

Strong TCV, client decisions expected to accelerate soon

CMP: INR 4,256

Rating: Hold

Target Price: INR 4,666

Stock Info

BSE	540115
NSE	LTTS
Bloomberg	LTTS.IN
Reuters	LTTS.BO
Sector	IT Enabled Services
Face Value (INR)	2
Equity Capital (INR mn)	212
Mkt Cap (INR mn)	4517
52w H/L (INR)	6,000/3,966
Avg Yearly Vol (in 000')	127

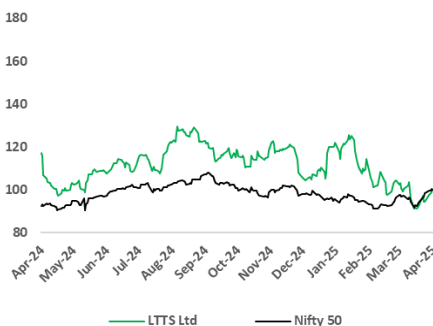
Shareholding Pattern %

(As on March, 2025)

Promoters	73.69
Public & Others	26.31

Stock Performance (%)	1m	3m	12m
LTTS	-7.9	-21.6	-17.8
Nifty 50	1.5	4.1	6.5

LTTS Vs Nifty 50



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LTTS Results, Revenue above estimate; Margin & PAT below our estimates. Revenue stood at INR 29.8 Bn, up 12.4% QoQ and 17.5% YoY (INR); 10.7% QoQ and 13.1% YoY (USD); 10.5% QoQ and 14.2% YoY (CC), driven by the Intelliswift acquisition (closed Nov 11, 2024). Tech grew 27.9% QoQ, Sustainability up 1.9%, while Mobility dipped 0.2% (USD). EBIT margin declined by 270 basis points QoQ to 13.2%, largely due to a rise in direct costs (up 14.3% QoQ) and other expenses (up 29.1% QoQ), driven by integration costs associated with the Intelliswift acquisition. Deal bookings hit a record high, with one \$80Mn+, one \$50Mn+, one \$30Mn+, one \$20Mn+, and three \$10Mn+ deals. Active clients rose by 43 to 421; headcount up 793 QoQ to 24,258. Attrition eased to 14.3% (down 10 bps QoQ). **Final dividend declared at INR 38/share.**

Strong deal wins: Strong large deal TCV bookings, including standout wins of over US\$180 Mn and US\$150 Mn. In FY25, the company closed 32 deals valued at over US\$10 Mn each, reflecting strong execution and market traction. The deal pipeline remains robust, with multiple US\$100 Mn+ and US\$50 Mn+ opportunities currently in advanced stages. Deal momentum is expected to continue, with Q1FY26 projected to mirror the strong performance of Q4 FY25.

Q4FY25 EBIT Margin Declines Amid Strategic Investments and Macro Headwinds: The EBIT margin for Q4 FY25 stood at 13.2%, reflecting a decline from earlier quarters due to several contributing factors. These included a 150Bps impact from the consolidation of the IntelliSwift acquisition, macroeconomic headwinds that dampened revenue—particularly in higher-margin segments and additional costs incurred to support select strategic customers. Cyclical growth in the Smart World & Communication business also exerted pressure on margins. For the full year FY25, the EBIT margin was 14.9%, with earlier investments in H1 to enhance capabilities aiding in the acquisition of large deals in H2. Looking ahead, management remains focused on driving revenue growth and operational efficiency, targeting mid-16% EBIT margins between Q4FY27 and Q1FY28, while expressing cautious optimism due to ongoing macro uncertainties.

Outlook: LTTS posted mixed set of numbers in Q4FY25. We are factoring in USD revenue growth of 12.2% (6.2% organic) and 12.2% for FY26–28, along with EBIT margins of 14.1% and 15.1%. Seasonal weakness in SWC during Q1 is expected to be less pronounced than last year, which is encouraging. The company foresees strong momentum in sustainability (across plant engineering and industrials), Medtech, and Hi-Tech verticals, with Mobility likely to stabilize in Q1. Among ER&D peers, LTTS stands out with superior growth and the most upbeat outlook for the coming year. Consecutive record-breaking deal wins reflect strong execution in a challenging macro environment, and as conditions improve, client decision-making is expected to pick up further. Overall, while the quarter saw a miss on growth and margins, it was balanced by strong TCV, a healthy deal pipeline, and confident guidance. Remains optimistic for FY26, projecting broad-based growth across all three verticals and reaffirming its medium-term goal of achieving USD 2 bn in revenue. **We value LTTS at a PE ratio of 25x its FY28E EPS of INR 187, which yields a target price of INR 4,666 per share. We maintain our Hold rating on the stock.**

Exhibit 1: Financial overview

YE March	Net Sales	EBIT	Adjusted PAT	EPS (INR)	EBIT Margin %	P/E (x)
(INR Mn)						
FY25	106,701	15,872	12,667	119.7	14.9%	35.6
FY26E	121,303	17,204	14,891	134.3	14.2%	26.0
FY27E	136,712	3,062	18,122	163.5	15.3%	25.4
FY28E	154,081	23,800	20,868	186.6	15.4%	22.8

Source: Arihant Research, Company Filings

Exhibit 2: Q4FY25 - Quarterly Performance (Consolidated)

Consolidated (in INR Mn)	Q4FY25	Q3FY25	Q4FY24	Y-o-Y	Q-o-Q
Revenue (USD)	345	312	305	13.1%	10.6%
Net Revenue	29,824	26,530	25,375	17.5%	12.4%
Employee cost	15,766	13,951	12,191	29.3%	13.0%
Other Expenses	9,303	7,632	8,156	14.1%	21.9%
EBITDA	4,755	4,947	5,028	-5.4%	-3.9%
EBITDA margin %	15.94%	18.65%	19.81%	-387bps	-270bps
Depreciation	816	728	746	9.4%	12.1%
EBIT	3,939	4,219	4,282	-8.0%	-6.6%
EBIT margin %	13.21%	15.90%	16.87%	-367bps	-270bps
Other Income	493	335	560	-12.0%	47.2%
Finance costs	159	155	114	39.5%	2.6%
PBT	4,273	4,399	4,710	-9.3%	-2.9%
Tax Expense	1,171	1,204	1,296	-9.6%	-2.7%
Effective tax rate %	27.40%	27.37%	27.52%	-11bps	3bps
PAT	3,102	3,195	3,414	-9.1%	-2.9%
Extraordinary Items (Net of tax expense)	-	-	-		
Reported PAT	3,102	3,195	3,414	-9.1%	-2.9%
PAT margin %	10.40%	12.04%	13.45%	-305bps	-164bps
Minority Interest	-9	-29	-5		
PAT (After MI)	3,111	3,224	3,409	-8.7%	-3.5%
EPS (INR)	29.38	30.47	32.25	-8.9%	-3.6%
Revenue Vertical	Q4FY25	Q3FY25	Q4FY24	Y-o-Y	Q-o-Q
Mobility	8727	8578	8113	7.6%	1.7%
Sustainability	8583	8260	7605	12.9%	3.9%
Hi-Tech	12514	9692	9657	29.6%	29.1%

Source: Arihant Research, Company Filings

Q4FY25 Conference call Highlights

Revenue growth in Q4FY25 10.7% in USD QoQ led by the tech and sustainability segments. They achieved record large deal bookings in Q4, including deals worth \$180 mn and \$150 mn.

Organic growth in Q4 was positive but impacted by macroeconomic headwinds delaying some large deal ramp-ups and signings.

An EBIT margin aspiration of mid-16% is targeted between late FY27 and early FY28.

Faced some unexpected headwinds in Q4, including delays in large deal ramp-ups and investments made to support strategic customers, which impacted revenue and margins.

A decision on the timing for FY26 wage hikes is pending based on market conditions.

Acquisition and integration of IntelliSwift impacted margins by about 150 bps in Q4. The company expects to see synergies from this acquisition in the coming quarters.

China+1: Company is seeing increased inquiries for plant transfers, line transfers, operational technology support, and assistance with China+1 strategies from clients, indicating new business opportunities.

Free cash flow for FY25 was 1379 crores, 109% of net income.

Acquisition: The company successfully integrated IntelliSwift, expanding its hyperscaler portfolio, though the integration impacted EBIT margins by 150bps.

Deal wins: Q4 saw record large deal bookings with US\$180 Mn+ and US\$150 Mn+ wins, 32 US\$10 Mn+ deals in FY25, a strong pipeline with multiple US\$100 Mn+ and US\$50 Mn+ deals, and Q1 FY26 expected to match Q4 momentum.

Segment Performance: Mobility segment remained flat in Q4 but is expected to improve by end of Q2 FY26; Sustainability grew 2% QoQ, while Tech led with a strong 28% QoQ growth.

In Q4, the offshore mix stood at 55.8%, with a target of reaching 60% in the medium term. The fixed-price revenue mix was recorded at 39.9% for Q4FY25.

Client Metrics: The client profile grew by 43 clients, primarily driven by the IntelliSwift acquisition. Furthermore, there was notable improvement in the number of clients in the \$20 mn+ and \$1 mn+ categories, reflecting a strengthened client base and higher-value engagements.

Geography: In FY25, Europe led geographic growth with a 21% increase, while all other geographies also showed positive growth, contributing to the overall strong performance.

In terms of technology and innovation, the company surpassed 1,500 patent filings, including 190 in AI/GenAI. It also formed a strategic partnership with NVIDIA across rail, medtech, and smart spaces, and launched new solutions such as Track EI and Refinery Next.

Final dividend declared at INR 38/share. The company maintained a healthy payout ratio of 46%, demonstrating its commitment to returning value to shareholders while ensuring financial stability.

Challenges and Headwinds: Macro-related headwinds had an impact on Q4 performance, affecting overall results. Additionally, some large deal ramp-ups and signings were delayed during the quarter, influencing the expected revenue and deal momentum.

Mobility remained resilient, showing flat growth, with continued investments in hyper-personalization and driver-focused technologies now beginning to yield results. The business is focusing on large tech deals and recently secured a €50 million deal with a European OEM, spanning both the US and Europe. Growth, which had tapered earlier, is showing signs of a turnaround, supported by AI-driven predictive incentives and personalization initiatives.

Plant and Industrial Engineering and the Sustainability segment are growing rapidly. The company has been chosen as a preferred engineering partner by multiple European clients. Continued CPG investments are driving strong demand across greenfield and brownfield projects, with an emphasis on digital transformation, advanced AI, predictive asset management, and carbon compliance.

The Industrial segment remains the most profitable, with significant large-deal traction in industrial machinery, robotics, and data center automation. A strong 28% QoQ growth was seen in industrial products and solutions, backed by platform integration synergies from the Teleswift acquisition.

Exhibit 3: Business Matrix

Operational Performance								
Revenue by Vertical	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Mobility	32.70%	35.80%	35.80%	32.00%	35.20%	35.50%	32.40%	29.20%
Sustainability	31.50%	35.80%	35.80%	30.00%	30.00%	30.80%	31.20%	28.70%
Hi-Tech	35.80%	35.80%	35.80%	38.00%	34.80%	33.70%	36.40%	42.10%
Revenue by Geography								
North America	56.50%	55.30%	54.60%	53.70%	52.90%	52.50%	51.50%	51.90%
Europe	15.40%	15.80%	16.60%	15.80%	18.10%	18.40%	16.50%	18.20%
India	20.70%	21.60%	21.50%	23.70%	22.00%	21.90%	24.40%	22.70%
Rest of the World	7.40%	7.30%	7.30%	6.80%	7.00%	7.20%	7.60%	7.20%
Revenue Mix								
Onsite	40.70%	40.40%	41.30%	41.30%	41.10%	41.70%	41.40%	44.20%
Offshore	59.30%	59.60%	58.70%	58.70%	58.90%	58.30%	58.60%	60.10%
Revenue by Project Type								
Fixed Price	35.60%	35.80%	38.50%	39.50%	36.90%	37.50%	41.20%	39.90%
Time and Material	64.40%	64.20%	61.50%	60.50%	63.10%	62.50%	58.80%	60.10%
Client Profile								
Number of Active Clients	357	362	364	365	378	373	378	421
30 Million dollar +	3	4	4	5	6	7	7	6
20 Million dollar +	12	12	14	12	12	13	10	11
10 Million dollar +	32	31	31	35	31	33	34	32
5 Million dollar +	56	55	56	58	60	60	64	59
1 Million dollar +	181	177	175	180	177	176	183	194
Client Contribution to Revenue								
Top 5 Clients	14.70%	14.90%	15.70%	15.40%	15.00%	15.00%	15.20%	15.10%
Top 10 Clients	25.90%	26.10%	26.60%	26.40%	26.30%	26.50%	26.80%	25.80%
Top 20 Clients	41.40%	41.70%	41.70%	40.60%	41.30%	41.50%	39.90%	39.40%
Employee Statistics								
Total Headcount	23392	23880	23298	23812	23577	23698	23465	24258
Bilable (as per number of employee)	21933	22366	21887	22392	22120	22185	21947	22579
Sales & Support	1459	1514	1411	1420	1457	1513	1518	1679
Voluntary Attrition % (LTM)	18.9%	16.7%	15.8%	14.8%	14.8%	14.3%	14.4%	14.3%
Exchange Rate (USD/INR)								
Period Realised \$	82.20	82.84	83.30	83.16	83.40	83.90	85.06	86.41

Source: Arihant Research, Company Filings

Exhibit 4: Above our estimate in USD revenue in Q4FY25

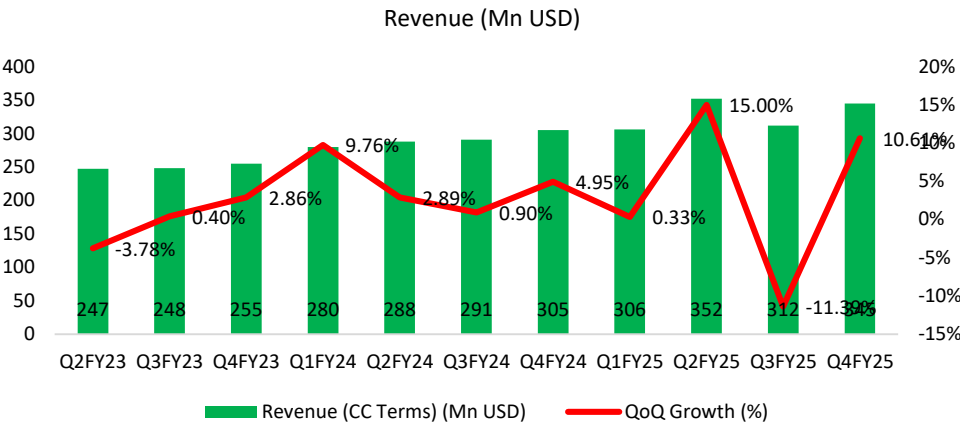


Exhibit 5: EBIT Margin decline several contributing factors

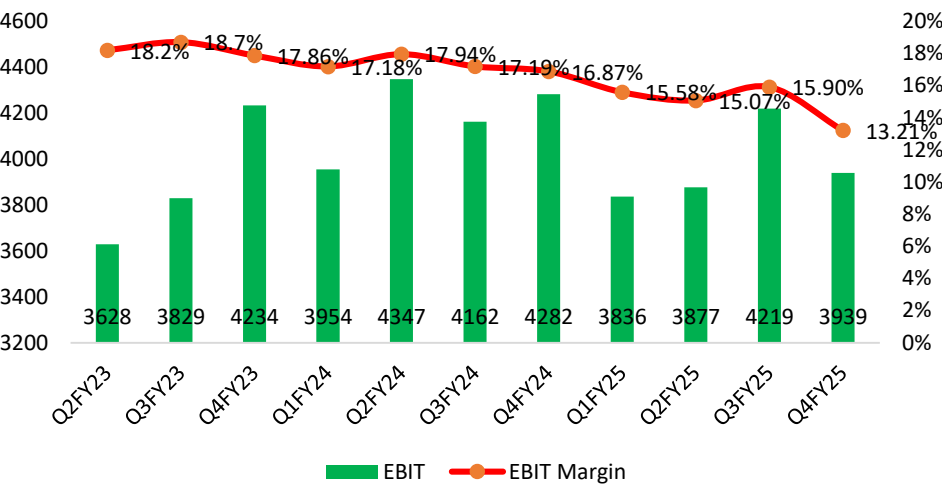
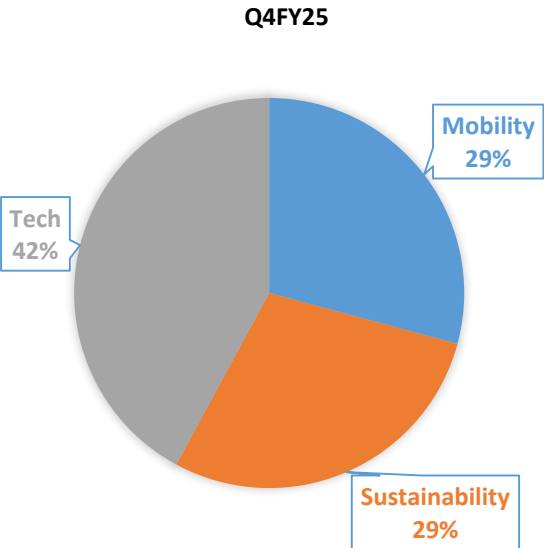


Exhibit 6: Revenue by Verticals



Source: Arianth Research, Company Filings

Key Financials

Income Statement (INR Mn)					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Revenue (Mn USD)	1,164	1,259	1,413	1,518	1,635
Growth (%)	15.6%	8.2%	12.2%	7.5%	7.7%
Revenues	96,473	106,701	121,303	136,712	154,081
Change (%)	9.4%	10.6%	13.7%	12.7%	12.7%
Employee Costs	49,298	56,885	63,142	70,088	77,447
Other Expenses	27,985	30,891	37,240	42,654	49,306
Total Expenses	77,283	87,776	100,382	112,742	126,753
EBITDA	19,190	18,925	20,921	23,970	27,328
EBITDA Margin (%)	19.9%	17.7%	17.2%	17.5%	17.7%
Depreciation	2,716	3,053	3,717	3,062	3,528
EBIT	16,474	15,872	17,204	20,908	23,800
EBIT Margin (%)	17.1%	14.9%	14.2%	15.3%	15.4%
Other Income	2,073	2,100	3,415	4,098	4,918
Interest	509	565	540	560	561
PBT	18,038	17,407	20,079	24,446	28,157
Tax	4,975	4,772	5,221	6,356	7,321
Rate (%)	27.6%	27.4%	26.0%	26.0%	26.0%
PAT	13,063	12,635	14,859	18,090	20,836
Minority Interest	26	-32	-32	-32	-32
Adjusted PAT	13,037	12,667	14,891	18,122	20,868
Change (%)	7.6%	-2.8%	17.6%	21.7%	15.2%

Balance Sheet (INR Mn)					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Share Capital	211	212	212	212	212
Reserves & Surplus	53,059	60,727	68,911	81,642	97,168
Net Worth	53,477	61,114	69,298	82,029	97,555
Non-Current liabilities					
Total Current liabilities	23,792	28,298	31,627	37,049	40,973
Total liabilities	31,138	34,992	37,714	43,178	47,147
Total Equity and liabilities	84,885	96,575	107,345	125,540	145,036
Total Non-current Assets	20,591	28,301	20,434	21,004	21,669
Current Assets					
Investments	12,936	9,603	16,265	18,332	20,661
Trade receivables	21,803	25,126	27,252	30,713	35,038
Cash and cash equivalents	11,221	13,831	23,456	34,141	44,728
Other bank balances	2,684	1,827	2,684	2,684	2,684
Other financial assets	1,570	1,786	1,974	2,225	2,508
Other current assets	12,056	12,429	14,556	16,405	18,490
Total current assets	62,303	64,781	86,188	104,500	124,108
TOTAL ASSETS	84,885	96,575	107,345	125,540	145,036

Source: Arihant Research, Company Filings

Key Financials

Cash Flow Statement (INR Mn)					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Net Profit before Tax	18,038	17,407	20,079	24,446	28,157
Adjustments:					
Depreciation	2,716	3,053	3,717	3,062	3,528
Finance Costs	509.00	565.00	-	-	-
Interest and Dividend received	(1,174)	(1,384)	(838)	(858)	(882)
Operating Profit before WC Changes	20,089	19,641	22,958	26,650	30,803
Operating Profit after WC Changes	20,184	19,739	23,348	25,743	29,302
Direct Taxes Paid & Exceptional Items	(5,256)	(4,928)	(5,221)	(6,356)	(7,321)
Cash Flow from Operating Activities	14,928	14,811	18,127	19,387	21,981
Cash Flow from Investing Activities	(2,333)	(5,094)	(7,294)	(2,884)	(3,362)
Cash Flow from Financing Activities	(6,579)	(7,182)	(1,200)	(5,818)	(8,031)
Net Change in Cash & Cash Equivalents	6,016	2,535	9,633	10,685	10,588
Opening Cash & Cash Equivalents	5,272	11,288	13,823	23,456	34,141
Closing Cash & Cash Equivalents	11288	13823	23456	34141	44728

Key Ratios					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)					
EPS	123.3	119.7	134.3	163.5	186.6
CEPS	141.8	140.5	167.9	191.2	218.2
BVPS	2534	2883	3269	3869	4602
DPS	50.0	38.0	37.0	39.0	41.0
Valuation (x)					
P/E	34.5	35.6	31.7	26.0	22.8
P/CEPS	30	30	25	22	20
P/BV	8.8	7.8	6.9	5.7	4.8
EV/EBITDA	14.7	14.8	12.9	10.8	9.1
Return Ratio (%)					
EBIDTA Margin	19.9%	17.7%	17.2%	17.5%	17.7%
EBIT Margin	17.1%	14.9%	14.2%	15.3%	15.4%
PAT Margin	13.5%	11.8%	12.2%	13.2%	13.5%
ROE	24.4%	20.7%	21.4%	22.1%	21.4%
ROCE	22.3%	18.9%	18.4%	18.9%	18.1%
Dividend Yield	1.2%	0.9%	0.9%	0.9%	1.0%
Leverage Ratio (%)					
Net Debt/Equity (x)	-0.2	-0.2	-0.3	-0.4	-0.5
Net Debt/EBITDA (x)	-0.6	-0.7	-1.1	-1.4	-1.6
Turnover Ratios					
Receivable Days	82	82	82	82	83
Payable days	49	51	51	51	51

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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