



Farsight

MORNING FARSIGHT

Tuesday, August 28, 2018

L&T TECHNOLOGY

CMP:RS 1605

TRGT:RS 1850

TIME HORIZON: 1 YEAR

L&T Technology is looking a good buy, due to continued re-rating of IT stocks backed by strong earnings outlook for remainder of FY19, with added tailwinds from continued rupee depreciation. Company had posted strong performance for Q1FY19 with \$ revenue growth of 5.6% QoQ and 32% YoY at \$169 million while in rupee terms, revenue grew 9% QoQ / 40% YoY to Rs 1,152 crores. EBITDA for the quarter came in at Rs196 cr with EBITDA margin at 17.0%, against EBITDA of Rs 170 cr QoQ with EBITDA margin of 16.1%, an expansion of 90 bps QoQ. This has resulted in PAT of Rs 198cr against Rs 159cr QoQ and Rs 98 cr YoY (+24% QoQ, 102% YoY), leading to an EPS of Rs 19.28 for Q1FY19 alone, which was at Rs 49.80 in FY18. Management has highlighted that the demand environment remains healthy and company is seeing clients prioritizing spending on digital engineering to gain the competitive edge and achieve faster time to market L&T Technology's deep industry expertise and capabilities in emerging technologies like NBloT, Edge Computing, M2M and 5G positions, well to capture a higher wallet share of digital engineering spend. During the first quarter, company won five multi-million dollar deals across Process Industry, Telecom & Hi-tech, Industrial Products and Transportation. Two clients have crossed USD 50mnt in annual billing. Market is likely to reward the earnings very strongly, given stock is available at PE of 20x on FY19e EPS of Rs 80. Share ruling at Rs 1,605 can move to Rs 1850 in 1 year.

DISCLAIMER: This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.