MIRAE ASSET Sharekhan

Stock Update | Result Update

L&T Technology Services Ltd

Mixed Quarter, Sustainability and ramp-ups of recent wins to drive growth

IT & ITES		Sharekhan code: LTTS		
Reco/View: Buy	↔	CMP: Rs. 4,412	Price Target: Rs. 5,000	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

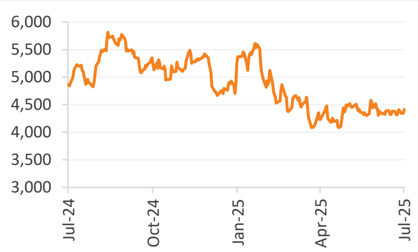
Company details

Market cap:	Rs. 46,714 cr
52-week high/low:	Rs. 5,990/3,855
NSE volume: (No of shares)	1.4 lakh
BSE code:	540115
NSE code:	LTTS
Free float: (No of shares)	2.8 cr

Shareholding (%)

Promoters	73.7
FII	5.2
DII	13.7
Others	7.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-0.4	4.2	-17.9	-9.4
Relative to Sensex	-1.3	-0.5	-25.2	-11.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Reported revenue stood at $335 million, down 4.2% q-o-q in cc terms, missing our estimates of $340 million.
- EBIT margin expanded by ~ 10 bps q-o-q to 13.3% beating our estimates of 12.9%. The company exceeded $200 million in large deal TCV for the third consecutive quarter.
- Management expects to clock double-digit growth in FY26 and maintained its medium-term outlook of $2 billion in revenues.
- We maintain Buy with revised PT of Rs 5,000 (valued at 32x FY27E EPS). At CMP, the stock trades at 31.9/28.2x FY26/27E EPS.

LTTS reported revenue of $335 million, down 4.2% q-o-q in constant currency (CC terms), missing our estimates of $340 million owing to seasonal weakness in the SWC segment and underperformance in the mobility segment. EBIT margin expanded by ~ 10 bps q-o-q to 13.3% beating our estimates of 12.9%. Adjusted PAT stood at Rs 316 crore, up1.5% q-o-q/ 0.7% y-o-y, beating our estimates of Rs 302 crore. The company exceeded $200 Mn in Large Deals TCV for the third consecutive quarter, continuing its deal momentum in Q1 with one $50 million win, three deals in $20-30 million range, and six $10+ million deals. Net headcount additions declined by 632 q-o-q taking the total headcount to 23,626 while LTM attrition jumped 50 bps q-o-q to 14.8%. The company's focus on AI, automation, and sustainability, and a robust deal pipeline, supports its double-digit growth outlook for FY26 and a $2 billion medium-term revenue target. We maintain Buy rating with a revised PT of Rs 5,000 (32x FY27E EPS). At CMP, the stock trades at 31.9/28.2x FY26/27E EPS.

Key positives

- The company exceeded $200 Mn in Large Deals TCV for the third consecutive quarter, with one $50 million win, three deals in $20-30 million range, and six $10+ million deals.
- No of Active clients improved to 459 from 421 in Q4FY25.

Key negatives

- Net Headcount additions declined by 632 q-o-q taking the total headcount to 23,626.
- LTM attrition jumped 50 bps q-o-q to 14.8%.

Management Commentary

- Management expects to clock double-digit growth in FY26 and maintained its medium-term outlook of $2 billion in revenue.
- Management expects H2FY26 to be better than H1FY26. The company is targeting double-digit growth for FY26, with a focus on larger accounts and a goal of reaching $100 million in revenue for certain sub-segments within five years.
- The company maintained its target of reaching mid-16% EBIT margins between Q4FY27 and Q1FY28
- Management expects margins to improve in H2FY26 compared to H1FY26, driven by large deals wins momentum, revenue growth in higher margin segments, operational efficiency including AI-led automation.
- The company has a healthy pipeline of large deals, particularly in the sustainability segment

Revision in earnings estimates – We have revised estimates to factor Q1FY26 performance.

Our Call

Valuation –Maintain Buy with revised price target of Rs. 5,000: LTTS reported a mixed quarter, with revenue growth missing estimate while margin beat estimates despite weak revenues. Third consecutive large deal TCV bookings exceeding $200 million and a healthy pipeline of large deals, particularly in high margin sustainability segment should aid in improving margins in the quarters ahead. The company's focus on AI, automation, and sustainability, ramp of large deals along with a robust deal pipeline, supports its double-digit growth outlook for FY26 and a $2 billion medium-term revenue target. We expect a sales/PAT CAGR of ~13%/14% over FY25-27E. We maintain Buy rating, with a revised PT of Rs. 5,000 (32x FY27E EPS). At CMP, the stock trades at 31.9/28.2x FY26/27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements. Macro headwinds and recession in the US can moderate the pace of technology spending.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	9,647.2	10,670.2	12,021.4	13,605.5
OPM (%)	19.9	17.7	17.8	18.4
Adjusted PAT	1,303.6	1,266.7	1,465.2	1,655.7
% y-o-y growth	*7.5*	*-2.8*	*15.7*	*13.0*
Adjusted EPS (Rs.)	123.0	119.4	138.4	156.3
P/E (x)	35.9	36.9	31.9	28.2
P/B (x)	8.8	7.7	6.7	5.8
EV/EBITDA (x)	22.9	23.3	20.2	17.1
RoNW (%)	26.7	22.2	22.4	22.1
RoCE (%)	29.8	24.6	24.7	25.7

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

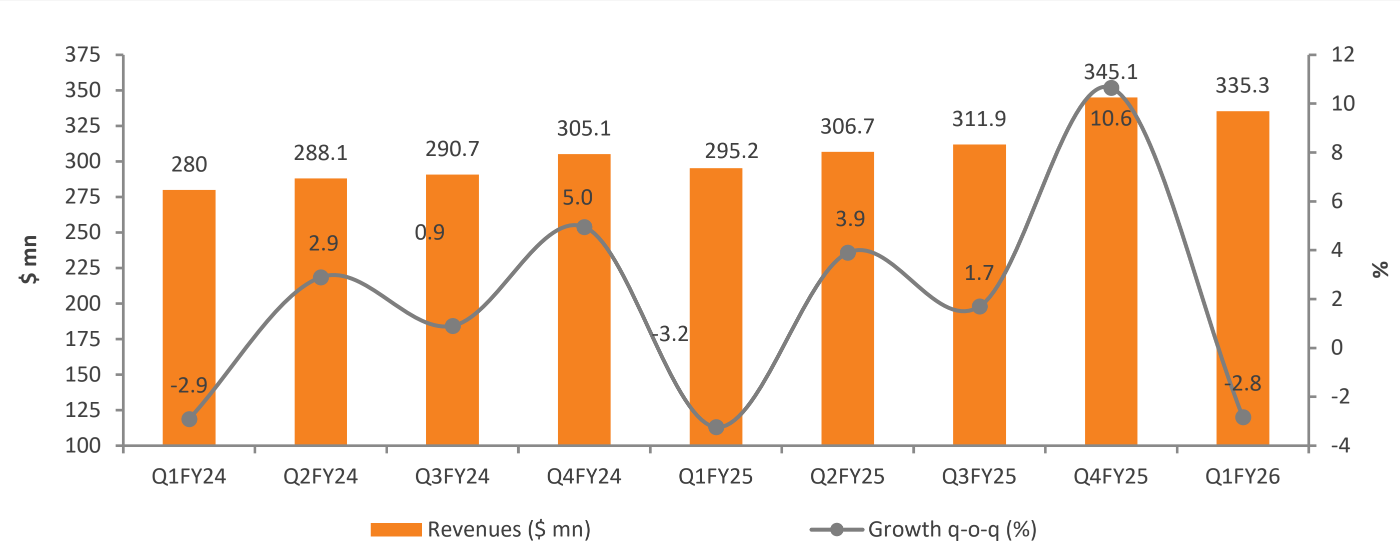
- **Revenue:** Reported revenue stood at $335 million, down 4.2% q-o-q in constant currency (cc), missing our estimates of $340 million owing to seasonal weakness in the SWC segment and underperformance in the mobility segment.
- **EBIT margin:** EBIT margin expanded by ~ 10 bps q-o-q to 13.3% beating our estimates of 12.9%. EBIT margins are expected to improve in H2FY26 compared to H1FY26.
- **Vertical-wise performance:** The Mobility, Tech and Sustainability grew 3.2%/8.2% and 25.3% q-o-q, respectively
- **Geography-wise performance:** North America, Europe, and Rest of the World grew 1.3%/0.7% and 5.3% q-o-q respectively while India declined 16.4% q-o-q, respectively
- **Deal wins and pipeline:** The company exceeded $200 million in large deal TCV for the third consecutive quarter, continuing its deal momentum in Q1 with one $50 million win, three deals in $20-30 million range, and six $10 million+ deals.
- **Client Profile:** The company added two clients in the $10 million+ and five clients in the $5 million+ and 6 clients in the $1 million+ category but lost one client in 20 million+ category. The number of Active clients improved to 459 from 421 in Q4FY25.
- **Attrition & headcount:** Net headcount additions declined by 632 q-o-q taking the total headcount to 23,626 while LTM attrition jumped 50 bps q-o-q to 14.8%.

Results (Consolidated) Rs cr

Particulars	Q1FY26	Q1FY25	Q4FY25	y-o-y (%)	q-o-q (%)
Revenues in USD (mn)	**335**	**295**	**345**	**13.6**	**-2.8**
Revenues In INR	**2,866**	**2,462**	**2,982**	**16.4**	**-3.9**
Employee benefit expenses	1,591	1,332	1,577	19.5	0.9
Operating expenses	812	674	930	20.5	-12.7
EBITDA	**462**	**456**	**476**	**1.4**	**-2.8**
Depreciation	81	73	82	11.7	-0.6
EBIT	**381**	**384**	**394**	**-0.6**	**-3.2**
Other income	68	62	49	8.8	37.3
Finance cost	17	13	16	26.0	3.8
PBT	**433**	**433**	**427**	**0.0**	**1.2**
Provision for taxation	116	119	117	-2.0	-0.6
Minority interest	0	0	1		
Net profit	**316**	**314**	**311**	**0.7**	**1.5**
EPS (Rs)	29.8	29.6	29.3	0.7	1.5
Margin (%)					
EBITDA	16.1	18.5	15.9	-240	19
EBIT	13.3	15.6	13.2	-228	10
NPM	11.0	12.7	10.4	-172	58
Tax rate	26.9	27.5	27.4	-54	-49

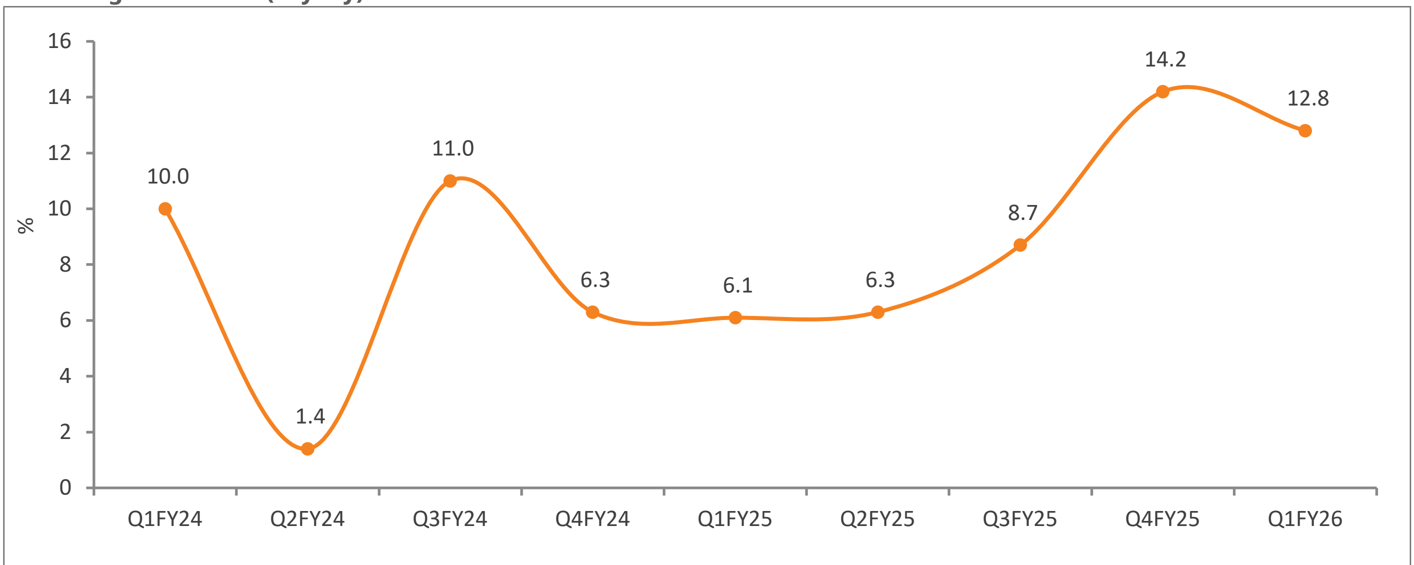
Source: Company; Mirae Asset Sharekhan Research

Revenue ($ mn) and growth (% q-o-q)



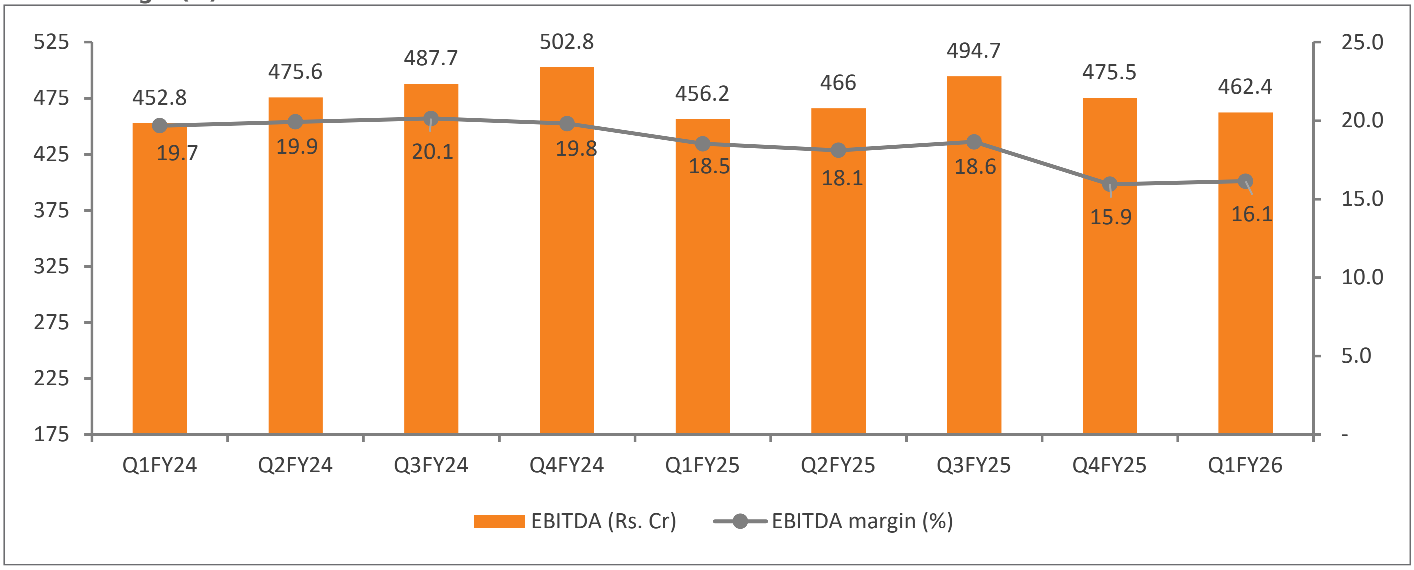
Source: Company; Mirae Asset Sharekhan Research

Revenue growth trend (% y-o-y) on CC



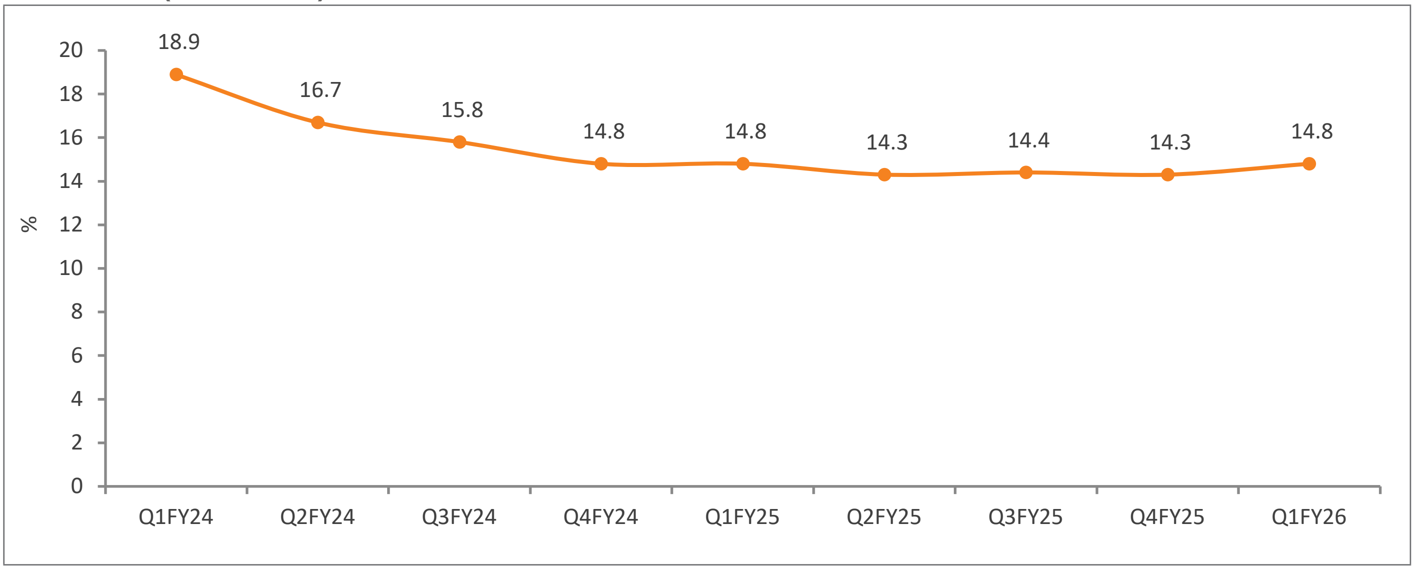
Source: Company; Mirae Asset Sharekhan Research

EBITDA margin (%) trend



Source: Company; Mirae Asset Sharekhan Research

Attrition rate (on LTM basis) trend



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ **Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth**

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets like the US and Europe, alongside increasing demand for AI, cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays, and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation initiatives.

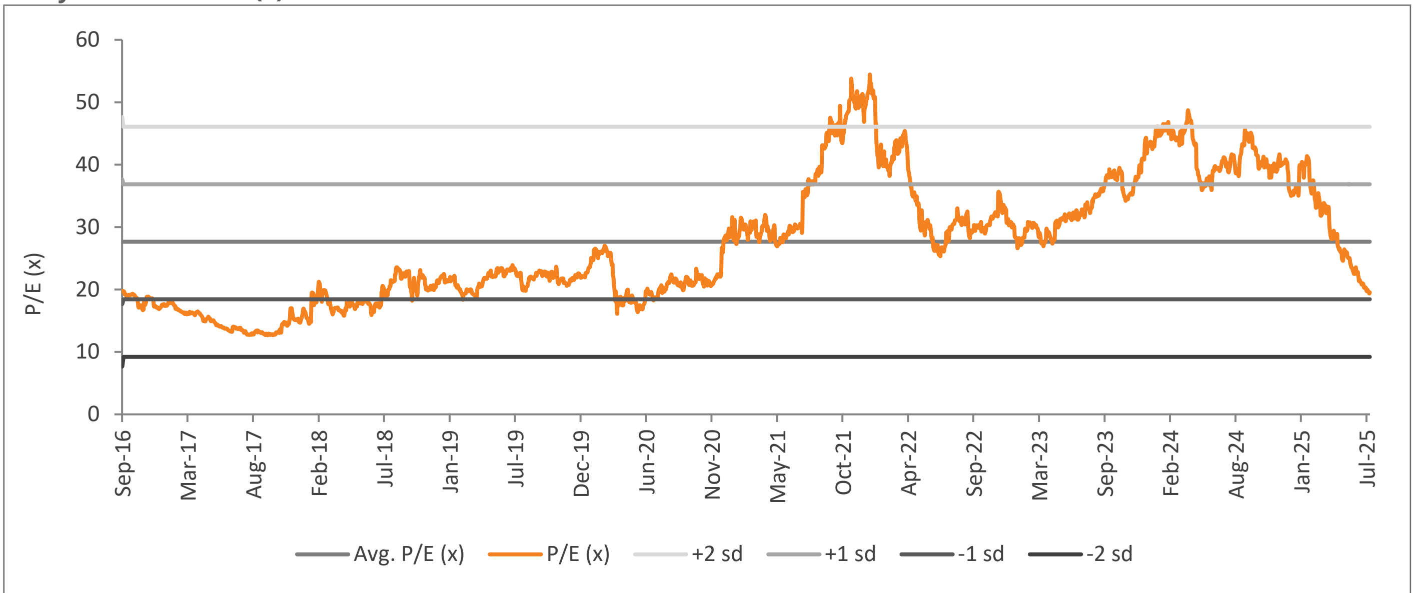
■ **Company Outlook – Broad portfolio to support long growth runway**

LTTS is the third-largest engineering service provider (ESP) in India and is well-diversified across verticals. The large ERD addressable market and a huge scope in deepening relationships with top-30 customers provide multi-year sustainable growth prospects. Technology shifts in verticals are also positive for the company as they create huge growth opportunities for ESPs. Management expects FY26 to be a better year than FY25, with a double-digit revenue growth in constant currency and reaffirmed its medium-term outlook of $ 2 billion revenue.

■ **Valuation – Maintain Buy with revised price target of Rs. 5,000**

LTTS reported a mixed quarter, with revenue growth missing estimate while margin beat estimates despite weak revenues. Third consecutive large deal TCV bookings exceeding $200 million and a healthy pipeline of large deals, particularly in high margin sustainability segment should aid in improving margins in the quarters ahead. The company's focus on AI, automation, and sustainability, ramp of large deals along with a robust deal pipeline, supports its double-digit growth outlook for FY26 and a $2 billion medium-term revenue target. We expect a sales/PAT CAGR of ~13%/14% over FY25-27E. We maintain Buy rating, with a revised PT of Rs. 5,000 (32x FY27E EPS). At CMP, the stock trades at 31.9/28.2x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

L&T Technology Services Limited (LTTS) is a leading global engineering and R&D services company headquartered in India, specializing in providing innovative engineering solutions across industries. A subsidiary of Larsen & Toubro Limited, LTTS focuses on three key segments: Mobility, Sustainability, and Tech, serving clients in automotive, industrial products, plant engineering, healthcare, and technology sectors. The company leverages advanced technologies like AI, Gen AI, IoT, and digital twins to drive digital transformation, with a strong emphasis on sustainability and software-defined solutions. LTTS has a global presence with operations in North America, Europe, and Asia, and a workforce of over 24,000 employees as of FY25. In FY25, LTTS achieved revenues ~ $1.4 billion and holds over 1,500 patents, including 190 in AI and Gen AI. Known for its robust deal pipeline and strategic acquisitions like Intelliswift, LTTS aims for a $2 billion revenue target in the medium term.

Investment theme

L&T Technology Services (LTTS) is strategically positioned to capitalize on the under-penetrated ER&D outsourcing market, leveraging its multi-sectoral presence and robust horizontal technology practices across Mobility, Sustainability, and Tech segments. LTTS has a significant growth runway, driven by its ability to capture larger wallet share through differentiated offerings in AI, Gen AI, and sustainability-focused solutions. The company's broad portfolio mitigates vertical-specific cyclicality risks, unlike peers, while technology shifts in automotive, industrial, and healthcare verticals create substantial opportunities for engineering service providers. LTTS's leadership depth, diverse client base, and recent large deal wins position it for sustained multi-year growth.

Key Risks

1) Rupee appreciation and/or adverse cross-currency movements, and 2) Macro headwinds and recession in the US can moderate the pace of technology spending.

Additional Data

Key management personnel

Name	Designation
S.N. Subrahmanyan	Chairman
Amit Chadha	CEO& MD
Rajeev Gupta	CFO
Alind Saxena	President Sales & whole time Director

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	6.92
2	SBI Funds Management Ltd	1.79
3	SEAFARER OVERSEAS GROWTH & INC F	1.48
4	Seafarer Capital Partners LLC	1.48
5	Vanguard Group Inc	1.00
6	Axis Asset Management Co Ltd	0.42
7	LIC PENSION FUND LTD	0.37
8	ICICI Prudential Asset Management	0.30
9	Norges Bank	0.29
10	Sundaram Asset Management Co Ltd	0.28

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.