



L&T Technology Services

BEING #1

2018 - 19
ANNUAL REPORT

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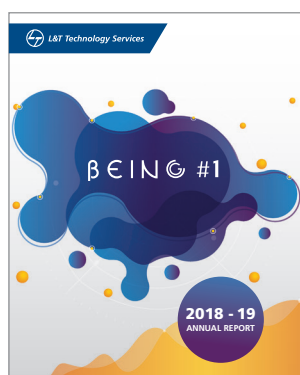
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Disclaimer

This report may contain forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'estimates' or other words of similar meaning. All statements that address expectations of projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events. The Company has sourced the industry information from the publicly available sources and has not verified the information independently.



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Engineering the Change

Establishing excellence is a journey that never ends. While we have grown and scaled up our global operations in the span of a decade, it is now our endeavour to become the world's leading technology services company, and an engineering partner of choice for brands across the world.

We at LTTS believe Being #1 requires the willingness and determination to stay ahead of the times, and develop the skills and offerings that help our customers in their business transformation.

With its rich engineering heritage and a brand synonymous with trust and quality, LTTS is helping its global customers develop the smart products, services and solutions of tomorrow.

LTTS has participated in a number of innovative and path-breaking projects with global enterprises and startups



THE WORLD'S FIRST
HYBRID AIRCRAFT
ENGINE



THE SMARTEST
CAMPUS IN THE
WORLD



THE WORLD'S FIRST
AUTONOMOUS
WELDING ROBOT



INDIA'S FIRST
AFFORDABLE
INDIGENOUS BLOOD
CELL COUNTER



A UNIQUE
SOLAR CONNECTIVITY
DRONE

This is the essence of
BEING #1
at L&T Technology Services

LTTS - India's leading pure-play engineering services company

Our service offerings extend across a wide gamut of industries, highlighting our end-to-end engineering capabilities

Transportation



- Automotive
- Aerospace
- Rail
- Trucks & Off-Highway

Industrial Products



- Industrial Machinery
- Power Electronics
- Building Solutions
- Lighting Engineering
- Renewable Energy

Telecom & Hi-Tech



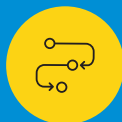
- Semiconductors
- Media & Entertainment
- Consumer Electronics
- Telecom

Medical Devices



- Surgical & Diagnostic
- Patient Mobility
- Therapeutic & Life Science
- Musculoskeletal

Process Industry



- Consumer Packaged Goods
- Speciality Chemicals
- Energy & Utilities

L&T Technology Services Limited (LTTS) is a leading global ER&D services company with a client base comprising 69 Fortune 500 companies and 51 of the world's top R&D spenders. The Company offers design and development solutions to clients across the entire value chain of product development and caters to all major industries including transportation, industrial products, telecom & hi-tech, medical devices and process industries. LTTS specializes in an array of advanced technologies including but not limited to 5G, artificial intelligence, collaborative robots, digital factories and autonomous vehicles.

With its engineering design expertise, innovative solutions portfolio, smart manufacturing and digital capabilities, the Company is intimately involved with its global customers in improving their product and solution development and accelerating their digital roadmaps.

Pillars of our success

Mission

- We aim to be the best, lead the curve, nurture brilliance, obsess about customer delight and become the only partner of choice for our stakeholders

Vision

- To be technology explorers, engineering better products, services, and life
- To be amongst the top 10 global engineering services companies in the world

Values

- Ethical and professional organisation with respect for individual and diversified global talent
- Social harmony and peaceful existence

Our Best-in-Class offerings

Our ER&D competencies power our status as a premiere engineering services company, enabling us to offer a wide spectrum of services covering multiple sectors, design and development solutions and providing customers with holistic engineering support across their business framework.

Our services span the product development chain and facilitate solutions in the areas of:

- Digital Advisory, Smart Products & Services and DMS
- Embedded Systems
- Software Engineering
- Process Engineering

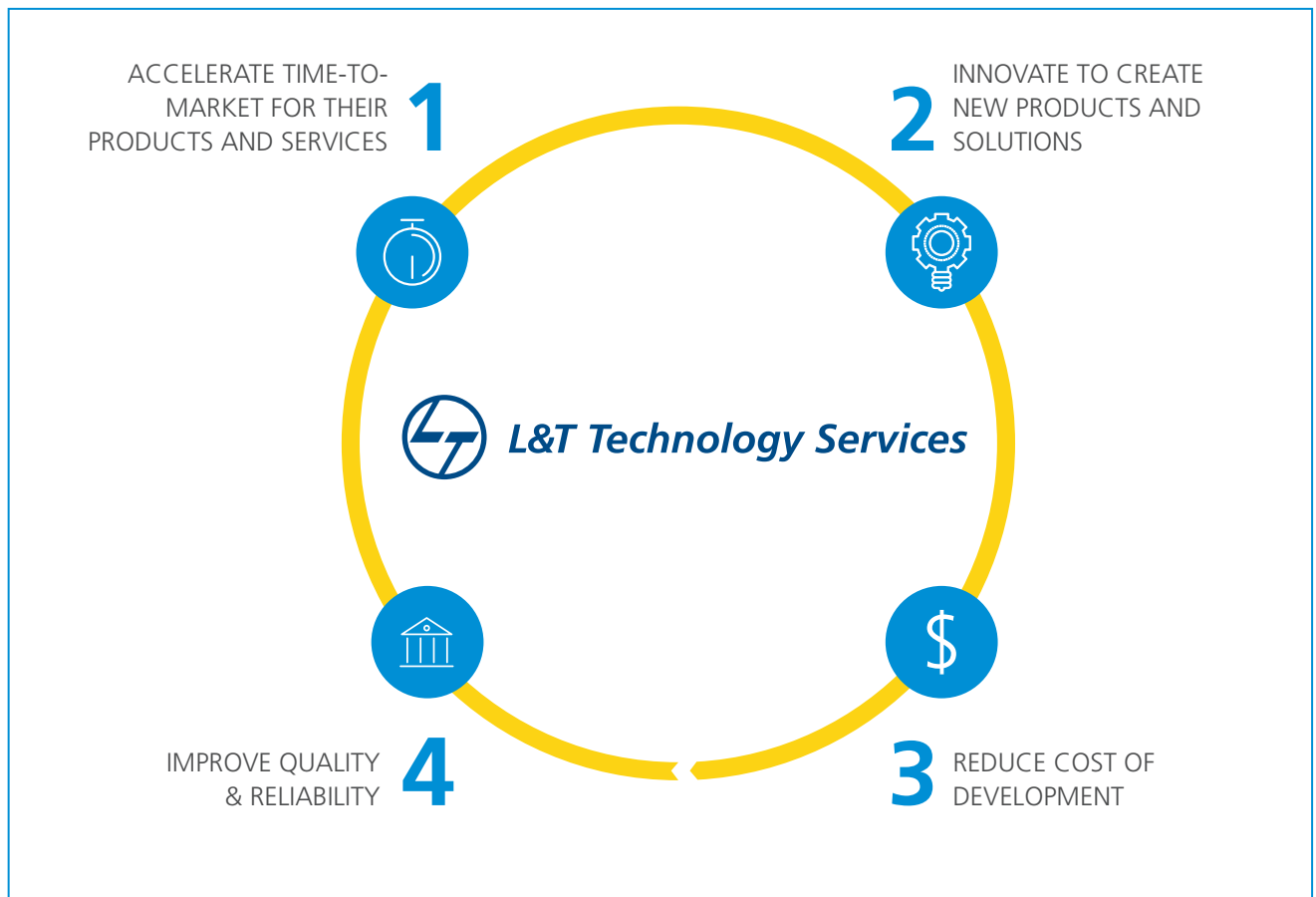


LTTS is a publicly-listed subsidiary of Larsen & Toubro Limited, the USD 20 billion Indian conglomerate operating in over 30 countries



We are the engineering services partner to most of the top ER&D spenders across industries:

- 8 of Top 10 in Transportation
- 8 of Top 10 in Hi-Tech
- 7 of Top 10 in Industrial Products
- 7 of Top 10 in Process Industry
- 3 of Top 5 in Medical and Healthcare

LTTS enables our global customers to:**State-of-the-art infrastructure**

Lending a strong foundation to the Company's ER&D framework are its 49 state-of-the-art R&D labs which support 30+ digital frameworks.

LTTS' innovation practice

At LTTS, we foster a culture of CrossPoll!nnovation® that allows us to leverage leading technologies across segments to bring innovation to our customer's products and solutions.

LTTS has created a strong portfolio of 399 patents many of them in collaboration with our customers.

Delivering with speed

Our investments in emerging technologies and repertoire of ready-to-deploy digital solutions help customers accelerate their digital transformations.

Being #1

Growth



35.5%

Industry leading
INR revenue growth
in FY19



58%

YoY growth in revenues
from Digital & Leading-Edge
Technologies

Customers



51

Customers across
top R&D Houses



69

Fortune 500 companies
as customers



90%

Repeat Business

Assets



14,000+

Engineers led by seasoned
leaders from the industry;
1500+ SMEs & Technical
Architects



49

Innovation Labs



399

Patents filed (288
patents co-authored
with global customers
and 111 by LTTS)

Founder Chairman's Message



Dear Shareholders,

I am happy to present your company's Annual Report for fiscal 2019. In its third year as a listed company, L&T Technology Services (LTTS) has surpassed industry growth rates and continued its strong run as India's leading pure play engineering services provider.

LTTS' leadership position is built around the inherent advantages it derives from its parent company – Larsen & Toubro, India's leading technology, engineering, construction and manufacturing conglomerate. Leveraging this technology lineage, LTTS has augmented its repertoire with cutting edge innovation. New techniques and solutions have enhanced the value of its offerings and deepened its relationships with a global client base which includes 69 Fortune 500 companies and 51 of the world's top R&D spenders.

Technology as the driving force for change has re-configured the way businesses operate across multiple sectors. A growing demand for end-to-end product design is creating opportunities in sectors such as healthcare, automobile engineering and transportation, electronics and data processing. LTTS has successfully positioned itself as a partner equipped to meet the expectations of clients who in turn want to enhance their end-customer experience.

Digital Engineering - A Strong Upside

We believe that digital engineering is largely impervious to the volatility of the global economy and geo-political crosscurrents. Forecasts indicate that demand is set for steady growth well into the future. Organizations are continuing to increase their digital spends, proving that engineering solutions are translating into enhanced efficiencies. New age technologies such as 5G, Artificial Intelligence, Machine to Machine communication, Internet of Things, and Advanced Robotics among others are enabling organizations to tap new revenue streams even as some of them shed traditional business models.

L&T Technology Services expects to continue harvesting the significant benefits of digitalization in the years ahead.

Consistent Growth & Profitability

Since its inception, LTTS has had a track record of fast paced growth and high

profitability. In the fiscal year ended March 31, 2019, revenues touched ₹ 50,783 million at 35.5% growth rate, equivalent to USD 723 million, while net profit rose 51.3% to ₹ 7,656 million for the year. I am confident that LTTS is well on track to achieve its targeted revenue of \$1 Billion by FY21.

You will be happy to learn that LTTS has been among the top-rated companies in the analyst community, winning recognition from some of the world's most reputed consultancies. LTTS has also won several accolades including Best Company of the Year by Indo-American Chamber of Commerce (IACC) and NASSCOM Artificial Intelligence Game Changer Awards 2018.

I look forward to seeing the vibrant team of LTTS under the leadership of Dr. Keshab Panda steadfastly continuing its quest to become the number one ER&D services company in the world.

A. M. Naik
Founder Chairman

CEO and Managing Director's Message



Dear Shareholders,

FY 19 was a special year for L&T Technology Services Limited (LTTS) as the Company consolidated its position as India's leading pure play engineering services provider with an industry leading growth.

In a short span of time, amidst the competitive business landscape driven by rapid digitalization, LTTS has positioned itself as an innovation-led engineering and technology solutions provider to the world's top ER&D spenders. From its early days as L&T IES in 2009, the Company's continuous strategic investments in new technology areas coupled with its multi-industry expertise has enabled the Company to facilitate superior innovations for customers who are spread across multiple geographies from North America, to Europe, Middle East and Asia. Besides these, a culture of CrossPoll!nnovation®, and best-in-class engineering infrastructure including 49 R&D labs in India and design centres in the U.S. and Europe, have helped in the transformation of LTTS into a trustworthy partner of choice for global enterprises. Our strategy of focusing on the Top 30 customer accounts has continued to pay rich dividends, winning us some landmark projects and strengthening our relationship with existing and new clients. As a fast-growing technology services

company, we realize that we have to be ahead of the market expectations and in tune with the customers' future requirements.

Enterprises today seek partners who not only innovate but also bring agility and deep domain expertise to drive their transformational requirements. Based on our conversations with stakeholders across the world, customers primarily have five asks –

- Using adjacent technologies or technologies borrowed from one industry to another, to garner new business
- Deploying AI, Machine Learning and other emerging technologies in the customer's day-to-day product cycle
- Enhancing end-customer experience by leveraging smart technologies
- Identifying and building products, core to the future while supporting legacy systems

- Faster product development cycles and helping grow market share through an agile iterative model

With a focus on addressing all of the above, LTTS is conceiving and executing digital blueprints for customers which is finding good acceptance in the market.

Leading the way with Cutting-Edge Technology

Last year, we created the CTO's Office to strengthen our portfolio of ready to deploy digital solutions and trigger new sources of revenues. This year, we have created the position of the Chief Innovation Officer (CIO) to institutionalize and mature our innovation program. The Chief Innovation Officer will build PoC's and carve out new type of futuristic offerings to help our customers stay ahead of their competition.

The offices of the CTO and CIO will closely collaborate to churn out new and interesting digital frameworks especially in the areas of Design Thinking and Deep

Learning and strengthen our 399 - strong patent portfolio.

LTTS rolled out some key offerings, in the past fiscal year, centred around the latest advancements in digital engineering including **AiKno™** a cognitive intelligence framework which combines contextual intelligence and AI, **nBon**, the Narrow Band IoT (NBIoT) solution that provides Wide Area Network connectivity at low power, **Factory D.0**, that addresses smart factory requirements such as wireless material tracking, quality inspection and digital twins, and **Iron Home**, a next-gen multi-layered smart home security platform that facilitates fool-proof safety for the routers, networks and IoT devices.

Our team of engineers recently developed a robust, secure and customizable IoT and connectivity framework known as **EnP (Engineering Platform)**. EnP allows holistic end-to-end integration of the best products and solutions from the LTTS stable across myriad application areas covering asset management, telematics, energy management, connected products, smart homes and connected healthcare. Our customers have already shown a significant amount of interest in the futuristic engineering capabilities that EnP provides and this platform is expected to become an integral part of our digital portfolio contributing to our pipeline of large deals.

Now let me share a few highlights from the fiscal 2019.

Continuing Growth Narrative

LTTS ended the financial year with ₹ 50,783 million in revenue which represents an industry leading growth of 35.5% YoY. In USD terms, our revenue rose 24.6% to USD 723 million. Our

EBITDA margin expanded to 18% in FY19 reflecting our strong operational performance and PAT increased over 51% to ₹ 7,656 million. In line with the Company's dividend distribution policy, the Board has recommended **a final dividend of ₹ 13.5 per share** for FY 2019, besides an interim dividend of ₹ 7.5 per share declared during the year.

Our technology portfolio comprising digital frameworks, solutions and patents continued to expand resulting in best-of-the-breed offerings, catering to all our industry verticals. During the year, LTTS was also able to achieve its dual objectives of broad-based and double-digit growth. Notably, digital & leading-edge technologies grew 58% YoY and contributed to 33% of revenues in FY 2019, once again proving to be LTTS' principal growth driver. This demonstrates our strength as a new-age technology company transforming enterprises worldwide.

Strong Momentum Across Sectors & Geographies

LTTS continues to see a healthy pipeline across various geographies in all of its industry segments. I am also pleased to share that LTTS is the preferred engineering services partner to 51 of the world's Top 100 R&D spenders and garners 90% repeat business from our customers. As a preferred technology partner to global customers, LTTS is helping them leverage disruptive technologies and launch new products and services.

LTTS is also witnessing continued business traction in the U.S. across product design and support to verification and validation opportunities, plant expansion and digitalization. In Europe and Japan, we are seeing growth in traditional and digital

investments viz. transportation, industrial products, oil & gas and petrochemical.

Now coming to our industry verticals, in the **Transportation** space, our digital cockpit solution designed for vehicles provides an enriched passenger experience with an advanced infotainment and instrument cluster. In the **Telecom & Hi-tech** segment, we opened a state-of-the-art 5G lab in Bengaluru where we are developing several accelerators and automation frameworks that will find applications in robotics, autonomous driving and smart city frameworks. LTTS furthered its **Process Industry** service portfolio to include the digital sphere and is working with its global customers on 'Smart Manufacturing' technologies such as automation, IoT, analytics, and augmented reality (AR). We are also assisting our customers in taking their cyber security implementations to the next level.

In the **Industrial Products** segment, there are opportunities aplenty in asset management, manufacturing operations and digital content management. We are also seeing several projects moving from POC to full implementation, which augurs well for our future pipeline. In **Medical Devices & Healthcare**, LTTS partnered with a leading medical equipment manufacturer to rectify multiple critical issues with their slide maker strainer equipment to increase its efficiency and decrease service cost. LTTS also had the opportunity to contribute to the Government's 'Make in India' initiative by partnering with Agappe, a leading In-vitro diagnostics company, to launch a first-of-its-kind automated blood cell counter in the Indian subcontinent which would result in lower diagnostic costs.



Empowering People with Engineering

LTTS is a multinational ER&D growing at a rapid pace and therefore we look for best engineering talent across all our global locations. In the U.S., we hired graduates from various universities and institutions and trained them in emerging technologies which will prepare them for working overseas with clients. These young recruits are also getting hands-on technology training for upcoming projects in our design centres in Peoria, Illinois and California. Similarly, we are also expanding our offices in Israel dedicated to advanced technology projects in Security & Hi-Tech.

At LTTS, our biggest assets are our people. To augment our workforce and make them future-ready, we are providing specialised training to prepare our engineers for the complex technological challenges that lie ahead. For this, we have set up an internal platform called **WIZneers**, to create a community of technology architects within LTTS. We also believe that motivating the youth is the best approach to truly engineering the change. Through **TECHgium®**, which is a one of its kind pan India industry academia initiative, we enabled engineering students to work on real-time customer challenges and come up with intriguing solutions. In its third season, **TECHgium®** secured 200% increase in participants from its inception year 2016 taking the participant count to 19,000.

BEING #1

Our unique engineering DNA stems from our parent, Larsen & Toubro Limited (L&T) and will always be a differentiating

factor for our Company. I would like to thank our **Group Chairman Mr. A.M. Naik** and **Group CEO & MD Mr. S.N. Subrahmanyam** for their continued guidance and mentorship which has led to LTTS' stellar growth over the years.

While we have achieved the remarkable feat of becoming India's leading pure-play engineering services firm, it is important that we don't rest on our laurels but continue to set standards for the industry. We see huge potential for growth, with global ER&D spending likely to touch USD 2 trillion per annum by FY22 according to NASSCOM. LTTS is well positioned to tap this opportunity by supersizing our engagements with our marquee customers - the top 80 of whom collectively spend around USD 227 billion per annum on ER&D. I am confident that our approach of innovation led profitable growth will open new avenues and unlock the next level of growth.

I am also proud to inform you that our **Group Chairman Shri A.M. Naik** was recently bestowed with the prestigious **Padma Vibhushan** by the Hon'ble President of India. Our 15,100+ strong team extend their heartiest congratulations to Mr. Naik.

On behalf of the entire Board of Directors, the management team and all our employees, I would like to thank you for your continued support and encouragement and look forward to another exciting year for Team LTTS.

Dr. Keshab Panda
CEO & MD