


L&T Technology Services
STOCK UPDATE

Result Update - Q3FY2026

SECTOR

IT & ITES

COMPANY DETAILS

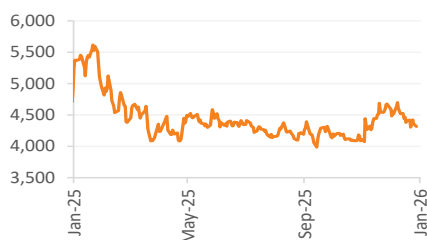
| | |
|-------------------------------|---------------|
| Market cap: | Rs. 41,442 cr |
| 52-week high/low: | Rs. 5645/3891 |
| NSE volume: (No of shares) | 0.8 lakh |
| BSE code: | 540115 |
| NSE code: | LTTS |
| Free float: (No of shares) | 2.8 cr |

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

| | |
|-----------|------|
| Promoters | 73.6 |
| FII | 4.2 |
| DII | 14.6 |
| Others | 7.6 |

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|--------------------|-------|------|-------|-------|
| Absolute | -12.8 | -5.9 | -11.2 | -27.3 |
| Relative to Sensex | -11.6 | -5.5 | -13.4 | -36.3 |

Source: Mirae Asset Sharekhan Research, Bloomberg

| | | |
|-----------------------|-----------------------|--------------------------------|
| Reco/View: Buy | CMP: Rs. 3,910 | Price Target: Rs. 4,700 |
|-----------------------|-----------------------|--------------------------------|

Quick Snapshot

- Revenues fell 2.8% q-o-q in CC terms, lagging estimates, primarily due to a strategic restructuring under its five-year Lakshya plan, involving closure of low-margin, commoditized projects and non-strategic client engagements. Management lowered FY26E guidance to mid-single digits from double digits earlier.
- EBIT margin rose 120 bps q-o-q to 14.6% in Q3FY26, primarily on deliberate portfolio rationalisation. Management eyes mid-16% EBIT margins by Q4 FY27-Q1 FY28, led by focus on high-margin segments, AI-led efficiencies, and selective deal execution.
- Given the recent restructuring and resulting revenue slowdown, we have reduced our EPS estimates. The impact is partially offset by expected gradual margin improvement over time. We now peg FY28 EBIT margin at 15.6% (+180bps over FY26-FY28). Accordingly, we lower our price target to Rs. 4,700, valuing the stock at 29x Dec-27 EPS, with a Buy rating. At CMP, it trades at 29.9x and 26.2x on FY27E and FY28E.

Result overview

- Restructuring:** LTTS executed a targeted restructuring by discontinuing select low-margin, commoditized operations, including Tech work serviced from Israel, India-billed offshore support projects (INR revenue with limited value-add), small legacy mobility work in Europe, and certain low-margin new orders from Indian clients that would dilute profitability. The strategy aims to prune low-IP, commoditised activities and reallocate resources to higher-margin, differentiated areas such as Engineering Intelligence, AI-powered industrial solutions, US reindustrialisation, data center/energy infrastructure CapEx, and hyperscale build-outs. Core high-value segments like Smart World (cybersecurity, telco-infra, data centers) remain fully intact and continue to grow.
- Deal Wins:** LTTS maintained strong large-deal momentum with \$180 million TCV in Q3FY26, marking the fifth consecutive quarter averaging ~\$200 million. Sustainability segment stays on double-digit growth path with solid execution and prior large-deal ramp-ups (incl. a \$100 million contract). Mobility segment showed green shoots despite furloughs, with management expecting continued growth momentum in CY26 driven by better deal ramp-ups and positive traction in auto, aero, and rail verticals.

Our Call

We lower our EPS estimates to account for weaker FY26 guidance and slower revenue recovery amid ongoing restructuring and portfolio rationalisation. Near-term growth headwinds are partially offset by sustained margin expansion owing to better revenue quality and execution efficiencies. We expect growth momentum to gradually accelerate from FY27 onwards, driven by steady ramp-up of large deal wins (consistent ~\$200 million quarterly TCV average) and rising contribution from high-margin focus areas. Accordingly, we lower our price target to Rs. 4,700 with a Buy rating, valuing the stock at 29x Dec-27 EPS.

Key Risks

Slowdown in AI adoption, appreciation of INR Currency, global macroeconomic uncertainties.

Valuation (Consolidated)

| | Rs cr | | | |
|---------------------|----------|----------|----------|----------|
| Particulars | FY25 | FY26E | FY27E | FY28E |
| Total Revenue | 10,670.2 | 11,779.1 | 12,856.6 | 14,062.6 |
| EBITDA margin % | 17.7 | 16.8 | 18.1 | 18.8 |
| Adjusted Net Profit | 1,266.7 | 1,302.1 | 1,527.8 | 1,745.6 |
| % YoY growth | -2.8 | 2.8 | 17.3 | 14.3 |
| EPS (Rs) | 119.4 | 123.0 | 144.3 | 164.9 |
| PER (x) | 36.2 | 35.1 | 29.9 | 26.2 |
| P/BV (x) | 7.7 | 6.8 | 6.0 | 5.2 |
| EV/EBITDA | 23.3 | 21.8 | 18.2 | 15.5 |
| ROE (%) | 22.2 | 20.1 | 20.8 | 20.8 |
| ROCE (%) | 24.6 | 22.6 | 23.7 | 24.1 |

Source: Company; Mirae Asset Sharekhan estimates

Concall Highlights:

- Q3 scorecard:** Reported revenue stood at \$326 million, down 3.2% q-o-q (4.6% y-o-y). In CC, company grew by 3.9% y-o-y CC while fell 2.8% q-o-q in CC terms. Revenue stood at Rs. 2,924 crores, down 1.9% q-o-q. The sequential decline was on account of being selective on revenue portfolio of offerings and region in line with upcoming five-year strategy plan.
 EBIT stood at 427 crore, up 7.3% q-o-q (+1.2% y-o-y), resulting in EBIT margin at 14.6% (+124bps q-o-q/ -129bps y-o-y) against our estimate of 13.9%. A sequential improvement in margin was primarily driven by lower operating expenses. Adj. PAT excluding labor code law stood at Rs. 329 crore, flat sequentially (+2.1% y-o-y), resulting in Adj. PAT margin at 11.3% (+23bps q-o-q/ -90 bps y-o-y).
- Mobility vertical:** Despite furloughs, Mobility posted modest sequential growth. 50% of large deals were from this segment. Aero & Rail grew sequentially, highways vertical's growth was subdued and automobiles showed positive traction with a large multi-million deal from a global luxury OEM (infotainment + telematics) and a multi-year AI-powered marine experience contract. US market shows early signs of recovery after multiple quarters of spending slowdown, with rising investments focused on software-defined vehicle (SDV) technology. Europe is shifting emphasis toward low-cost countries and strategic partnerships. New vehicle model investments are being deferred, while cost optimisation continues to be the top priority. New model launches by OEMs in Japan indicate growth opportunities.
- Sustainability vertical:** The segment grew 11.4% y-o-y and 2.0% q-o-q, driven by strong execution on recent large deals. The industrial and energy sub-segments benefited from EI solutions, robust pipelines in asset management, and steady ramp-up of a prior \$100 million deal. Demand is healthy in O&G, CPG, and India's chemical industry for CapEx, legacy modernization, and new plant engineering. Key wins include a high-value engineering center with an Australian enterprise and a multi-year AI/NLP partnership with a leading global energy firm. US reindustrialization and pharma domestic investments further support growth momentum.
- Deal wins:** LTTS maintained strong momentum in large deal wins, securing \$180 million in TCV during Q3 FY26 — the fifth consecutive quarter with a healthy trajectory, averaging \$200 million per quarter over the period. The Sustainability segment continued to benefit from steady demand and solid execution on prior large deals, including the \$100 million contract from the previous quarter, which is ramping up as planned.
- Margin Update:** LTTS strategically discontinued select regional and technology offerings during the quarter, driving a 120bps sequential EBIT margin expansion to 14.6%. The mobility segment margins held steady at 14.8% despite seasonal furloughs. Sustainability delivered strong 28.8% EBIT margin, up 70 bps q-o-q, supported by successful ramp-up of recent large deals and improved revenue quality; management expects continued growth and margin accretion into FY27. Tech segment margin improved to 19.6%, driven by better Intelliswift profitability, exit from low-margin strategic customer support, and ongoing portfolio/geography recalibration aligned with the five-year strategy. The sustainable EBITDA aspiration for the Tech segment is between 12-13%.
- Other details:** LTTS has booked an exceptional item of Rs. 35.4 crore on a gross basis and Rs 26.5 crore on a net basis. Cash and investments stood at Rs 3,160 crore (versus Rs 2,882 crore q-o-q). LTTS will provide wage hike to all employees in Q4FY26. Q4 wage hikes (~1% impact) are expected to be fully absorbed by ongoing margin levers.

| | | | | | Rs cr |
|-----------------------------|--------------|--------------|--------------|-------------|-------------|
| Particulars | Q3FY26 | Q3FY25 | Q2FY26 | YoY (%) | QoQ (%) |
| Revenues in USD (Mn) | 326.3 | 311.9 | 337.1 | 4.6 | -3.2 |
| QoQ CC | -2.8 | 3.1 | 1.3 | | |
| YoY CC | 3.9 | 8.7 | 10.4 | | |
| Revenues in INR | 2,924 | 2,653 | 2,980 | 10.2 | -1.9 |
| Employee benefit expenses | 1,643 | 1,395 | 1,601 | 17.7 | 2.6 |
| Gross Profit | 1,281 | 1,258 | 1,378 | 1.8 | -7.1 |
| Operating expenses | 767 | 763 | 888 | 0.5 | -13.6 |
| EBITDA | 514 | 495 | 491 | 3.9 | 4.7 |
| Depreciation | 87 | 73 | 93 | 19.1 | -6.4 |
| EBIT | 427 | 422 | 398 | 1.2 | 7.3 |
| Other income | 33 | 34 | 66 | -0.6 | -49.2 |
| Finance cost | 15 | 16 | 16 | -3.9 | -5.7 |
| PBT | 446 | 440 | 448 | 1.3 | -0.6 |
| Provision for taxation | 116 | 120 | 119 | -3.7 | -2.4 |
| PAT before MI | 330 | 320 | 329 | 3.2 | 0.1 |
| Minority Interest | -1 | 3 | -1 | -117.2 | 0.0 |
| Exceptional Items | 27 | 0 | 0 | NA | NA |
| Reported PAT after MI | 303 | 322 | 329 | -6.1 | -7.9 |
| Adj. PAT after MI | 329 | 322 | 329 | 2.1 | 0.1 |
| EPS (Rs) | 29 | 30 | 31 | -6.2 | -7.9 |
| Margin (%) | | | | | |
| GPM | 43.8 | 47.4 | 46.3 | -360 | -244 |
| EBITDA | 17.6 | 18.6 | 16.5 | -107 | 110 |
| EBIT | 14.6 | 15.9 | 13.4 | -129 | 124 |
| NPM | 11.3 | 12.2 | 11.0 | -90 | 23 |
| Tax Rate | 26.0 | 27.4 | 26.5 | -135 | -50 |

Source: Company; Mirae Asset Sharekhan Research

Geography Mix (%)

| Particulars | Q3FY26 | Q3FY25 | Q2FY26 | YoY in bps | QoQ in bps |
|---------------|--------|--------|--------|------------|------------|
| North America | 56.8 | 51.5 | 54.7 | 530 | 210 |
| Europe | 17.6 | 18.2 | 17.3 | -60 | 30 |
| India | 18.2 | 22.7 | 21.5 | -450 | -330 |
| ROW | 7.4 | 7.6 | 6.5 | -20 | 90 |

Geography Revenue (in USD Mn)

| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| North America | 185.3 | 160.6 | 184.4 | 15.4 | 0.5 |
| Europe | 57.4 | 56.8 | 58.3 | 1.2 | -1.5 |
| India | 59.4 | 70.8 | 72.5 | -16.1 | -18.1 |
| ROW | 24.1 | 23.7 | 21.9 | 1.9 | 10.2 |

Source: Company; Mirae Asset Sharekhan Research

Vertical Mix (%)

| Particulars | Q3FY26 | Q3FY25 | Q2FY26 | YoY in bps | QoQ in bps |
|------------------------------|--------|--------|--------|------------|------------|
| Mobility | 30.1 | 32.4 | 29 | -230 | 110 |
| Sustainability | 33.2 | 31.2 | 31.6 | 200 | 160 |
| Hi-tech | 36.7 | 36.4 | 39.4 | 30 | -270 |
| Vertical Revenue (in USD Mn) | | | | | |
| Mobility | 98.2 | 101.1 | 97.8 | -2.8 | 0.5 |
| Sustainability | 108.3 | 97.3 | 106.5 | 11.3 | 1.7 |
| Hi-tech | 119.8 | 113.5 | 132.8 | 5.5 | -9.8 |

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|--------------------------|-------------|
| 1 | Larsen & Toubro Ltd | 73.58 |
| 2 | LIC | 6.92 |
| 3 | SBI Funds Management | 1.76 |
| 4 | Seafarer Capital | 1.49 |
| 5 | Seafarer Overseas Growth | 1.42 |
| 6 | Vanguard Group | 1.04 |
| 7 | Sundaram AMC | 0.6 |
| 8 | LIC Pension Fund | 0.39 |
| 9 | ICICI Pru AMC | 0.38 |
| 10 | HDFC AMC | 0.33 |

Source: Bloomberg

Key management personnel

| Name | Designation |
|--------------|-------------|
| Rajeev Gupta | CFO |
| Amit Chadha | CEO & MD |
| Sandesh Naik | Head - IR |

Source: Company Website

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