84.9%	274	-1.4%
Operating Income	2,018	1,701	18.6%	1,228	64.3%	1,818	11.0%
Interest Paid	4	4	0.0%	5	(20.0%)	4	
Other income (expense), net	550	982	(44.0%)	482	14.1%	728	-24.5%
Profit Before Tax	2,564	2,679	(4.3%)	1,705	50.4%	2,542	0.8%
Tax	646	698	(7.4%)	475	36.0%	662	-2.5%
Deferred Tax	0	0		0		0	
PAT before Minority Interest	1,918	1,981	(3.2%)	1,230	55.9%	1,880	2.0%
Minority Interest	8	6	N.A.	3	N.A.	0	
Share of Profit of Associates	0	0		0		0	
Profit After Tax	1,910	1,975	(3.3%)	1,227	55.7%	1,880	1.6%
Basic & Diluted EPS (Rs.)	18.5	19.3	(4.2%)	12.0	54.2%	18.3	0.6%
Basic & Diluted Outstanding (mn)	104	103		103		103	
Margin Analysis %			Change In bps		Change In bps		
EBIDTA Margin	18.1%	17.0%	105	15.3%	281	17.2%	84
Operating Margin	15.9%	14.8%	118	13.6%	230	15.0%	96
PBT Margin	20.3%	23.3%	-300	18.9%	132	20.9%	-69
NPM	15.1%	17.1%	-206	13.6%	146	15.5%	-40
Effective Tax Rate (%)	25.2%	26.1%	-86	27.9%	-266	26.1%	-86
Cost Analysis %			Change In bps		Change In bps		
Cost of Revenues/ Sales	62.6%	64.1%	-147	68.0%	-542	63.8%	-118
Other income/ PBT	21.5%	36.7%	-1,520	28.3%	-682	28.6%	-719

Source: Company, Dalal & Broacha Research

- EBITDA margin profile: Tailwinds included (i) +150 bps due to INR depreciation (ii) +50 bps due to savings on visa charges (iii) +80 bps due to higher utilization (iv) 40 bps due to favourable onsite-offshore mix (v) higher IP sales contributed 40 bps to margins. Company faced following headwinds: (i) -150 bps wage hike (ii) -100 bps due to higher subcontracting charges
- Company reported a Cash and Cash Equivalent balance of INR 4,393 Mn as of Q2FY19
- Utilization was recorded higher at 80.3% vs 78.6% in the previous quarter and 76.1% in Q2FY18



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q2 FY19 Result Update@ Dalal&Broacha

Profit & Loss A/c						
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total Revenue	30,662	32,483	37,471	49,034	57,205	68,082
Growth %	17%	6%	15%	31%	17%	19%
Less:						
Employee Cost	19,681	20,958	24,600	32,263	37,815	43,845
SG&A Expenses & Other	5,787	5,678	7,060	9,102	9,861	11,738
Total Operating Expenditure	25,468	26,636	31,660	41,365	47,676	55,583
EBITDA	5,194	5,847	5,811	7,670	9,529	12,498
Growth %	30%	13%	-1%	32%	24%	31%
Less: Depreciation	589	625	889	1,060	915	1,089
EBIT	4,605	5,222	4,922	6,610	8,613	11,409
Growth %	31.5%	13.4%	-5.7%	34.3%	30.3%	32.5%
Interest Paid	25	21	27	16	0	0
Non-operating Income	845	591	1,934	2,612	2,288	2,723
Profit Before tax	5,425	5,792	6,829	9,205	10,902	14,132
Tax	1,239	1,542	1,712	2,342	2,774	3,596
Net Profit	4,186	4,250	5,123	6,869	8,134	10,542
Adjusted Profit	4,186	4,250	5,111	6,869	8,134	10,542
Growth %	35%	2%	20%	34%	18%	30%
Reported Diluted EPS Rs	41.2	41.9	50.4	67.6	80.0	103.7
Adjusted Diluted EPS Rs	41.2	41.9	50.4	67.7	80.1	103.9

Balance Sheet (Consolidated)						
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Liabilities						
Equity Capital	3,000	203	205	203	203	203
Reserves & Surplus	7,661	14,653	19,159	24,302	30,393	38,291
Equity	10,661	14,856	19,364	24,505	30,596	38,494
Net Worth	10,661	14,856	19,364	24,505	30,596	38,494
Total Loans	1,955	1,031	749	467	417	367
Capital Employed	12,611	15,895	20,163	24,995	31,054	38,926
Assets						
Gross Block	1,359	1,757	2,020	2,820	3,820	4,820
Less: Depreciation	288	567	770	1,830	2,745	3,835
Net Block	1,071	1,190	1,250	990	1,075	985
Capital WIP	143	23	1	147	172	204
Investments	250	1,054	590	1,362	1,491	1,662
Intangible Assets	5,137	4,948	5,844	5,844	5,844	5,844
Current Assets						
Sundry Debtors	7,259	7,106	9,623	11,419	13,322	15,295
Current Investments	555	1,946	2,207	2,942	3,432	3,404
Cash and Bank Balance	832	685	1,589	3,341	6,410	12,783
Loans and Advances	518	1,275	1,429	1,961	2,288	2,587
Other Current Assets	2,485	3,399	3,806	4,905	5,722	6,810
Total Current Assets	11,649	14,411	18,654	24,568	31,174	40,879
Less: Current Liabilities & Provisions						
Sundry Creditors	2,138	1,489	1,807	2,833	2,743	3,350
Provisions	1,232	1,271	1,206	1,650	1,954	2,533
Other Current Liabilities	3,442	3,686	3,922	3,432	4,004	4,766
Total Current Liabilities & Provisions	6,812	6,446	6,935	7,916	8,701	10,649
Capital Applied	12,611	15,895	20,163	24,995	31,054	38,926

Cash Flows (Consolidated)						
YE December (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
PAT	4,186.0	4,250.0	5,111.0	6,856.9	8,121.7	10,530.4
Less: Non Operating Income	(845.0)	(591.0)	(1,934.0)	(2,611.6)	(2,288.2)	(2,723.3)
Add: Depreciation	589.0	625.0	889.0	1,060.0	915.3	1,089.3
Add: Interest Paid	25.0	21.0	27.0	16.0	0.0	0.0
Operating Profit before WC Changes	3,955.0	4,305.0	4,099.0	5,321.3	6,748.8	8,896.5
(Inc)/Dec in Current Assets	(327.0)	(2,909.0)	(3,339.0)	(4,162.1)	(3,537.0)	(3,332.2)
(Inc)/Dec in Current Liabilities	1,066.0	(366.0)	489.0	980.6	785.8	1,947.8
Net Cash from Operations	4,694.0	1,030.0	1,249.0	2,139.8	3,997.6	7,512.0
Cash Flow from Investing Activities						
(Inc)/Dec in Fixed Assets	(828.0)	(744.0)	(949.0)	(800.0)	(1,000.0)	(1,000.0)
(Inc)/Dec in Capital Work In Progress	(139.0)	120.0	22.0	(146.1)	(24.5)	(32.6)
(Inc)/Dec in Investment (Strategic)	0.0	0.0	0.0	(772.1)	(128.6)	(171.3)
Add: Non Operating Income	845.0	591.0	1,934.0	2,611.6	2,288.2	2,723.3
Cash Flow from Investing Activities	(516.0)	(190.0)	525.0	893.4	1,135.0	1,519.4
Cash Flow from Financing Activities						
(Inc)/Dec in Total Loans	(233.0)	(924.0)	(282.0)	(282.0)	(50.0)	(50.0)
Dividend Paid	(2,270.0)	(1,215.0)	(1,215.0)	(1,714.2)	(2,030.4)	(2,632.6)
Less: Interest Paid	(25.0)	(21.0)	(27.0)	(16.0)	0.0	0.0
Net Cash from Financing Activities	(4,049.0)	(987.0)	(870.0)	(2,040.5)	(2,063.0)	(2,658.8)
Net Inc/Dec in cash equivalents	129.0	(147.0)	904.0	992.6	3,069.7	6,372.5
Opening Balance	703.0	832.0	685.0	1,589.0	3,340.6	6,410.3
Closing Balance Cash and Cash Equivalents	832.0	685.0	1,589.0	2,581.6	6,410.3	12,782.8

Free Cash Flow Statement						
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
EBITDA	5,194	5,847	5,811	7,670	9,529	12,498
FC Investment	527	-447	263	800	1,000	1,000
WC Changes	739	-3,275	-1,701	-3,182	-2,751	-1,384
Depreciation Tax Shield	135	166	223	270	233	277
Tax Expenses	1,402	1,421	1,457	1,952	2,425	3,180
FCF	4,139	1,764	2,613	2,006	3,586	7,211

Valuation Ratios						
	FY16	FY17	FY18	FY19E	FY20E	FY21E
P/E (x)	37.7x	37.1x	30.8x	23.0x	19.4x	15.0x
EV/EBITDA	30.6x	27.0x	27.0x	20.2x	15.9x	11.6x
P/BV (x)	14.8x	10.6x	8.1x	6.4x	5.2x	4.1x
Market Cap. / Sales (x)	5.1x	4.9x	4.2x	3.2x	2.8x	2.3x

Key Ratios (Consolidated)						
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Key Operating Ratios						
EBITDA Margin (%)	16.9%	18.0%	15.5%	15.6%	16.7%	18.4%
Tax / PBT (%)	22.8%	26.6%	25.1%	25.4%	25.4%	25.4%
Net Profit Margin (%)	13.7%	13.1%	13.6%	14.0%	14.2%	15.5%
RoE (%)	40.0%	33.3%	29.9%	31.3%	29.5%	30.5%
RoCE (%)	33.6%	29.9%	28.5%	30.5%	29.0%	30.1%
Current Ratio (x)	1.7x	2.2x	2.7x	3.1x	3.6x	3.8x
Dividend Payout (%)	54.2%	28.6%	23.8%	25.0%	25.0%	25.0%
Book Value Per Share (Rs.)	105.0	146.4	190.8	241.4	301.4	379.2
Financial Leverage Ratios						
Debt/ Equity (x)	0.2x	0.1x	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	207.8x	278.4x	215.2x	479.3x	479.3x	479.3x
Growth Indicators %						
Sales Growth (%)	17.1%	5.9%	15.4%	30.9%	16.7%	19.0%
EBITDA Growth (%)	30.3%	12.6%	(0.6%)	32.0%	24.2%	31.2%
Net Profit Growth (%)	34.6%	1.5%	20.3%	34.2%	18.4%	29.7%
Diluted EPS Growth (%)	1889.8%	1.5%	20.3%	34.2%	18.4%	29.7%
Turnover Ratios						
Debtors (Days of net sales)	83	81	81	78	79	77



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q2 FY19 Result Update@ Dalal&Broacha

Disclaimer

Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D & B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect

**DALAL & BROACHA**
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q2 FY19 Result Update@ Dalal&Broacha

opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141439	Mid Cap
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com