

LTTS is an engineering R&D (ER&D) services provider. It offers consultancy, design, development and testing services across the product development life cycle. It primarily operates in three segments: i) Mobility (automotive, commercial vehicles, aerospace), ii) Sustainability (Tech, FMCG, Oil and Gas), and iii) Hi-Tech (Semi-conductors, consumer electronics).

LTTS reported its Q1FY25 results recently and the revenues were down 3.1% CC QoQ. This was below market expectations. 1st Quarter is a seasonally weak quarter for the company; however; the quantum of decline was not expected.

Company had earlier given a guidance of 8-10% CC revenue growth for FY25 in Q4FY24 (March quarter). Despite ~ 3% de-growth in the current quarter (June Qtr), Company has maintained its yearly guidance of 8-10%. This means the company has to deliver a strong CQGR growth of 3.5-4.5% in the next three quarters. This we believe is achievable backed by the increased demand for digitization in the ER&D space and LTTS has a strong presence across verticals. Company also indicated a strong hiring numbers in the coming quarters reiterating strong deal pipeline.

LTTS has been adding good number of clients every quarter. In the recent quarter, Co added 2 deals of \$30 mn and \$20 mn each and 3 deals of \$ 10mn each taking the total number of active clients to 378.

Co is also looking for inorganic opportunities in Automotive, Hyperscallers and Healthcare sectors and further enhance its gamut of offerings. As of March 2024, the company held net cash of Rs.1390 crore.

We expect LTTS to report strong numbers in the coming quarters on the back of increased traction in the ER&D space and overall demand recovery in certain verticals. Stock is available at P/E of 32x FY26E expected earnings and we recommend BUY on the stock.

Figures in Rs Cr

Year	Revenues	Growth	EBIT	Margin	PAT	Margin	EPS	PE	EV/EBIT	ROCE
FY23	8815.5	34.2%	1527.1	17.3%	1216.4	14%	116.3	43.0	33.9	31.2%
FY24	9647.3	9.4%	1647.4	17.1%	1306.3	13.5%	124.7	40.1	31.2	27.7%
FY25E	10570.8	9.6%	1832.2	17.3%	1432.2	13.5%	136.7	36.6	34.6	29.6%
FY26E	11839.3	12.0%	2094.3	17.7%	1631.0	13.8%	155.6	32.1	32.2	32.5%

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