

L&T Technology Services Limited Fourth Quarter - FY '17 Results

 L&T Technology Services



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FINANCIAL HIGHLIGHTS

REVENUE IN INR

- Revenues for FY17 **₹32,483 million**, growth of **5.9% Year on Year (YoY)**
- Revenue for the quarter at **₹8,123 million**, growth of **1.4% YoY**

REVENUE IN USD

- Revenue for FY17 at **\$484 million**, growth of **3.4% YoY**; constant currency growth at **4.6% YoY**
- Revenue at **\$121 million** for the quarter; growth of **2% YoY** and **0.9% QoQ**; Constant Currency (CC) at **3.1% QoQ**

PROFIT IN INR

- EBITDA at **₹5,847 million** for the year, **12.6%** growth YoY, EBITDA margin at **18%**
- Net Income at **₹4,250 million** for the year, up **1.5% YoY**, margins at **13.1%**
- EBITDA at **₹1,338 million** for the quarter, EBITDA margin at **16.5%**
- Net Income at **₹965 million** for the quarter, margins at **11.9%**

SAFE HARBOUR STATEMENT

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements. L&T Technology Services Limited (LTTS) does not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.

MESSAGE FROM THE CEO & MANAGING DIRECTOR



L&T Technology Services Limited (LTTS) ends the financial year with a 6 percent annual revenue growth and a 12.6% jump in EBITDA margin, along with some notable deal wins.



Our increased focus on major customers has shown good traction with LTTS winning the first deal to create a smart and futuristic enterprise campus overseas. We entered into an exclusive agreement with a US-based technology leader to maintain the Vantage middleware stack for Cable Multi-System Operators (MSO) customers. LTTS will be the sole authorized partner for future sales, upgrade, maintenance and support of this leading middleware software. This quarter we received the prestigious Golden Peacock National Award for Quality, a testimony to successful delivery of complex projects and operational excellence creating highly satisfied customers. We also ramped up one of our existing customer accounts into the \$30 million plus band.

We have a healthy pipeline of deals for the next two quarters and are seeing increased industry demand for our solutions.

Digital Engineering revenue for FY17 stood at **12.5%** of overall revenue, which is a growth of **25%** YoY and will continue to rise as we monetise our innovation platforms such as the smart buildings framework i-BEMS and IoT platform UBIQWeise™ along with our formidable patents portfolio.

The Board of Directors approved the acquisition of US-based Escencia Technologies. The proposed acquisition will deepen LTTS' offerings to global customers in the realm of perceptual computing & advanced silicon and wireless networking technologies. I also look forward to working with the team at Escencia and taking our company to new heights.



Dr. Keshab Panda

CEO & Managing Director
L&T Technology Services Limited



PERFORMANCE HIGHLIGHTS

KEY DEAL WINS

During the quarter, L&T Technology Services won several multi-million dollar contracts from global customers across verticals.

- We entered into an exclusive agreement with a US-based technology leader to maintain the Vantage middleware stack for Cable Multi-System Operators (MSO) customers. LTTS will be the sole authorized partner for future sales, upgrade, maintenance and support of this leading middleware software.
- L&T Technology Services won a multi-million dollar smart campus deal in Israel jointly with Microsoft to develop the world's smartest office for a leading US tech conglomerate. The smart office campus being developed by the firms will use IoT-enabled sensors and predictive analytics. L&T Technology Services' smart buildings i- BEMS platform will provide energy saving technology and cloud-based asset management that complement Microsoft's Digital User Experience design solutions.
- L&T Technology Services has been awarded a multi-year contract to provide digital engineering (development and sustenance support) for multiple product lines to reduce cost of operations by optimizing performance and efficiency for a major oilfield services company.
- A Leading European OEM has chosen LTTS for design, development, implementation and standardization of digital engineering framework across all its major business units.
- LTTS won a contract from the world's leading global manufacturer of motion and control technologies for design and development of fieldbus gateway device for Air handling applications.
- LTTS won a significant order from a major global auto maker to expand its center of excellence in Dublin, Ohio. LTTS will provide underbody design and engineering for their suite of vehicles.

STRATEGIC ACQUISITION

The Board of Directors of L&T Technology Services have approved the acquisition of US Based Esencia Technologies Inc, a provider of design services from specification to final product in Digital Signal Processing for Communications, Video, Security and Networking. The proposed acquisition will deepen LTTTS offerings to global customers, particularly in the realm of Perceptual Computing, Internet of Things, Advanced Silicon Products and Wireless Networking Technologies with fast, powerful & smart design tools and signal processing libraries. Esencia has a team of over 100 Embedded, ASIC design and semiconductor experts in Silicon Valley.

The proposed acquisition augurs well with L&T Technology Services long term strategy to strengthen its footprint in ASIC, VLSI and Embedded design services and become a global leader.

AWARDS & RECOGNITIONS

- L&T Technology Services Limited was awarded the Golden Peacock National Quality Award, 2017, as a recognition of the company's consistent focus in high quality project delivery consistently for global businesses.
- LTTTS won the Dataquest Vertical Warrior Award in IT/ITeS for innovative use of digital technology. This is the 2nd year in a row that the company has received the award. LTTTS won the "Dataquest Business Technology Award" in the Analytics category in 2016.



PARTNERSHIPS & ALLIANCES

- L&T Technology Services expanded its existing partnership with Microsoft for Smart City, Campus & Building (SCCB) solutions based on Microsoft Azure. This collaboration will drive joint solution innovation for campuses of the future, leveraging Azure as well as HoloLens Mixed Reality to enhance LTTTS' Digital Engineering solutions such as i-BEMS.
- United Technology Corp's units- UTC Climate, Controls & Security and Otis with LTTTS jointly set up an innovation laboratory at Bangalore focused on integrated buildings, smart homes and cold chain technologies.
- Rockwell Automation, the US based global leader in industrial automation, and LTTTS celebrated the completion of 10 years of a successful business relationship. The companies will set up a cutting edge lab in Bangalore with technologies of the future for power electronics, enterprise connect and motion controls.

PATENTS

For the financial year, our total number of patents filed and added have moved up to **254** as of March 31, 2017 out of which **197** have been co-authored with customers and **57** are owned by LTTS.

Patents filed during the quarter include light control system with artificial intelligence, a magnetic particle brake controlled valve arrangement, and developing an intelligent pod for a drone.



OTHER HIGHLIGHTS

- A US-based medical devices maker and LTTS have joined hands to launch an Engineering Center of Excellence in our Bangalore campus for Image to Implant process that delivers customized knee implants.
- LTTS expanded its network of centers for a leading German Original Equipment Manufacturer (OEM) with the launch of a Center of Excellence in Munich.
- TECHgium™ : LTTS' has launched a nationwide initiative to attract the best of class engineers from India's top engineering colleges to solve real world technology challenges across global industries. TECHgium™ got off to a flying start with more than **7,000** students from 160 institutes participating in the challenge. The solutions to be displayed by the finalists include Vehicle assistance using Artificial Intelligence and an Heads-up Display (HUD) integrated interactive helmet. The Grand Finale is being held in Bangalore on May 5th 2017.
- As a part of brand building in the US Industrials market, we were the top sponsor in ARC Industry Forum in Orlando. Apart from LTTS customers sharing views in keynote sessions, LTTS organized a digital engineering readiness workshop with over 100 delegates. The workshop findings revealed that
 - **72%** of the companies are still in the discussion/strategy and pilot stage for the adoption of digital engineering technologies in the manufacturing process.
 - Close to half the companies polled said that organizational culture is the biggest barrier to adoption of smart technologies, not data security, privacy or talent.

CSR & DIVERSITY

L&T Technology Services' CSR initiative "Naya Savera" collaborated with LabourNet to conduct a skill development training in Tambaram area of Chennai. More than 480 students have successfully completed their training courses in areas like auto service technician, electrical & home appliances repair, leather stitching, and beauty & wellness with certification from the National Skill Development Corporation (NSDC), Government of India. 280 students received placement opportunities in companies like Naturals, Yamaha Auto Motors, Shree Marg, Blue Ocean and Diamond Electricals. Some candidates even started their own start-ups as these courses have enhanced their self-confidence and skills to be an entrepreneur.



FINANCIAL PERFORMANCE

INCOME STATEMENT – FOR 3 MONTHS

Amount in ₹ million

	Q4 FY17	Q3 FY17	Q4 FY16	QoQ Growth	YoY Growth
Revenue	8,123	8,104	8,014	0.2%	1.4%
Direct Costs	6,785	6,647	6,560	2.1%	3.4%
EBITDA	1,338	1,457	1,455	(8.2%)	(8.0%)
Depreciation & Amortisation	147	149	179	(1.3%)	(17.9%)
EBIT	1,191	1,308	1,276	(8.9%)	(6.7%)
Other Income, net	35	165	105	(78.8%)	(66.6%)
Income tax expense	261	387	289	(32.5%)	(9.6%)
Net Income	965	1,086	1,092	(11.2%)	(11.6%)

	Q4 FY17	Q3 FY17	Q4 FY16
Margins (%)			
EBITDA Margin	16.5%	18.0%	18.2%
EBIT Margin	14.7%	16.1%	15.9%
Net Income Margin	11.9%	13.5%	13.6%
Earnings Per Share			
Basic	9.49	10.68	11.59
Diluted	9.13	10.26	8.55

Note: The figures are rounded off to the nearest million, percentages are based on absolute numbers

INCOME STATEMENT – FOR THE YEAR

Amount in ₹ million

	FY17	FY16	Growth
Revenue	32,483	30,662	5.9%
Direct Costs	26,636	25,468	4.6%
EBITDA	5,847	5,194	12.6%
Depreciation & Amortisation	625	589	6.1%
EBIT	5,222	4,605	13.4%
Other Income, net	570	820	-30.5%
Income tax expense	1,542	1,239	24.5%
Net Income	4,250	4,186	1.5%

	FY17	FY16
Margins (%)		
EBITDA Margin	18%	16.9%
EBIT Margin	16.1%	15.0%
Net Income Margin	13.1%	13.7%
Earnings Per Share		
Basic	42.08	43.78
Diluted	39.64	32.29

Note: The figures are rounded off to the nearest million, percentages are based on absolute numbers



OPERATIONAL PERFORMANCE

REVENUE BY VERTICAL

	Q4 FY17	Q3 FY17	Q4 FY16	QoQ Growth	YoY Growth	FY17	FY16
Transportation	33.4%	34.0%	31.6%	(0.4%)	7.5%	33.0%	29.9%
Industrial Products	26.9%	26.6%	26.4%	2.3%	4.2%	26.2%	25.3%
Telecom & Hi-tech	19.0%	17.2%	18.0%	9.8%	7.6%	18.7%	19.8%
Process Industry	14.1%	15.5%	17.7%	(8.2%)	(18.7%)	15.3%	18.7%
Medical Devices	6.6%	6.7%	6.3%	(0.4%)	7.7%	6.8%	6.3%
Total	100.0%	100.0%	100.0%			100.0%	100.0%

REVENUE BY GEOGRAPHY

	Q4 FY17	Q3 FY17	Q4 FY16	QoQ Growth	YoY Growth	FY17	FY16
North America	63.3%	62.5%	61.0%	2.1%	5.9%	62.9%	60.4%
Europe	17.3%	19.2%	20.1%	(9.3%)	(12.5%)	19.1%	19.8%
India	9.2%	8.1%	9.3%	15.7%	1.8%	7.9%	8.3%
Rest of the World	10.2%	10.2%	9.6%	1.0%	8.4%	10.1%	11.5%
Total	100.0%	100.0%	100.0%			100.0%	100.0%

REVENUE MIX

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Onsite	49.2%	47.5%	52.9%	48.9%	52.9%
Offshore	50.8%	52.5%	47.1%	51.1%	47.1%

REVENUE BY PROJECT TYPE

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Fixed Price	30.4%	31.0%	31.9%	30.2%	31.9%
Time and Material Contract	69.6%	69.0%	68.1%	69.8%	68.1%

CLIENT PROFILE

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Number of Active Clients	223	217	215	223	215
30 Million dollar +	1	0	0	1	0
20 Million dollar +	2	3	3	2	3
10 Million dollar +	6	7	8	6	8
5 Million dollar +	21	18	17	21	17
1 Million dollar +	49	53	44	49	44

CLIENT CONTRIBUTION TO REVENUE

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Top 5 Clients	23.2%	23.4%	22.8%	23.2%	22.8%
Top 10 Clients	35.6%	35.5%	36.2%	35.6%	36.2%
Top 20 Clients	51.5%	51.7%	53.8%	51.5%	53.8%

UTILISATION

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Including Trainees	74.2%	75.1%	74.9%	75.9%	71.4%

EMPLOYEE STATISTICS

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Total Headcount	10,463	10,040	9,406	10,463	9,406
<i>Billable</i>	9,537	9,160	8,578	9,537	8,578
<i>Sales & Support</i>	926	880	828	926	828
Voluntary Attrition % (LTM)	14.0%	14.0%	12.1%	14.0%	12.1%

EXCHANGE RATE (USD/INR)

	Q4 FY17	Q3 FY17	Q4 FY16	FY17	FY16
Period Average	66.99	67.44	67.44	67.06	65.47
Period Closing	64.85	67.92	66.25	64.85	66.25

ABOUT L&T TECHNOLOGY SERVICES

L&T Technology Services Limited, a subsidiary of India's largest construction and engineering conglomerate Larsen & Toubro, is a leading global pure-play engineering services company. L&T Technology Services serves 43 of the world's top ER&D spenders and provides solutions in the areas of Mechanical Engineering Services, Embedded Systems & Applications, Engineering Process Services, Product Lifecycle Management, Engineering Analytics, Power Electronics, Machine-to Machine (M2M), and the Internet-of-Things (IoT).



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