

# **L&T TECHNOLOGY SERVICES LIMITED** **FOURTH QUARTER - FY 20 RESULTS**

**Investor Release**

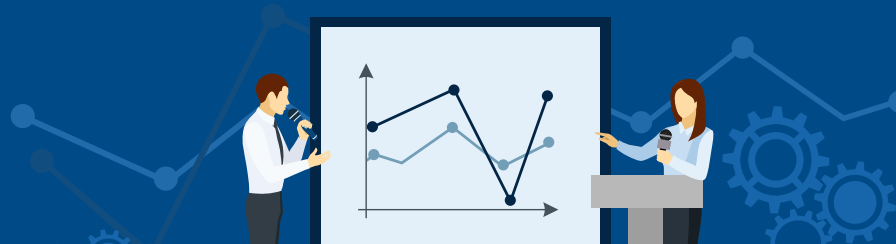
*Mumbai, India, May 15, 2020*



## SAFE HARBOUR STATEMENT

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve 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.

# FINANCIAL HIGHLIGHTS



## Q4 FY20

- Revenue of **₹14,466 million** for the quarter; growth of **1.7% QoQ** and **7.7% YoY**
- Revenue of **\$195.4 million** for the quarter; a decline of **2.0% QoQ** and growth of **2.1% YoY**; in constant currency a decline of **1.1% QoQ** and growth of **3.4% YoY**
- EBIT of **₹2,198 million** for the quarter; EBIT margin at **15.2%**
- Net Income of **₹2,048 million** for the quarter, growth of **0.4% QoQ** and **7.0% YoY**; Net margin at **14.2%**

## FY20

- Revenue of **₹56,191 million** for the year; growth of **10.6%**
- Revenue of **\$786.2 million** for the year; growth of **8.7%**; in constant currency growth of **9.3%**
- EBIT of **₹9,276 million** for the year; EBIT margin at **16.5%**
- Net Income of **₹8,186 million** for the year, growth of **6.9%**; Net margin at **14.6%**

## CAPITAL RETURN

- Dividend pay-out ratio <sup>(1)</sup> of **29%** for the year
- ROE <sup>(2)</sup> of **31%** for the year

1. Dividend payout ratio is calculated as total dividend payout (including dividend distribution tax) divided by Net Income

2. ROE represents Return on Equity and is calculated as the Net Income divided by Average Shareholder equity

## MESSAGE FROM THE CEO & MANAGING DIRECTOR



The world has changed dramatically since our Q3 results, and words like quarantine and Covid have entered our everyday vocabulary. During the past 2 months, we have strived to take care of the health and safety of all our employees while also being the reliable and preferred partner to our customers. I have personally spoken to my Top 30 customers and apprised them of the proactive steps taken by LTTs. Our customers have been appreciative of our BCP measures and WFH initiatives.

In Q4, we declined by 1% in constant currency, hurt by the twin impacts of the pandemic which led to business disruption from mid-March onwards and the collapse of oil prices which led to some project closures in the upstream Oil and Gas sub-segment. We however had a good quarter in wins, closing 9 deals across verticals.

Overall, I believe we did reasonably well in FY20 with a constant currency growth of 9% despite a hit of almost USD50mn in the Telecom and Hitech segment. Thanks to a well-diversified portfolio, we were able to push the growth lever in segments like Medical, Transportation and Plant Engineering – all three of which grew by 20% plus in FY20. I am particularly happy with the progress we made in Medical which grew by almost 50% YoY and now contributing 10% plus of our revenue. On the operational front too, we executed well with EBIT margin improving by 50bps in FY20.

The external environment continues to be volatile in the aftermath of the pandemic and economists are currently forecasting the US economy to dip by ~ 5% in calendar year 2020. Based on our reading of the demand environment, we expect revenue to dip sequentially in Q1 followed by some recovery in Q2. We are unable to provide a guidance on FY21 growth as there is still a lack of clarity on when the crisis will subside.

I would like to highlight that we are strongly positioned in terms of competencies, and we have been ramping up and winning large deals in April and May of the new fiscal even as the pandemic intensified. We believe this crisis will lead to greater consolidation and enable us to expand engagement scopes once customers adjust and re-draw their business plans under a new normal. The scale, track record and recognition that we have built over the past decade has been on the back of our investments in people, competency building and technology design labs which we are determined to continue so that we reach the milestones we have set for ourselves.

**Dr. Keshab Panda**  
CEO & Managing Director  
L&T Technology Services Limited





## KEY DEAL WINS

LTTS closed several multi-million dollar projects from global customers across various verticals. The major wins are listed below:

- LTTS won a managed services deal from a Media and Entertainment customer for the development & maintenance of interactive customer experiences.
- For a video solutions provider, LTTS is developing a next gen smart cards platform which will enable significant performance improvements and rich security features while bringing about cost reductions per chip.
- A global healthcare company has chosen LTTS to be its engineering partner for setting up a CoE to help with regulatory filings for medical monitoring products in accordance with the U.S. FDA and EU MDR.
- The world's leading datacenter solutions provider awarded LTTS a program to set up a development and validation center for the customer's family of high-speed platforms.
- LTTS will deploy its intelligent buildings framework i-BEMS to help a multinational technology company optimize energy conservation, implement analytics and enhance UX.
- A leading Swedish Automotive OEM has awarded LTTS a multi-year program to setup a SCRUM team to develop and manage software components in brakes, steering, suspension and climate control domains.
- A beverage management solutions company has chosen LTTS to be its sole engineering services partner to support various advanced digital programs.
- One of the largest beverage companies in the world has selected LTTS for an engineering construction management program to replace the legacy wastewater treatment system at one of its key manufacturing plants. LTTS will upgrade the plant with the latest Industry 4.0 practices.
- LTTS secured a project to take ownership of multi-disciplinary engineering design activities for an OEM involved in green energy generation solutions.

# FINANCIAL PERFORMANCE

## INCOME STATEMENT (CONSOLIDATED)

Amount in ₹ million

	Q4 FY19	Q3 FY20	Q4 FY20	QoQ	YoY	FY19	FY20	YoY
<b>Revenue</b>	<b>13,431</b>	<b>14,230</b>	<b>14,466</b>	<b>1.7%</b>	<b>7.7%</b>	<b>50,783</b>	<b>56,191</b>	<b>10.6%</b>
Cost of sales	9,167	9,557	9,614			35,165	37,708	
<b>Gross Profit</b>	<b>4,264</b>	<b>4,673</b>	<b>4,851</b>	<b>3.8%</b>	<b>13.8%</b>	<b>15,618</b>	<b>18,483</b>	<b>18.3%</b>
Selling, General & Administration Expenses	1,773	1,810	2,169			6,461	7,379	
<b>EBITDA</b>	<b>2,491</b>	<b>2,863</b>	<b>2,682</b>	<b>-6.3%</b>	<b>7.7%</b>	<b>9,157</b>	<b>11,104</b>	<b>21.3%</b>
Change in Contingent Consideration	11	-	-			11	-	
Depreciation & Amortisation	273	472	485			1,042	1,829	
<b>EBIT</b>	<b>2,207</b>	<b>2,391</b>	<b>2,198</b>	<b>-8.1%</b>	<b>-0.4%</b>	<b>8,104</b>	<b>9,276</b>	<b>14.5%</b>
Other Income, net	333	354	521			2,209	1,726	
Income tax expense	616	687	655			2,630	2,778	
Minority Interest	9	17	16			28	38	
<b>Net Income</b>	<b>1,915</b>	<b>2,041</b>	<b>2,048</b>	<b>0.4%</b>	<b>7.0%</b>	<b>7,656</b>	<b>8,186</b>	<b>6.9%</b>
<b>Margins (%)</b>								
Gross Margin	31.7%	32.8%	33.5%			30.8%	32.9%	
EBITDA Margin	18.5%	20.1%	18.5%			18.0%	19.8%	
EBIT Margin	16.4%	16.8%	15.2%			16.0%	16.5%	
Net Income Margin	14.3%	14.3%	14.2%			15.1%	14.6%	
<b>Earnings Per Share (INR)</b>								
Basic	18.41	19.57	19.61			74.06	78.56	
Diluted	18.13	19.34	19.40			72.91	77.70	

## OTHER INCOME

Amount in ₹ million

	Q4 FY19	Q3 FY20	Q4 FY20	FY19	FY20
Income from investments, net	43	79	58	168	335
Foreign exchange gains/(loss)	353	214	231	933	739
Govt. incentives	-100	129	323	276	931
Others (incl. IND AS 116 Finance charge)	38	-69	-91	832	-278
<b>Total</b>	<b>333</b>	<b>354</b>	<b>521</b>	<b>2,209</b>	<b>1,726</b>

## NOTES

- In Q4FY20, LTTTS contributed INR183mn to the Prime Minister's – PM CARES Fund, as part of its CSR initiative which is included under SG&A expenses. As a result of this one-off expense, EBIT margin for Q4FY20 and FY20 are lower by 130bps and 30bps respectively.
- Other Income disclosure has undergone a grouping change so as to bring out various elements better.

## BALANCE SHEET (CONSOLIDATED)

Amount in ₹ million

	FY19	FY20
<b>Assets</b>		
Property and equipment	1,443	5,676
Intangible Assets and Goodwill	6,357	6,146
Accounts Receivable	10,643	13,807
Unbilled Revenues	2,421	3,510
Investments	5,749	6,420
Cash and Cash equivalents	2,051	2,439
Other current assets	2,856	3,236
Other non-current assets	2,123	1,799
<b>Total Assets</b>	<b>33,643</b>	<b>43,033</b>
<b>Liabilities and Shareholders' Equity</b>		
Shareholders' Funds	24,791	27,686
Short term borrowings	702	303
Other current liabilities	7,925	10,085
Other non-current liabilities	194	4,890
Minority Interest	31	69
<b>Total Liabilities</b>	<b>33,643</b>	<b>43,033</b>

## CASH FLOW SUMMARY (CONSOLIDATED)

Amount in ₹ million

	FY19	FY20
Net cash provided by operating activities	8,062	6,381
Capex	-885	-1,511
<b>Free Cash Flow</b>	<b>7,177</b>	<b>4,870</b>
Free Cash Flow to Net Income (%)	94%	59%



# OPERATIONAL PERFORMANCE



	Q4 FY19	Q3 FY20	Q4 FY20	QoQ Growth	YoY Growth	In Constant Currency	
						QoQ Growth	YoY Growth
Revenue (USD Mn)	191.3	199.3	195.4	-2.0%	2.1%	-1.1%	3.4%

	FY19	FY20	YoY Growth	In Constant Currency	
				YoY Growth	YoY Growth
Revenue (USD Mn)	723.1	786.2	8.7%	9.3%	

## REVENUE BY VERTICAL

	Q4 FY19	Q3 FY20	Q4 FY20	QoQ Growth	YoY Growth	FY19	FY20	YoY Growth
Transportation	32.9%	35.8%	35.7%	-2.3%	10.9%	31.9%	35.3%	20.6%
Industrial Products	19.3%	19.2%	19.4%	-0.9%	2.6%	20.1%	19.4%	4.7%
Telecom & Hi-tech	26.2%	18.5%	18.7%	-0.8%	-27.3%	27.1%	20.0%	-19.9%
Plant Engineering	14.7%	17.2%	16.0%	-8.6%	11.5%	14.2%	16.2%	23.7%
Medical Devices	7.0%	9.4%	10.3%	6.9%	50.3%	6.7%	9.1%	48.8%

## REVENUE SHARE BY GEOGRAPHY

	Q4 FY19	Q3 FY20	Q4 FY20	QoQ Growth	YoY Growth	FY19	FY20	YoY Growth
North America	58.9%	61.2%	61.2%	-2.0%	6.1%	57.7%	61.3%	15.4%
Europe	16.0%	14.1%	16.7%	16.1%	7.0%	16.9%	15.2%	-2.2%
India	13.9%	13.2%	12.8%	-5.0%	-5.8%	13.3%	13.0%	6.0%
Rest of the World	11.2%	11.4%	9.2%	-20.5%	-15.9%	12.0%	10.5%	-5.0%

## REVENUE MIX

	Q4 FY19	Q3 FY20	Q4 FY20	FY19	FY20
Onsite	44.8%	44.0%	47.1%	47.1%	44.8%
Offshore	55.2%	56.0%	52.9%	52.9%	55.2%

## REVENUE BY PROJECT TYPE

	Q4 FY19	Q3 FY20	Q4 FY20	FY19	FY20
Fixed Price	43.6%	42.7%	38.6%	42.2%	41.4%
Time and Material Contract	56.4%	57.3%	61.4%	57.8%	58.6%

## CLIENT PROFILE

	Q4 FY19	Q3 FY20	Q4 FY20
Number of Active Clients	251	265	270
50 Million dollar +	2	-	-
30 Million dollar +	3	3	2
20 Million dollar +	5	7	8
10 Million dollar +	16	20	21
5 Million dollar +	41	43	43
1 Million dollar +	106	107	113

Client profile is based on LTM (Last Twelve Months) revenue

## CLIENT CONTRIBUTION TO REVENUE

	Q4 FY19	Q3 FY20	Q4 FY20
Top 5 Clients	26.4%	21.1%	19.2%
Top 10 Clients	37.7%	33.9%	31.8%
Top 20 Clients	53.5%	49.8%	48.5%

Client contribution is based on LTM (Last Twelve Months) revenue

## UTILISATION

	Q4 FY19	Q3 FY20	Q4 FY20	FY19	FY20
Including Trainees	80.2%	79.2%	78.1%	80.2%	78.6%

## EMPLOYEE STATISTICS

	Q4 FY19	Q3 FY20	Q4 FY20
Total Headcount	15,140	16,787	16,883
Billable	14,034	15,604	15,667
Sales & Support	1,106	1,183	1,216
Voluntary Attrition % (LTM)	14.8%	13.9%	13.8%

## EXCHANGE RATE (USD/INR)

	Q4 FY19	Q3 FY20	Q4 FY20	FY19	FY20
Period Realised	70.21	71.41	74.05	70.23	71.47
Period Closing	69.15	71.39	75.67	69.15	75.67

## INDUSTRY RECOGNITIONS

IDC rated LTTS as 'Leader' in Worldwide Business and Industrial IoT Engineering and Managed Services 2020

LTTS was rated as an overall leader by NelsonHall in Digital Manufacturing Services

Conferred with the U.S. based Brandon Hall Award for Best Advance in Employee Rewards and Recognitions

## 'WORK FROM HOME' READINESS

LTTS has successfully enabled remote working for 93% of its offshore employees working in billable roles.

LTTS engineers constructed 'Secured Homelabs' by installing hardware and software testing infrastructure kits at the homes of employees. Remote test engineers sent their respective work to these Homelabs where it was then integrated, ensuring the innovation labs that are run along with clients continue to operate in a virtual environment.

LTTS' engineers created and launched the virtual clone of its **Think Studio**, an incubation lab in Bengaluru, to ensure that LTTS' R&D innovations can reach the doorstep of its customers.

## OTHER HIGHLIGHTS

L&T Technology Services inaugurated a dedicated Global Engineering Center (GEC) in Chennai, as part of its strategic partnership with Sweden's Dometic Group. The GEC brings in capabilities to design and develop products for Dometic's global clientele. The center also supports mechanical, embedded and connectivity areas across product lines, technologies and regions. Dr. Anton Lundqvist, CTO, Dometic, inaugurated the GEC.

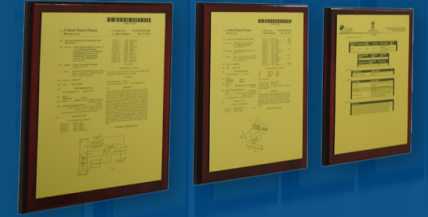


Dr. Keshab Panda honoured with the "CEO of the Year – Emerging Company" Award at the annual edition of CNBC-AWAAZ CEO Awards.



## PATENTS

At the end of the fourth quarter, the patents portfolio of L&T Technology Services stood at **502**, out of which **365** are co-authored with its customers and the rest are filed by LTTS.



## CORPORATE SOCIAL RESPONSIBILITY

As part of its Social Responsibility mandate, LTTS undertook several CSR initiatives throughout the year, with a focus on areas such as Health, Education, Skill Development, Water, Environment and Sports. The total contribution towards CSR in FY20 was INR327mn.

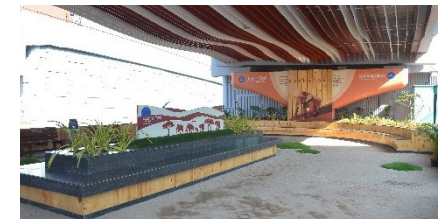


Few of the initiatives undertaken in Q4FY20 are:

### Adopt a Flyover initiative

LTTS partnered with India Rising Trust to adopt a Flyover in northern Bengaluru for its development and maintenance with 'Wild Karnataka' as the theme, under the Bangalore Municipal Commissioner's "Adopt a Flyover" initiative.

Under the program, a garbage-dumping area under a flyover has been transformed to become India's first wildlife-themed arena.



### PM CARES contribution

LTTS contributed INR183mn to the Prime Minister's – PM CARES Fund, as part of its CSR initiative. This contribution was a part of the L&T Group's resolve to contribute Rs. 150 crores to the Prime Minister's – PM CARES Fund.

## ABOUT L&T TECHNOLOGY SERVICES

L&T Technology Services Limited (LTTS) is a listed subsidiary of Larsen & Toubro Limited focused on Engineering and R&D (ER&D) services. We offer consultancy, design, development and testing services across the product and process development life cycle. Our customer base includes 69 Fortune 500 companies and 53 of the world's top ER&D companies, across industrial products, medical devices, transportation, telecom & hi-tech, and the process industries. Headquartered in India, we have over 16,800 employees spread across 17 global design centers, 28 global sales offices and 51 innovation labs as of March 31, 2020.



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For additional information about L&T Technology Services log on to [www.LTTS.com](http://www.LTTS.com)