



Farsight

## MORNING FARSIGHT

Tuesday, July 24, 2018

### L&T TECHNOLOGY SERVICES

CMP:RS 1307

TRGT:RS 1550

TIME HORIZON: 1 YEAR

L&T Technology Services, offering consultancy, design, development and testing services across the product and process development life cycle, is looking a good buy due to robust Q1FY19 earnings seen from the company, 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 cr. 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 198 cr against Rs 159 cr QoQ and Rs 98 cr YoY (+ 24% QoQ, 102% YoY) leading to an EPS of Rs 19.28for Q1FY19 alone, which was at Rs 49.60in 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 it 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 USD50mn+ in annual billing. Market is likely to reward the earnings very strongly, given stock is available at PE of just 16.3x on FY19e EPS of Rs 80. Share ruling at Rs 1,307 can move to Rs 1550 in 1 year. Buy as an investor

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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.