

India

HOLD (no change)

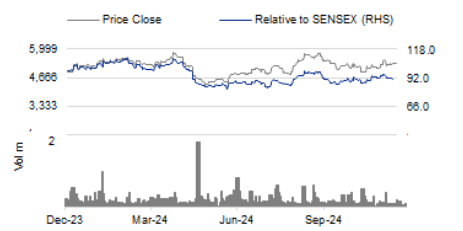
Consensus ratings*: Buy 5 Hold 6 Sell 19

Current price:	Rs5,349
Target price: ▲	Rs5,863
Previous target:	Rs5,619
Up/downside:	9.6%
InCred Research / Consensus:	15.2%
Reuters:	LTEH.NS
Bloomberg:	LTTS IN
Market cap:	US\$6,682m Rs566,135m
Average daily turnover:	US\$10.3m Rs875.3m
Current shares o/s:	106.0m
Free float:	26.3%

*Source: Bloomberg

Key changes in this note

- Expect 12.6% revenue CAGR over FY25F-27F.
- Expect 18% EBIT CAGR over FY25F-27F.
- Expect 16.8% PAT CAGR over FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.9	(6.1)	8.3
Relative (%)	2.3	(5.6)	(7.2)

Major shareholders	% held
LIC	6.9
FPI	4.4
MF	4.3

Research Analyst(s)



Abhishek SHINDADKAR
T (91) 22 4161 1543
E abhishek.shindadkr@incredresearch.com



Smit GOSRANI
T (91) 02241611554
E smit.gosrani@incredresearch.com

L&T Technology Services Ltd

Raise FY26F estimates & target price

- We raise FY26F revenue estimate but trim the EBIT margin to account for Intelliswift acquisition.
- Recent US\$50m deal win may aid win momentum & 4QFY25F trajectory.
- Estimate revision drives an increase in our TP to Rs5,863 vs. Rs5,619 earlier.

Adjusting estimates to account for furloughs & Intelliswift

We are adjusting 3QFY25F estimates to account for seasonal furloughs and also 4QFY25F & FY26F to factor in Intelliswift integration. We believe the sustainability vertical continues to be the growth driver and is aided by deal ramp-up in hi-tech, while automotive within the mobility vertical could be impacted by furloughs. Hence, we cut our 3QFY25F revenue growth to 2.2% (vs. 2.5% qoq earlier) to account for furloughs but raise 4QFY25F and FY26F to accommodate for one/11-month contribution, respectively, from Intelliswift acquisition. Post adjustments, we expect a 9% qoq (5% organic) growth in 4QFY25F, 8% yoy in FY25F (7.1% earlier) and 15.2% yoy in FY26F (vs. 9.5% earlier). The increase in FY26F estimate drives a commensurate increase in absolute FY27F revenue estimate.

Trim EBIT margin

Key headwinds for 3Q/4QFY25F EBIT margin include the wage hike impact (100-125bp spread over 3Q/4QFY25F with 65%-80% in 3Q) and potential deal transition cost while growth leverage, SG&A/capability investment normalization (11.2% of revenue vs. 10.8% in 1Q), pyramid optimization and offshoring are offsets. That said, although we await incremental data on Intelliswift margin, we believe the integration could drag consolidated EBIT margin by 50-70bp. Hence, we trim our FY25F/FY26F/FY27F EBIT margin estimates to 15.8%/16.4%/16.8% vs. 16%/17.2%/17.4%, respectively, earlier.

US\$50m deal could aid deal momentum and 4QFY25F trajectory

As a reminder, LTTS was expecting to close a few transformational deals in 3QFY25F, including a network management and vendor consolidation deal in the communication & media vertical, while 2QFY25 earnings commentary suggested a healthy pipeline build-up with multiple deals in the US\$25-100m range and a sizeable conversion in 2HFY25F. The recently announced US\$50m deal with a global network provider to provide product integration services in North America could aid not just 3QFY25F deal momentum but also the 4QFY25F trajectory.

Retain HOLD rating but with a higher target price of Rs5,863

We now model a 12.6% US\$ revenue CAGR over FY25F-27F and 16.8% PAT (Rs) CAGR over FY25F-27F but lower the target PE/G multiple to 2x (from 2.1x) as the EPS CAGR is aided by acquisition contribution. Though we maintain our HOLD rating earnings revision drives our target price higher to Rs5,863 (Rs5,619 earlier) despite a cut in the target multiple. Portfolio challenges & weak EBIT margin execution are downside risks while strong order conversion is an upside risk.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	88,155	96,472	105,852	123,871	138,649
Operating EBITDA (Rsm)	17,609	19,189	19,838	23,907	27,175
Net Profit (Rsm)	12,122	13,035	13,688	16,290	18,670
Core EPS (Rs)	114.0	122.5	129.1	153.5	176.0
Core EPS Growth	25.9%	7.4%	5.4%	18.9%	14.6%
FD Core P/E (x)	46.90	43.67	41.43	34.84	30.40
DPS (Rs)	45.0	50.0	54.0	66.0	75.7
Dividend Yield	0.85%	0.93%	1.01%	1.23%	1.41%
EV/EBITDA (x)	30.92	28.55	27.24	22.31	19.27
P/FCFE (x)	59.64	52.61	63.91	46.30	37.37
Net Gearing	(54.5%)	(40.5%)	(44.0%)	(48.7%)	(54.2%)
P/BV (x)	12.89	10.64	9.27	8.05	6.99
ROE	28.2%	26.7%	23.9%	24.7%	24.6%
% Change In Core EPS Estimates			(10.98%)	(9.83%)	
InCred Research/Consensus EPS (x)					

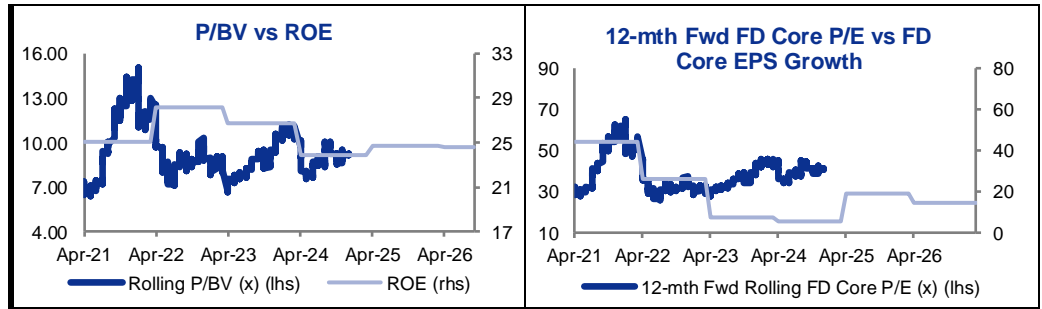
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Change in InCred earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	New	Old	% change	New	Old	% change	New	Old	% change
US\$ revenue	1,257	1,247	0.8	1,449	1,365	6.1	1,594	1,515	5.2
Revenue	1,05,852	1,04,433	1.4	1,23,871	1,16,697	6.1	1,38,649	1,31,834	5.2
EBIT	16,678	16,690	-0.1	20,315	20,084	1.2	23,224	22,926	1.3
EBIT Margin (%)	15.8	16.0	(23)bp	16.4	17.2	(81)bp	16.8	17.4	(64)bp
Net PAT	13,687	13,689	0.0	16,290	16,129	1.0	18,670	18,355	1.7
EPS (Rs)	129.0	129.0	0.0	153.5	152.0	1.0	176.0	173.0	1.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	88,155	96,472	105,852	123,871	138,649
Gross Profit	41,847	47,174	48,834	57,972	65,303
Operating EBITDA	17,609	19,189	19,838	23,907	27,175
Depreciation And Amortisation	(2,338)	(2,716)	(3,160)	(3,592)	(3,951)
Operating EBIT	15,271	16,473	16,678	20,315	23,224
Financial Income/(Expense)	1,589	1,564	2,214	2,175	2,548
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	16,860	18,037	18,892	22,490	25,772
Exceptional Items					
Pre-tax Profit	16,860	18,037	18,892	22,490	25,772
Taxation	(4,696)	(4,975)	(5,189)	(6,185)	(7,087)
Exceptional Income - post-tax					
Profit After Tax	12,164	13,062	13,703	16,305	18,685
Minority Interests	(42)	(27)	(15)	(15)	(15)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,122	13,035	13,688	16,290	18,670
Recurring Net Profit	12,122	13,035	13,688	16,290	18,670
Fully Diluted Recurring Net Profit	12,122	13,035	13,688	16,290	18,670

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	17,609	19,189	19,838	23,907	27,175
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,551)	(557)	(3,260)	(2,951)	(2,386)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(42)	(27)	(15)	(15)	(15)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(4,667)	(5,256)	(5,189)	(6,185)	(7,087)
Cashflow From Operations	11,349	13,349	11,374	14,757	17,687
Capex	(1,815)	(2,528)	(2,500)	(2,500)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,964)	195	2,702	2,663	3,036
Cash Flow From Investing	(5,779)	(2,333)	202	163	536
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,167)	(4,967)	(5,715)	(7,005)	(8,028)
Preferred Dividends					
Other Financing Cashflow	(1,286)	(1,612)	(488)	(488)	(488)
Cash Flow From Financing	(4,453)	(6,579)	(6,203)	(7,493)	(8,516)
Total Cash Generated	1,117	4,437	5,373	7,427	9,707
Free Cashflow To Equity	9,534	10,821	8,874	12,257	15,187
Free Cashflow To Firm	5,570	11,016	11,575	14,920	18,223

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	27,987	26,841	32,202	39,617	49,312
Total Debtors	32,749	32,557	37,048	42,612	47,002
Inventories					
Total Other Current Assets	3,033	2,905	2,905	2,905	2,905
Total Current Assets	63,769	62,303	72,155	85,133	99,219
Fixed Assets	6,692	10,009	9,349	8,257	6,806
Total Investments	2,799	3,691	3,691	3,691	3,691
Intangible Assets	6,403	6,248	6,248	6,248	6,248
Total Other Non-Current Assets	2,313	2,634	2,634	2,634	2,634
Total Non-current Assets	18,207	22,582	21,922	20,830	19,379
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	12,369	14,117	15,349	17,961	19,965
Other Current Liabilities	20,732	11,254	11,254	11,254	11,254
Total Current Liabilities	33,101	25,371	26,603	29,215	31,219
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,346	6,036	6,036	6,036	6,036
Total Non-current Liabilities	4,346	6,036	6,036	6,036	6,036
Total Provisions					
Total Liabilities	37,447	31,407	32,639	35,251	37,255
Shareholders Equity	44,349	53,271	61,232	70,505	81,135
Minority Interests	180	207	207	207	207
Total Equity	44,529	53,478	61,439	70,712	81,342

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	34.2%	9.4%	9.7%	17.0%	11.9%
Operating EBITDA Growth	24.5%	9.0%	3.4%	20.5%	13.7%
Operating EBITDA Margin	20.0%	19.9%	18.7%	19.3%	19.6%
Net Cash Per Share (Rs)	226.89	204.29	254.55	324.44	415.82
BVPS (Rs)	414.83	502.76	577.14	664.55	764.74
Gross Interest Cover	34.39	32.36	34.18	41.63	47.59
Effective Tax Rate	27.9%	27.6%	27.5%	27.5%	27.5%
Net Dividend Payout Ratio	40.0%	40.5%	41.8%	43.0%	43.0%
Accounts Receivables Days	108.31	123.54	120.01	117.36	117.96
Inventory Days					
Accounts Payables Days	55.52	98.05	94.31	92.25	94.37
ROIC (%)	47.4%	65.9%	41.7%	46.6%	50.3%
ROCE (%)	23.4%	22.3%	19.3%	20.7%	20.7%
Return On Average Assets	15.4%	14.3%	13.5%	14.7%	15.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- Received any compensation/other benefits from the subject company,
- Managed or co-managed public offering of securities for the subject company,
- Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.