INSTITUTIONAL RESEARCH

L&T Technology Services

Investing in AI-led engineering intelligence

L&T Technology Services (LTTS) has built a strong leadership position in AI-led engineering services, supported by over 250 AI patent filings, which is an estimated six-to-nine-month lead over peers. The company currently has ~30 clients in the AI intelligence framework and has significantly accelerated investments in AI, particularly in CY24, with over 151 patent filings alongside continued investments in solution development. LTTS is currently taking customers at level 3 of the engineering framework (Intelligence level) and sees a substantial opportunity driven by the increasing intelligence of products and the shift toward autonomous manufacturing. This trend is translating into rising client interest towards AI-led transformation and business-centric use cases driving better time to market. The R&D spend is currently elevated (4-5% of revenue), although management expects this to normalize to ~2% over time as AI investments mature. Factoring in the divestment of the SWC business, we have reduced our earnings estimates by ~3/8% for FY27/FY28E. We project USD revenue growth of 2.2/10.3/11.5% and EBIT margins at 15.4/16.0/16.1% for FY27/FY28/FY29E, driving an EPS CAGR of ~14% over FY26–29E. At the current market price, LTTS trades at 22x FY27E EPS, reflecting a ~20% discount to its 10-year average. We maintain ADD with a revised target price of INR 3,350, based on 20x June 2028E EPS.

- **A strategic framework for AI-driven product innovation:** LTTS is positioning itself at the forefront of the next wave of product innovation through its "Engineering Intelligence" framework. This approach moves beyond simply applying AI to existing processes, instead embedding intelligence into the very fabric of engineering work. The company outlines four key lenses: 1) Engineering AI, which accelerates the product design lifecycle; 2) Agentic AI, which deploys intelligent agents to govern manufacturing and engineering at scale; 3) Physical AI, which focuses on certified, on-device intelligence for safety-critical domains; and 4) Industrial AI, which anchors AI in operational technology (OT) for applications like shop-floor quality and autonomous robotics. This strategic framework is supported by a robust portfolio of over 151 patents in AI and a suite of proprietary solutions like AiCE, AiKno, and the newly launched Ainfonix platform for process industries, demonstrating a deep commitment to engineering intelligence into everything they build.
- **Newly-launched Ainfonix:** LTTS's Ainfonix 4.0 is an enterprise AI platform designed to unlock engineering intelligence trapped in fragmented drawings, specifications, and technical records across process industries. Developed within the company's sustainability segment, the platform transforms multi-modal engineering artifacts into structured, asset-linked data that can be governed, searched, and reused across the enterprise. By combining AI-powered extraction with human-in-the-loop validation, Ainfonix 4.0 creates a trusted foundation for engineering execution and operational visibility, with early deployments achieving up to 85% technical data extraction accuracy, 30-50% faster artifact retrieval and review, and 100% audit-ready traceability.

Financial Summary

YE March (INR bn)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue (USD mn)	990	1,164	1,138	1,233	1,260	1,389	1,549
Net Sales	80.14	96.47	96.42	109.96	119.29	131.94	148.73
EBIT	14.79	16.47	14.87	15.90	18.33	21.16	23.89
APAT	11.70	13.04	11.93	13.01	14.67	17.04	19.40
Diluted EPS (INR)	110.8	123.5	113.1	123.2	139.0	161.5	183.8
P/E (x)	27.5	24.7	27.0	24.7	21.9	18.9	16.6
EV / EBITDA (x)	17.2	15.4	16.6	15.1	13.0	11.1	9.6
RoE (%)	25.7	25.4	20.9	20.7	21.5	22.5	22.8

Source: Company, HSIE Research

ADD

CMP *(as on 01 Jul 2026)*	INR 3,048
Target Price	INR 3,350
NIFTY	24,006

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3,520	INR 3,350
EPS %	FY27E	FY28E
	-3.1%	-8.2%

KEY STOCK DATA	
Bloomberg code	LTTS IN
No. of Shares (mn)	106
MCap (INR bn) / ($ mn)	323/3,394
6m avg traded value (INR mn)	574
52 Week high / low	INR 4,747/3,010

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(8.3)	(30.4)	(30.0)
Relative (%)	(13.5)	(20.7)	(21.9)

SHAREHOLDING PATTERN (%)	Dec-25	Mar-26
Promoters	73.58	73.57
FIs & Local MFs	14.57	14.64
FPIs	4.23	3.86
Public & Others	7.62	7.93
Pledged Shares	0.00	0.00

Source : BSE

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Evolving industrial landscape and customer demands: The company highlighted three significant trends that are reshaping the industry and driving the need for LTTS's services. First, every product is becoming intelligent, with software defining functionality in sectors like automotive and medical devices, creating a need for safe, certifiable, and scalable intelligence. Second, factories are moving towards autonomy, with AI moving from software assistance to real-time machine control in an OT market that is 4-5 times larger than IT. Third, customer demands are evolving beyond just capacity for proof-of-concepts, requiring partners who can deliver certifiable outputs for regulated industries and possess both domain expertise and AI proficiency. LTTS addresses these challenges with a clear maturity model mapped across six dimensions of engineering work, positioning its "Engineering Intelligence" solutions to guide customers from connected operations to autonomous, self-optimizing systems.

AI Investment scaling up: LTTS's broader AI investment and roadmap centres on a strategic pivot to "Engineering Intelligence" as a core pillar of its five-year Lakshya Plan, supported by the divestment of its Smart World and Communication (SWC) business to sharpen focus on manufacturing, industrial, and technology-led sectors. The company aims to more than double its AI and Generative AI patent portfolio from 237 to 500 filings within three years, using patents as a key metric of engineering capability and innovation investment. With nearly 25% of projects already involving AI interventions, LTTS sees client conversations moving from proof-of-concept to production deployment across design, manufacturing, and automation, and has established an AI Centre of Excellence in Munich to drive adoption through forward deployed engineers who work closely with customers on implementation and integration.

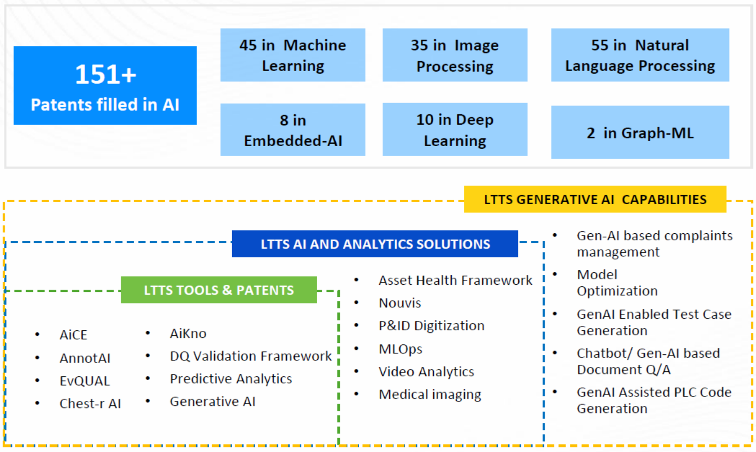
Change in estimates

YE March (INR bn)	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %
Revenue (USD mn)	1,344	1,260	*(6.3)*	1,525	1,389	*(8.9)*
Revenue	123.01	119.29	*(3.0)*	141.03	131.94	*(6.4)*
EBIT	18.97	18.33	*(3.4)*	23.23	21.16	*(8.9)*
EBIT margin (%)	15.4	15.4	-5bps	16.5	16.0	-43bps
APAT	15.13	14.67	*(3.1)*	18.56	17.04	*(8.2)*
EPS (INR)	143.4	139.0	*(3.1)*	175.9	161.5	*(8.2)*

Source: Company, HSIE Research

Exhibit 1: IAD 2024

IAD 2024: Pioneering AI in Engineering, Consolidating Thought leadership



Industry Firsts

Solution	Year
AiKno	2017
AiCE	2020
eAI Framework	2021
AiTest	2022
LLM Benchmarking	2023
Use Case Complexity Configurator	2023
GEN-IQ	2023
MICRO SLM	2024

Source: LTTS analyst day presentation

Exhibit 2: The Lay of Land

EI Maturity across industry, as we see it.

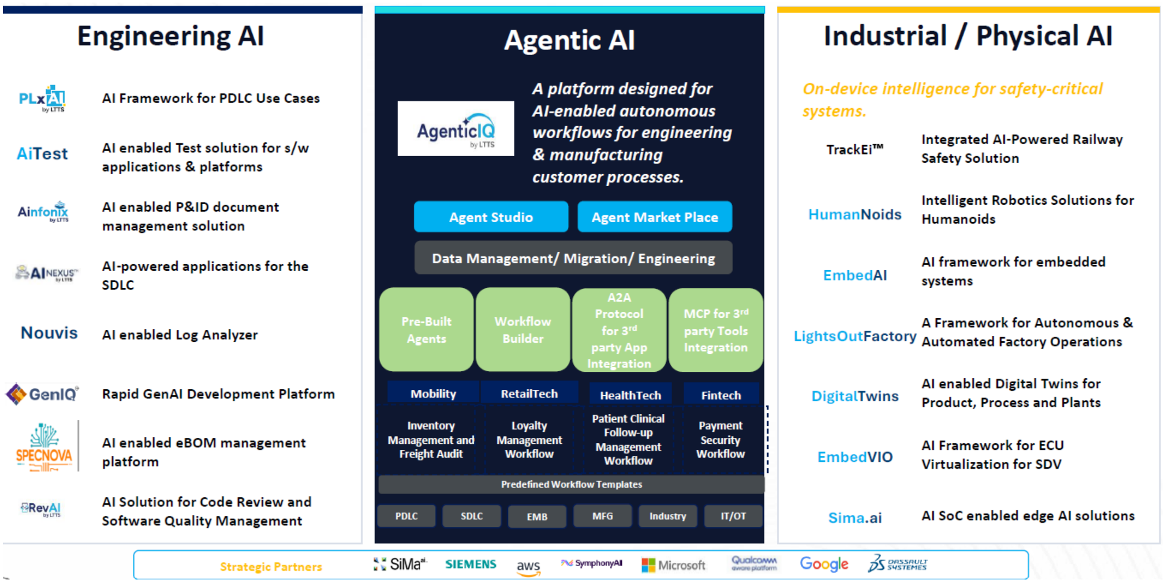
Six dimensions of engineering work, mapped across five levels of intelligence. **Today's frontier sits at Level 3.**

Dimension	L1 · Analog	L2 · Connected	L3 · Intelligent ★	L4 · Autonomous	L5 · Self-optimizing
Engineering data readiness	Siloed CAD, paper docs, no PLM	PLM live, Digital Twin initiated, IoT on	Unified PLM + MES + IoT + CAE fabric	Real-time data feeds AI agents	Field data re-trains all models
AI in PDLC	No AI in design / sim / V&V	AI pilots in 1–2 areas (PLxAI)	AI across full V-cycle, traced	Agents handle change + re-val	AI co-designs from field + simulations
Functional safety & compliance AI	Manual docs, human-only audits	AI assists; human review remains	AI auto-produces compliance docs regulators require	Agents monitor compliance drift	Self-certifying continuous posture
Embedded & edge AI	No edge AI; all cloud / batch	Edge pilots, uncertified	Certified edge AI, safety sign-off	Agents manage OTA + anomaly	Edge models self-adapt to field
Manufacturing & Ops AI	Manual shopfloor, reactive maintenance	OEE dashboards, basic anomaly	Predictive maint + vision AI live	LightsOut: autonomous fault resolution	Plant + product twins co-optimize

★ **The AI-native frontier** · Where LTTS is taking customers today — engineered, not retrofitted.

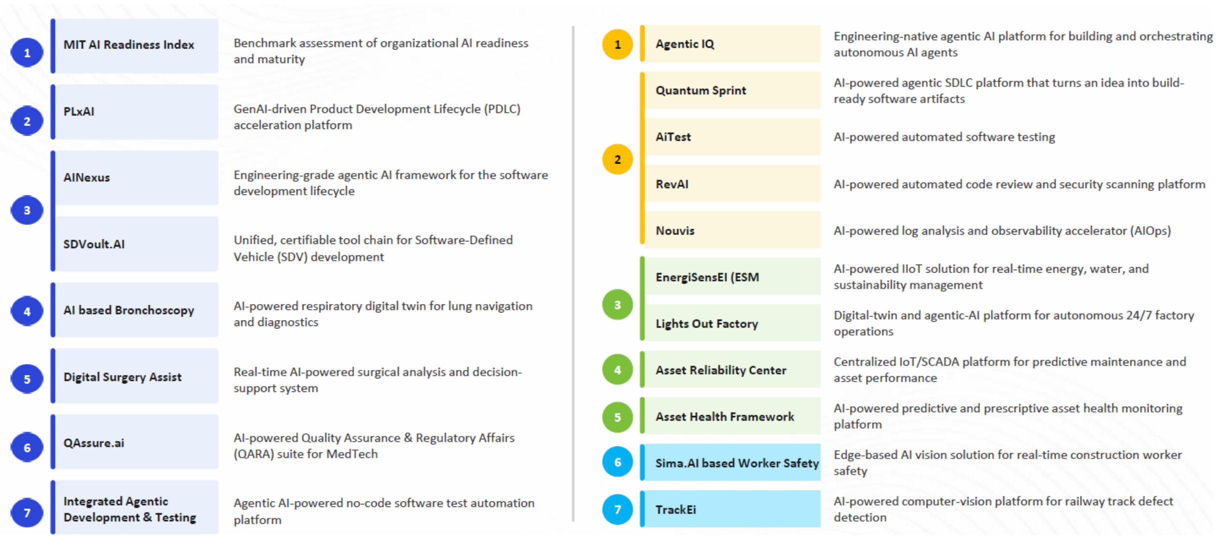
Source: LTTS analyst day presentation

Exhibit 3: Engineering Intelligence Platform



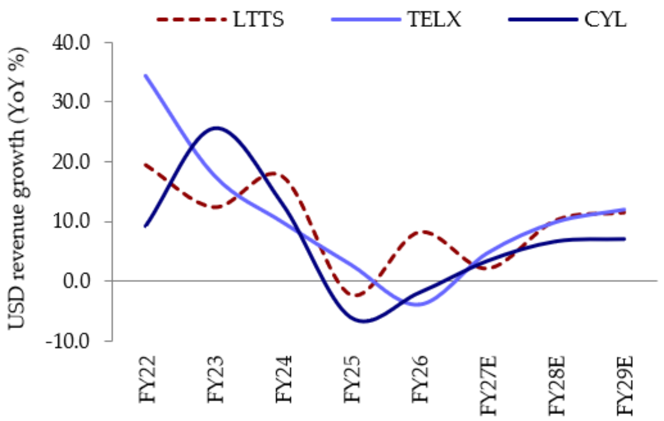
Source: Company, HSIE Research

Exhibit 4: New Application based on AI led services



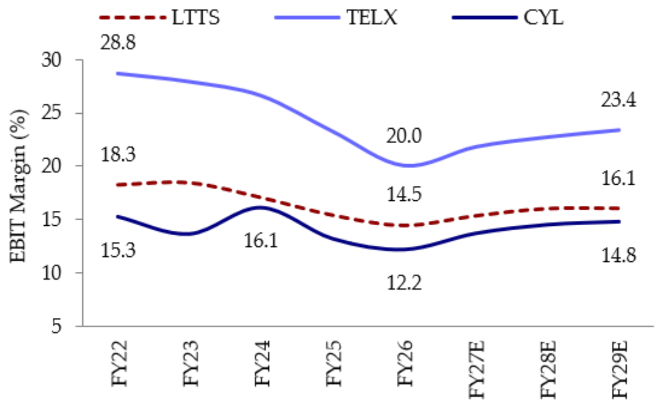
Source: Company, HSIE Research

Exhibit 5: Revenue trend vs ER&D players



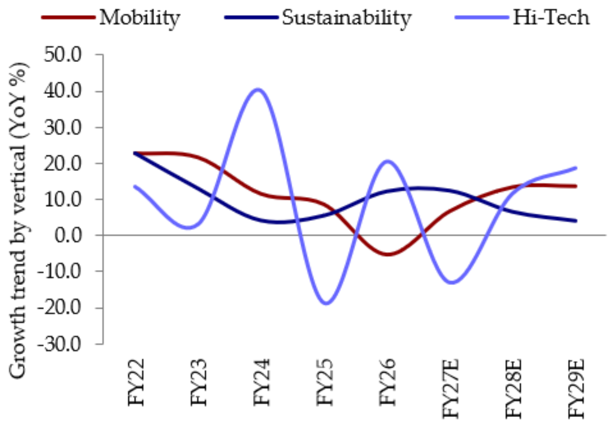
Source: Company, HSIE Research

Exhibit 6: EBITM trend vs ER&D players



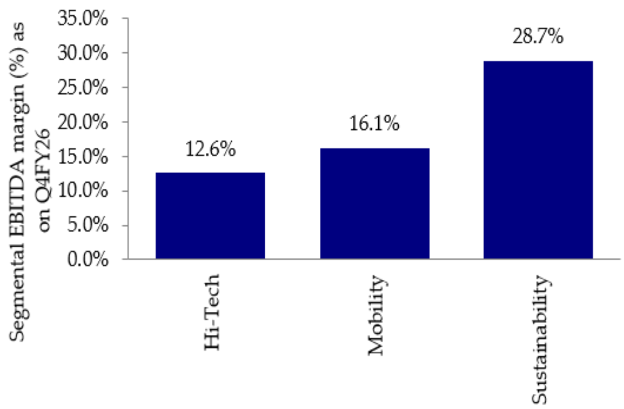
Source: Company, HSIE Research

Exhibit 7: Segmental revenue growth trend



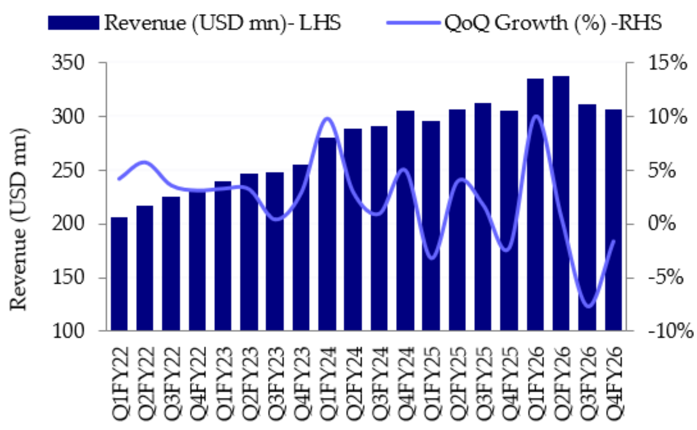
Source: Company, HSIE Research

Exhibit 8: Segmental EBITDAM



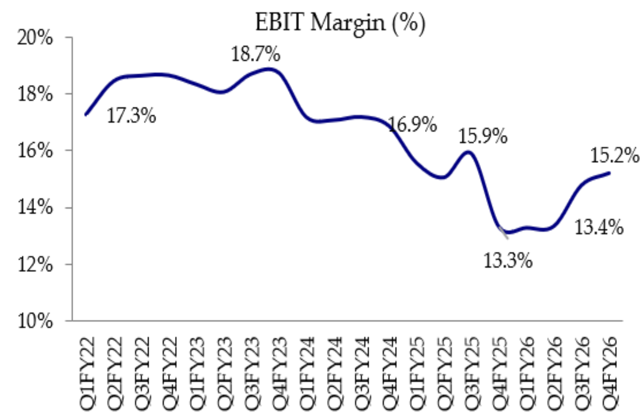
Source: Company, HSIE Research

Exhibit 9: Sequential revenue trajectory



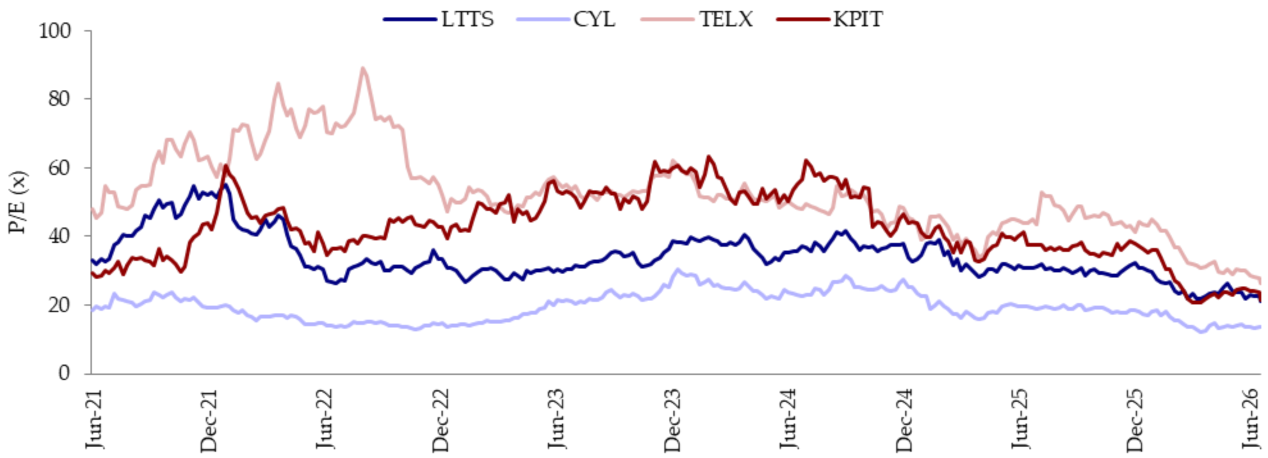
Source: Company, HSIE Research

Exhibit 10: EBIT margin trend



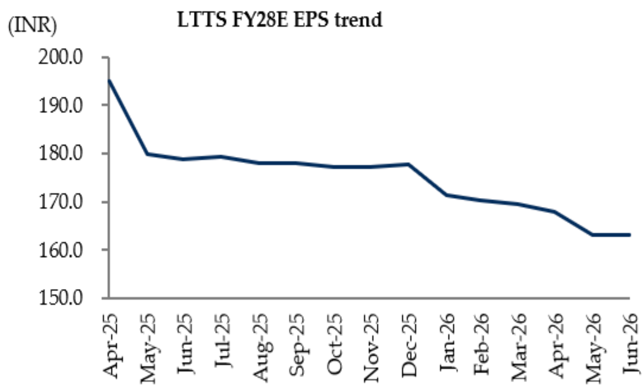
Source: Company, HSIE Research

Exhibit 11: Valuation bands



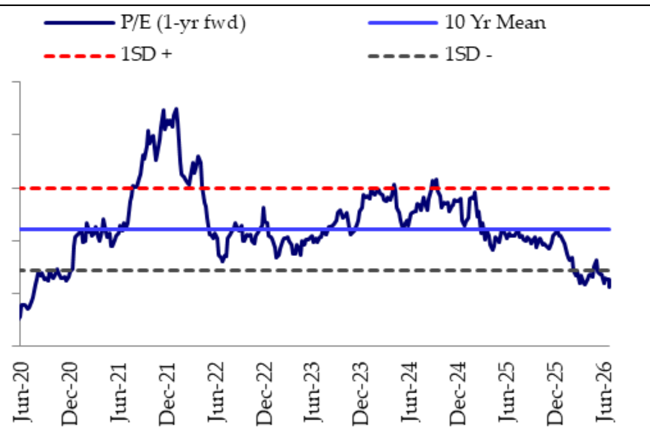
Source: Bloomberg, HSIE Research

Exhibit 12: Consensus EPS Trend



Source: Bloomberg

Exhibit 13: LTTS valuations below -1SD



Source: Bloomberg, HSIE Research

Financials

Consolidated Income Statement

YE March (INR bn)	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues (USD mn)	1,138	1,233	1,260	1,389	1,549
Growth (%)	*(2.2)*	*8.3*	*2.2*	*10.3*	*11.5*
Net Revenues	96.42	109.96	119.29	131.94	148.73
Growth (%)	*(0.1)*	*14.0*	*8.5*	*10.6*	*12.7*
Employee Costs	55.92	64.57	68.99	75.16	84.68
SG&A & Other Expenses	22.60	26.04	28.39	31.67	35.70
EBITDA	**17.90**	**19.35**	**21.91**	**25.12**	**28.35**
Depreciation	3.03	3.45	3.58	3.96	4.46
EBIT	**14.87**	**15.90**	**18.33**	**21.16**	**23.89**
EBIT (%)	*15.4*	*14.5*	*15.4*	*16.0*	*16.1*
EBIT Growth (%)	*(9.8)*	*6.9*	*15.3*	*15.5*	*12.9*
Other Income	2.09	2.21	2.34	2.74	3.21
Interest	0.57	0.64	0.68	0.68	0.68
PBT	**16.39**	**17.47**	**19.99**	**23.22**	**26.42**
Tax (incl deferred)	4.50	4.45	5.30	6.15	7.00
RPAT	**11.93**	**12.28**	**14.67**	**17.04**	**19.40**
Extraordinary item	-	(0.72)	-	-	-
APAT	**11.93**	**13.01**	**14.67**	**17.04**	**19.40**
APAT Growth (%)	*(8.5)*	*9.0*	*12.8*	*16.2*	*13.8*
EPS	**113.1**	**123.2**	**139.0**	**161.5**	**183.8**
EPS Growth (%)	*(8.5)*	*9.0*	*12.8*	*16.2*	*13.8*

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR bn)	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS					
Share Capital - Equity	0.21	0.21	0.21	0.21	0.21
Reserves	60.59	64.52	71.38	79.69	90.35
Total Shareholders' Funds	**60.80**	**64.73**	**71.59**	**79.90**	**90.56**
Minority Interest	0.18	0.20	0.22	0.24	0.27
Net Deferred Taxes	0.59	(0.91)	(0.91)	(0.91)	(0.91)
Long Term Provisions & Others	4.58	7.39	7.39	7.39	7.39
TOTAL SOURCES OF FUNDS	**66.15**	**71.41**	**78.30**	**86.63**	**97.31**
APPLICATION OF FUNDS					
Net Block	8.78	8.59	9.83	10.62	11.51
CWIP	0.28	0.12	0.12	0.12	0.12
Goodwill & Other Intangible Assets	13.67	13.92	12.49	12.56	12.64
LT Loans & Advances	8.90	7.70	7.70	7.70	7.70
Total Non-Current Assets	**31.63**	**30.32**	**30.14**	**30.99**	**31.96**
Cash & Equivalents	**25.26**	**30.79**	**36.94**	**43.18**	**51.26**
Other Current Assets	14.25	22.73	22.73	22.73	22.73
Debtors	25.13	20.15	21.85	24.17	27.25
Total Current Assets	**64.64**	**73.66**	**81.53**	**90.08**	**101.23**
Creditors	16.22	9.37	10.16	11.24	12.67
Other Current Liabilities & Prov.	13.90	23.21	23.21	23.21	23.21
Total Current Liabilities	**30.12**	**32.57**	**33.37**	**34.45**	**35.88**
Net Current Assets	34.52	41.09	48.16	55.64	65.36
TOTAL APPLICATION OF FUNDS	**66.15**	**71.41**	**78.30**	**86.63**	**97.31**

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (INR bn)	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	**16.39**	**17.47**	**19.99**	**23.22**	**26.42**
Non-operating & EO items	(1.06)	(2.17)	(1.72)	(2.01)	(2.36)
Interest expenses	0.57	0.64	0.68	0.68	0.68
Depreciation	3.03	3.45	3.58	3.96	4.46
Working Capital Change	(0.22)	(0.72)	(0.91)	(1.24)	(1.65)
Tax paid	(4.93)	(4.11)	(5.30)	(6.15)	(7.00)
OPERATING CASH FLOW	**13.78**	**14.56**	**16.32**	**18.45**	**20.56**
Capex	(8.48)	(3.26)	(3.40)	(4.81)	(5.42)
Free cash flow (FCF)	5.30	11.30	12.92	13.64	15.13
Non-operating income	1.06	2.17	1.72	2.01	2.36
INVESTING CASH FLOW	**(7.42)**	**(1.09)**	**(1.68)**	**(2.80)**	**(3.06)**
Debt Issuance	(1.33)	(1.43)	-	-	-
Interest expenses	(0.57)	(0.64)	(0.68)	(0.68)	(0.68)
FCFE	3.41	9.23	12.24	12.96	14.45
Dividend	(5.29)	(5.93)	(7.80)	(8.74)	(8.74)
FINANCING CASH FLOW	**(7.18)**	**(8.00)**	**(8.48)**	**(9.42)**	**(9.42)**
NET CASH FLOW (a+b+c)	**(0.82)**	**5.47**	**6.15**	**6.24**	**8.08**
Closing Cash & Equivalents	**25.26**	**30.79**	**36.94**	**43.18**	**51.26**

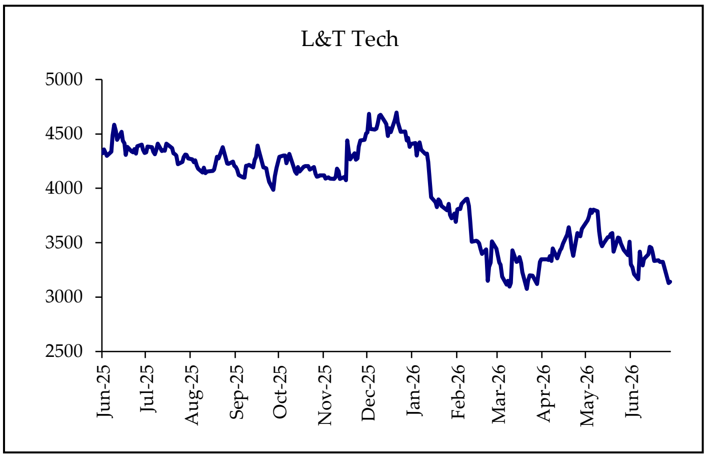
Source: Company, HSIE Research

Key Ratios

	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)					
EBIT Margin	15.4	14.5	15.4	16.0	16.1
APAT Margin	12.4	11.8	12.3	12.9	13.0
RoE	20.9	20.7	21.5	22.5	22.8
RoIC or Core RoCE	29.4	29.1	32.9	36.7	39.2
RoCE	19.7	19.6	20.3	21.3	21.6
EFFICIENCY					
Tax Rate (%)	27.4	25.4	26.5	26.5	26.5
Fixed Asset Turnover (x)	4.2	4.9	5.3	5.7	6.1
Debtors (days)	95	67	67	67	67
Other current assets (days)	54	75	70	63	56
Payables (days)	61	31	31	31	31
Other current liabilities (days)	53	77	71	64	57
Cash Conversion Cycle (days)	35	34	34	34	35
Net Debt/Equity (x)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)
Interest Coverage (x)	26	25	27	31	35
PER SHARE DATA					
EPS (INR/sh)	113.1	123.2	139.0	161.5	183.8
CEPS (INR/sh)	141.6	155.7	172.7	198.8	225.8
DPS (INR/sh)	55	58	75	84	84
BV (INR/sh)	575	613	678	756	857
VALUATION					
P/E	27.0	24.7	21.9	18.9	16.6
P/BV	5.3	5.0	4.5	4.0	3.6
EV/EBITDA	16.6	15.1	13.0	11.1	9.6
OCF/EV (%)	4.6	5.0	5.7	6.6	7.6
FCF/EV (%)	1.8	3.9	4.5	4.9	5.6
FCFE/mkt cap (%)	1.1	2.9	3.8	4.0	4.5
Dividend Yield (%)	1.8	1.9	2.5	2.8	2.8

Source: Company, HSIE Research

Price Movement



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

Disclosure:
We, **Amit Chandra, MBA, Vinesh Vala, MBA & Maitreyee Vaishampayan, MSc** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
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