

Larsen & Toubro

Performance Highlights

Quarterly highlights - Standalone

Y/E March (₹ cr)	2QFY16	1QFY16	2QFY15	% chg (yoy)	% chg (qoq)
Net sales	13,234	10,710	12,717	4.1	23.6
EBITDA	1,012	975	1,341	(24.5)	3.9
Adj. PAT	643	701	1,042	(38.3)	(8.3)

Source: Company, Angel Research

Standalone numbers disappoint: For 2QFY2016, Larsen & Toubro (L&T) reported a 4.1% yoy increase in its standalone top-line to ₹13,234cr. The revenue growth was subdued, reflecting revenue de-growth across Metallurgical and Material Handling (MMH) and Heavy Engineering (HE) segments. The EBITDA margin for the quarter is down 290bp yoy to 7.6%, on account of surge in Sales, Administrative and Other (SAO) and operating expenses. On adjusting for the gains from stake sale in a subsidiary, L&T reported an adj. PAT of ₹643cr, down 38.3% yoy. Such de-growth in yoy PAT is partly on account of higher interest expenses.

Order inflows for the consolidated entity declined 24.8% yoy to ₹54,996cr, in 1HFY2016. L&T's order backlog as of 2QFY2016 end stands at ₹2,44,097cr, thereby giving revenue visibility for over the next 30 months.

Hydrocarbon reports minimal losses: Despite weak execution across the international business, the Hydrocarbon business reported a revenue of ₹1,961cr in 2QFY2016 while the segment's EBIT level loss was negligible, at ₹2cr, vs a loss of ₹54cr in 2QFY2015. On the whole, this segment ended 1HFY2016 with EBIT level profit of ₹37cr.

Key Positives: Negligible losses from the Hydrocarbon segment (indicating turnaround in sight); positive Management commentary on the award outlook front; favorable net WC cycle at 24% of sales.

Key Negatives: Lowering of order inflow and revenue guidance for FY2016 at the backdrop of lower order inflows and revenue growth in 1HFY2016.

Outlook and valuation: L&T's diversified presence, and an anticipated recovery in the capex cycle coupled with the company's strong balance sheet comfort us that it is well positioned to benefit from a revival in the award activity environment. With order backlog expected to grow, execution should pick-up gradually. We have valued the company using the sum-of-the-parts (SoTP) methodology, to capture the value of all its businesses and investments. Ascribing separate values to its parent business (on a P/E basis) and investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at FY2017E based target price of ₹1,646. We are of the view that L&T is a good proxy play for investors wanting to ride on the revival of the Indian infrastructure growth story. **Given 16.6% upside potential in the stock from current levels, we maintain our BUY rating on the stock.**

Key financials (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	51,611	56,599	57,017	65,065	77,009
% chg		9.7	0.7	14.1	18.4
Net Profit	4,385	5,493	5,056	5,337	6,530
% chg		25.3	(8.0)	5.6	22.3
EBITDA (%)	10.6	11.8	11.4	11.5	11.7
EPS (₹)	53	59	54	57	70
P/E (x)	33.8	30.3	33.1	31.5	25.7
P/BV (x)	1.9	1.7	1.4	1.2	1.1
RoE (%)	14.2	15.6	13.3	13.7	15.1
RoCE (%)	17.5	18.7	16.3	16.8	18.2
EV/Sales (x)	3.0	3.1	3.1	2.7	2.3
EV/EBITDA (x)	28.6	26.3	27.4	23.9	19.9

Source: Company, Angel Research; Note: CMP as of October 30, 2015

BUY

CMP	₹1,411
Target Price	₹1,646

Investment Period	12 Months
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Stock Info

Sector	Infrastructure
Market Cap (₹ cr)	131,330
Net debt (₹ cr)	11,421
Beta	1.2
52 Week High / Low	1,893/1,400
Avg. Daily Volume	220,592
Face Value (₹)	2
BSE Sensex	26,656
Nifty	8,066
Reuters Code	LART.BO
Bloomberg Code	LT@IN

Shareholding Pattern (%)

Promoters	-
MF / Banks / Indian Fls	37.1
FII / NRIs / OCBs	18.2
Indian Public / Others	44.7

Abs. (%)	3m	1yr	3yr
Sensex	(5.2)	(4.3)	43.6
LT	(21.1)	(14.9)	29.8

3-year price chart



Source: Company, Angel Research

Yellapu Santosh

022 - 3935 7800 Ext: 6811

santosh.yellapu@angelbroking.com

Exhibit 1: Quarterly Performance (Standalone)

Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)	1HFY16	1HFY15	% chg
Net Sales	13,234	10,710	23.6	12,717	4.1	23,944	23,054	3.9
Total Expenditure	12,222	9,736	25.5	11,376	7.4	21,957	20,626	6.5
Operating Expenses	10,372	8,214	26.3	9,721	6.7	18,586	17,664	5.2
Employee benefits Expense	1,254	989	26.9	1,274	(1.6)	2,243	2,177	3.0
Sales, Admin & Other Expenses	596	533	11.8	381	56.5	1,129	785	43.8
EBITDA	1,012	975	3.9	1,341	(24.5)	1,987	2,429	(18.2)
EBITDA %	7.6	9.1		10.5		8.3	10.5	
Depreciation	254	246	3.0	238	6.7	500	499	0.3
EBIT	759	728	4.2	1,104	(31.2)	1,487	1,930	(23.0)
Interest and Financial Charges	383	287	33.5	313	22.7	671	585	14.7
Other Income	487	553	(11.9)	603	(19.2)	1,041	1,091	(4.6)
PBT before Exceptional Items	863	995	(13.2)	1,394	(38.1)	1,857	2,437	(23.8)
Exceptional Items	(546)	0		0		(546)	(171)	
PBT after Exceptional Items	1,409	995	41.6	1,394	1.0	2,403	2,608	(7.9)
Tax	220	294	(25.0)	352	(37.5)	514	673	(23.6)
% of PBT	15.6	29.5		25.3		21.4	25.8	
PAT	1,188	701	69.5	1,042	14.0	1,889	1,936	(2.4)
Adj. PAT (for excep. Items)	643	701	(8.3)	1,042	(38.3)	1,344	1,764	(23.8)
Adj. PAT %	4.9	6.5		8.2		5.6	7.7	
Dil. EPS	12.71	7.49	69.7	11.16	13.9	20.20	20.73	(2.6)

Source: Company, Angel Research

Standalone business

Revenues grew 4.1% yoy in 2QFY2016

L&T reported a 4.1%/23.6% yoy/qoq increase in its top-line to ₹13,234cr, for the quarter. Reported revenues were below our expectation of ₹13,550cr. Revenue growth on a yoy basis reflects (1) 3.9% increase in Infrastructure, 32.1% increase in Power and 5.4% increase in Electrical & Automation segments and (2) de-growth across MMH (17.1%) and HE (29.5%) segment revenues.

Exhibit 2: Segment-wise Gross Revenue Split (Standalone)

Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)	1HFY16	1HFY15	% chg
Infrastructure	9,241	7,201	28.3	8,899	3.9	16,442	15,654	5.0
Power	1,352	1,091	23.9	1,023	32.1	2,443	1,959	24.7
Metallurgical & Material Handling	646	528	22.4	779	(17.1)	1,174	1,682	(30.2)
Heavy Engineering	568	596	(4.7)	805	(29.5)	1,163	1,612	(27.8)
Electrical & Automation	1,038	869	19.4	984	5.4	1,907	1,754	8.7
Others	833	752	10.6	583	42.8	1,585	1,055	50.2
Less: Inter-segment Revenues	289	186	55.2	232	24.6	475	429	10.9
Gross Segmental Revenues	13,388	10,851	23.4	12,841	4.3	24,239	23,287	4.1

Source: Company, Angel Research

Exhibit 3: Segment-wise Unadj. EBIT & EBIT Margins (Standalone)

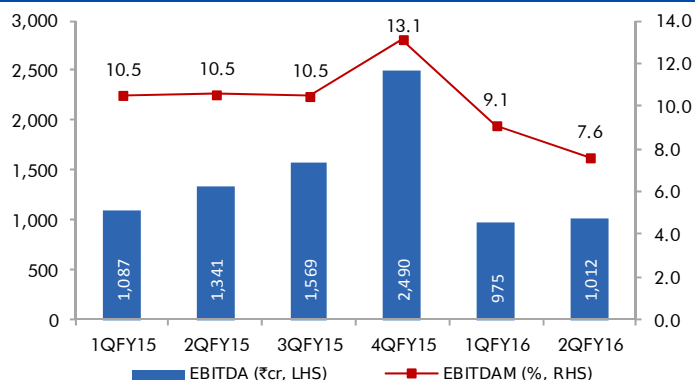
Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)	1HFY16	1HFY15	% chg
Infrastructure	703	744	(5.6)	899	(21.8)	1,447	1,548	(6.5)
EBIT Margin (%)	7.6	10.3		10.1		8.8	9.9	
Power	82	20	304.1	49	68.5	103	84	22.5
EBIT Margin (%)	6.1	1.9		4.8		4.2	4.3	
Metallurgical & Material Handling	7	(22.8)	(132.0)	53	(86.2)	(15.5)	141	(111.0)
EBIT Margin (%)	1.1	(4.3)		6.8		(1.3)	8.4	
Heavy Engineering	(88)	40	(319.2)	88	(199.4)	(47.8)	161	(129.6)
EBIT Margin (%)	(15.5)	6.7		11.0		(4.1)	10.0	
Electrical & Automation	103	97	6.4	118	(12.2)	201	181	10.7
EBIT Margin (%)	10.0	11.2		12.0		10.5	10.3	
Others	162	155	4.1	101	59.7	317	201	57.4
EBIT Margin (%)	19.4	20.6		17.4		20.0	19.1	
Segmental EBIT (unadj.)	969	1,034	(6.2)	1,308	(25.9)	2,003	2,317	(13.5)

Source: Company, Angel Research

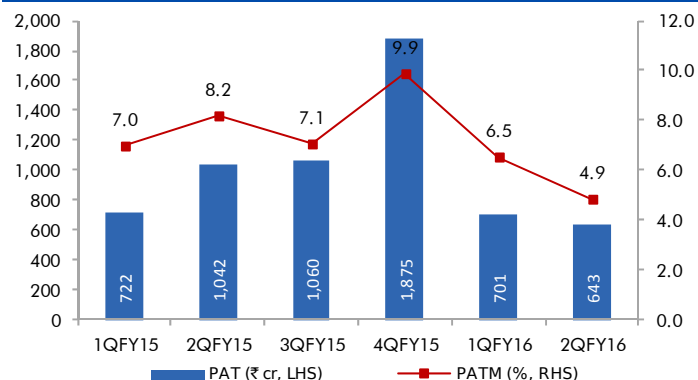
EBITDA margin continues to be under pressure

L&T reported an EBITDA of ₹1,012cr, lower than our estimate of ₹1,396cr. Reported EBITDA margin for the quarter was down 290bps yoy to 7.6%, making it the second consecutive quarter of a yoy EBITDA margin decline. Muted top-line growth coupled with (a) 6.7% yoy increase in operating expenses (to ₹10,372cr), and (b) 56.5% yoy increase in SAO expenses (to ₹596cr) led to a yoy decline in the EBITDA margins.

At the segmental level, EBIT margin pressure, on a yoy basis, was seen across Infrastructure (down 250bps to 7.6%), and Electrical & Automation (down 200bps to 10.0%) segments. The Heavy Engineering segment reported a EBIT level loss of ₹88cr. Margin compression in the Infrastructure segment is on account of shift in the job mix.

Exhibit 4: EBITDA margin declines to 7.6%


Source: Company, Angel Research

Exhibit 5: Adj. PAT margin dips below 5.0% levels


Source: Company, Angel Research

Adj. PAT numbers report yoy decline

L&T reported a PAT of ₹1,188cr, ahead of our estimate of ₹1,084cr. On adjusting for gains on divestment of part stake in a subsidiary company and stake in an associate company (at ₹546cr), the Adjusted PAT of the company stood at ₹643cr. Adj. PAT margins of the company declined from 8.2% a year ago to 4.9% in 2QFY2016. Decline in yoy PAT (adj. for exceptional items) is on account of decline in EBITDA and 22.7% increase in interest expenses (to ₹383cr). PAT numbers were also impacted due to 19.2% yoy decline in other income to ₹487cr.

Consolidated business

Revenue grew 10.6% yoy in 2QFY2016

L&T reported a 10.6% yoy and 15.5% qoq growth in its consolidated business' top-line to ₹23,393cr. Revenue growth on a yoy basis was owing to strong execution seen across Infrastructure (13.3% increase to ₹11,145cr), Power (20.7% increase to ₹1,406cr) and IT & Technology Services (23.5% increase to ₹2,317cr) segments. Strong revenue growth across the 3 abovementioned segments was, to an extent, offset by lower order book and weak execution across MMH (de-grew 16.8% to ₹667cr) and HE segments (de-grew 26.7% to ₹648cr).

Exhibit 6: Quarterly Performance (Consolidated)

Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)	1HFY16	1HFY15	% chg
Net Sales	23,393	20,252	15.5	21,159	10.6	43,645	40,134	8.7
Total Expenditure	20,802	17,962	15.8	18,825	10.5	38,764	35,293	9.8
Man. Cons. & Opex Exp. (MCO)	16,996	14,497	17.2	15,369	10.6	31,476	28,695	9.7
Employee benefits Expense	2,433	2,084	16.7	2,262	7.6	4,532	4,020	12.7
Sales, Admin & Other Expenses	1,372	1,381	(0.6)	1,194	14.9	2,755	2,578	6.9
EBITDA	2,592	2,290	13.2	2,334	11.0	4,882	4,841	0.8
EBIDTA %	11.1	11.3		11.0		11.2	12.1	
Depreciation	694	622	11.5	549	26.5	1,316	1,356	(3.0)
EBIT	1,898	1,668	13.8	1,786	6.3	3,566	3,485	2.3
Interest and Financial Charges	828	707	17.1	691	19.9	1,535	1,461	5.1
Other Income	219	257	(14.9)	215	2.1	476	492	(3.1)
PBT before Exceptional Items	1,289	1,219	5.8	1,310	(1.6)	2,508	2,516	(0.3)
Exceptional Items	(310)	0		0		(310)	(249)	
PBT after Exceptional Items	1,599	1,219	31.2	1,310	22.1	2,818	2,765	1.9
Tax	494	546	(9.6)	469	5.2	1,039	918	13.2
% of PBT	30.9	44.8		35.8		36.9	33.2	
PAT before Minority Int.	1,105	673	64.3	841	31.5	1,778	1,847	(3.7)
Extra-Ordinary Items	0	0		0		0	0	
Share in profit of Associates (net)	(1)	2		1		1	2	
Adj. of Minority Interests	(109)	(69)		21		(177)	(21)	
PAT after Minority Interest	996	606	64.3	862	15.6	1,602	1,829	(12.4)
Adj. PAT (for excep. Items)	686	606	13.2	862	(20.4)	1,293	1,579	(18.2)
Adj. PAT %	2.9	3.0		4.1		3.0	3.9	
Dil. EPS	10.65	6.48	64.4	9.23	15.4	17.13	19.58	(12.5)

Source: Company, Angel Research

EBITDA margin declines slightly yoy to 11.1%

L&T reported a 5bps yoy expansion in the EBITDA margin in 2QFY2016 to 11.1%. The muted expansion in yoy margins reflects (1) 7.6% increase in employee expenses to ₹2,433cr and (2) 14.9% increase in SAO expenses to ₹1,372cr. Surge in employee expenses is on account of manpower augmentation, normal revisions and higher staff mix from the international operations. Increase in yoy SAO expenses is attributable to higher business development expenses and warranty provisions.

Further, if we look at segment-wise details, then yoy margins were impacted due to margin compression seen across Infrastructure, Electrical Automation, and Others segments, while HE and Hydrocarbon businesses reported segment level losses for the quarter.

Adj. PAT margin continues to report yoy decline

L&T reported a PAT of ₹996cr for 2QFY2016. On adjusting ₹310cr towards an exceptional item (gain on divestment of part stake in a subsidiary company and stake sale in an associate company), the adjusted PAT would stand at ₹686cr. Adj.

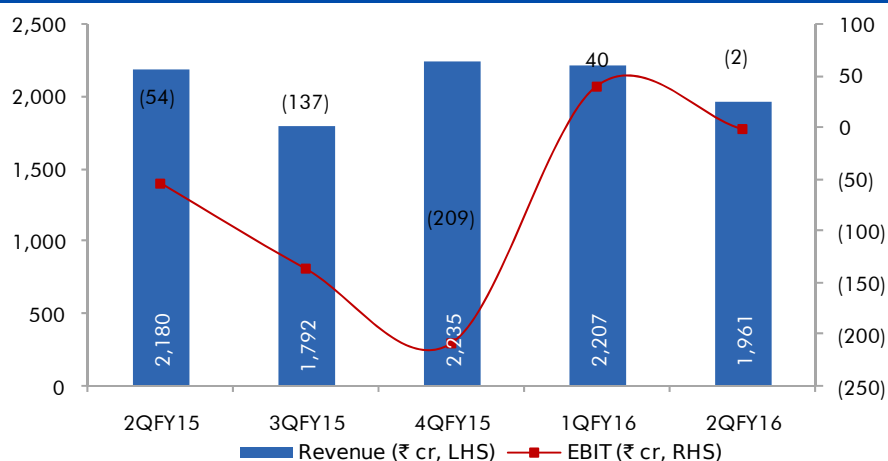
PAT margins of the company were at 2.9%, lower the 4.1% in the corresponding quarter of the previous year. Despite yoy EBITDA growth, higher interest and depreciation expenses led to a 20.4% yoy decline in adj. PAT. A 26.5% increase in yoy depreciation expenses is attributable to abiding with the related revision in the Companies Act and operationalization of 3 Road BOT SPVs. A 19.9% yoy increase in interest expenses is attributable to decline in g-sec rates (leading to increase in pension costs by ₹50cr) and operationalization of 3 Road BOT SPVs.

Hydrocarbon business recovery in sight

After reporting a turn-around in 1QFY2016, the Hydrocarbon business reported a negligible EBIT loss of ₹2cr in 2QFY2016 (lower than ₹54cr of losses in the corresponding previous year quarter).

At the backdrop of strong execution across domestic hydrocarbon projects, the Hydrocarbon subsidiary reported revenues of ₹1,961cr, for the quarter.

Exhibit 7: Hydrocarbon - Quarterly Revenues & EBIT



Source: Company, Angel Research

During the quarter, the Hydrocarbon business reported a negative EBIT of ₹2cr vs a negative EBIT of ₹54cr in 2QFY2015. EBIT level losses reflect underrecovery of overheads across the Middle East projects, where L&T has built its localized organization base in the last few quarters. The Management highlighted that legacy order works are nearing completion and from 4QFY2016 the Hydrocarbons business should see margin expansion.

IT & Technology Services business reports strong growth

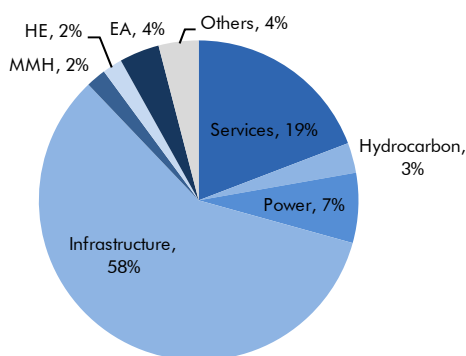
L&T's IT & Technology Services business reported an impressive 23.5% yoy increase in revenues for the quarter to ₹2,317cr. Top-line growth was driven across all the end-markets across sectors except energy and utility segment. On the profitability front, the subsidiary's EBIT margin was up 286bp yoy to 18.3%.

Order Inflow growth disappoints

The consolidated order inflow for the quarter declined 28.0% yoy to ₹28,620cr (on excluding Services business' orders, the order inflow reported a 34.9% yoy decline). A major 62% of 2QFY2016 order inflows were from the domestic markets.

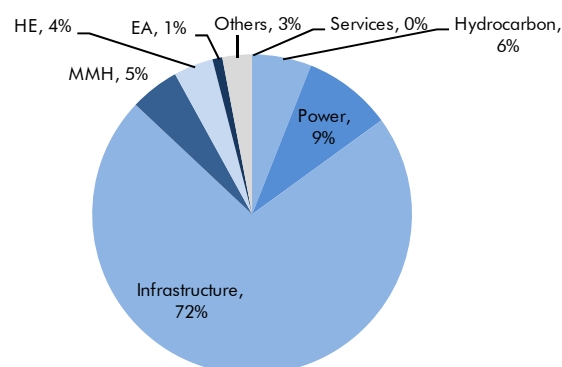
On the whole, order inflows for 1HFY2016 declined 24.8% yoy to ₹54,996cr.

Exhibit 8: 2QFY16 Order Inflow mix (consol.)



Source: Company, Angel Research

Exhibit 9: 2QFY16 Order Book mix (consol.)



Source: Company, Angel Research

L&T's order book as of 2QFY2016-end stands at ₹2,44,097cr, indicating a 13.9% yoy growth. As of 2QFY2016, L&T's order book is majorly dominated by the Infra (72%) segment, followed by Power (9%) and Hydrocarbon (6%) segments. MMH (5%), HE (4%) and Others (3%) constitute the remaining order book. International order book constitutes 28% of the total order book. The current order book gives revenue visibility for over the next 30 months.

At the backdrop of lower than expected 1HFY2016 order inflows and reduced bid pipeline of ₹3,70,000cr (of this ₹1,00,000cr is from the international markets) from the earlier ₹5,00,000cr, the company's Management has lowered its order inflow growth guidance from the earlier 15% to 5-7% for FY2016. Given the Management commentary that 2HFY2016 could see some large ticket awarding activity, we are optimistic that L&T could attain its order inflow growth guidance of 5-7% for FY2016.

Management guidance

- The Management has lowered its order inflow growth guidance for FY2016 from the earlier 15% to 5-7%. At the backdrop of revival in award activity, large projects coming-up for awarding, and L&T's positioning, we are optimistic that it would attain its order inflow growth guidance for FY2016.
- Given the 8.7% yoy growth in the top-line for 1HFY2016, L&T's Management has lowered its revenue growth guidance from the earlier 15% to a 10-15% range for FY2016. Considering the 13.9% yoy increase in its 2QFY2016 order book, coupled with zero slow moving orders, we are comforted that execution should catch-up in 2HFY2016.
- The company's Management has maintained its guidance of a 100bp swing in margin in FY2016. With just 3 international legacy projects' execution pending in the Hydrocarbon space, and considering the segment's EBIT level profit of ₹37cr in 1HFY2016, there exists a strong case for a turnaround of the Hydrocarbons vertical.

Revision of Estimates

Considering the slowdown witnessed in order inflow numbers, and lower-than-expected revenue booking, we revise down our top-line and PAT estimates. We now expect L&T (standalone entity) to report a PAT of ₹5,776cr and ₹6,155cr for FY2016 and FY2017, respectively.

Exhibit 10: Revised estimates

Particulars (₹ cr)	FY2016E			FY2017E		
	Old	New	% chg.	Old	New	% chg.
Net Sales	65,065	64,148	(1.4)	77,009	73,241	(4.9)
EBITDA	7,483	7,377	(1.4)	9,010	8,569	(4.9)
EBITDA Margins (%)	11.5	11.5		11.7	11.7	
Rep. PAT	5,337	5,776	8.2	6,530	6,155	(5.7)
Rep. PAT Margins (%)	8.2	9.0		8.5	8.4	

Source: Company, Angel Research

Valuation

We recommend BUY with a target price of ₹1,646

We believe L&T has a good case to beat its revised order inflow guidance and also attain its revenue growth guidance for FY2016. Also, on considering 1HFY2016 results for the Hydrocarbon vertical, we expect a possible turn-around in the segment in FY2016. On the whole, L&T with its diverse business profile (E&C, Power, Alternate Energy, Roads & Highways, Defense, Metros, Urban Infra), is well positioned to benefit from a revival in the domestic infra capex cycle.

Exhibit 11: Derivation of SOTP-based target price for L&T (FY2017E)

Business Segment	Methodology	Remarks	₹ cr	₹/share	% to TP
L&T- Parent	P/E	18.0x FY2017E Earnings	110,793	1,172	71.2
Infrastructure Subsidiaries					
IDPL	P/BV	1.0x FY2017E BV	7,422	79	4.8
Key Subsidiaries - Services					
L&T InfoTech	P/E	15.0x FY2017E Earnings	16,574	175	10.7
L&T Finance	M-cap Basis	20% holding company discount	7,667	81	4.9
Realty Space					
L&T Realty (inc. Seawoods Realty)	P/BV	1.0x FY2017E BV	3,180	34	2.1
Hydro-Carbons Business					
Hydro-Carbons	P/BV	1.0x FY2017E BV	1,310	14	0.9
Key Subsidiaries - Manufacturing					
L&T Power-equipment JVs	P/BV	1.0x FY2017E BV	698	7	0.5
Other Associate Companies	P/BV	1.0x FY2017E BV	5,420	58	3.5
International Business					
International Subsidiaries	P/BV	1.5x FY2017E BV	2,322	25	1.5
Grand Total			108,360	1,646	100
Upside				16.6%	
CMP				1,411	

Source: Company, Angel Research

We have valued the company using sum-of-the-parts (SOTP) methodology, to capture the value of all its businesses and investments. Ascribing separate values to its parent business on a P/E basis and investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at a FY2017E based target price of ₹1,646. At the current market price of ₹1,411, the standalone entity is trading at an implied P/E multiple of 14x (FY2017), which is attractive. We are of the view that L&T is a proxy play for investors wanting to play on the revival in the Indian Infrastructure growth story. **Given the 16.6% upside potential in the stock from current levels, we maintain our BUY rating on the stock.**

Investment arguments

- **Indian capex recovery is a matter of time:** Recent burst of policy measures would ease environment for capex. This, along with recent rate cuts, makes us believe that a strong recovery is on the cards. Considering that the award activity revival should further gain momentum, we sense that a full-fledged recovery will be seen only in FY2017, but we can expect early signs of improvement in L&T's execution and margin expansion from 2HFY2016 onwards.

Slowdown in order inflows from the Middle East markets coupled with revival in domestic capex cycle should lead to a shift in the order inflow mix more towards the domestic markets, going forward. On the back of shift in order book towards domestic markets, we expect uptick in execution. Accordingly, we have modeled a 13.3% top-line CAGR over FY2015-2017E.

Given that L&T is currently sitting on an order book which gives revenue visibility for over 30 months, this shift in order inflow mix should help the company in faster margin recovery. We expect EBITDA margins to expand by 32bp during FY2015-17 to 11.7%.

- **Best stock to play the Indian infrastructure theme:** We are of the view that L&T is very well positioned to benefit from gradual recovery in the domestic capex cycle, given its diverse range of sectoral exposure, strong balance sheet and better cash flow generating potential in comparison to its peers, which are struggling with higher leverage, and strained cash flows.

Company background

L&T, the largest Indian infrastructure conglomerate, is present across almost all the infrastructure segments and is at the forefront of the Indian infra growth story. Over the years, the company has diversified across various segments to encash the untapped infra opportunity, not only in India but in other geographies as well, and has an excellent track record of achieving the same. Currently, L&T manufactures and services its business in over 30 countries worldwide.

Profit & loss statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	51,611	56,599	57,017	64,148	73,241
% Chg		9.7	0.7	12.5	14.2
Total Expenditure	46,138	49,932	50,530	56,771	64,672
Raw Mat. & Contracting Exp.	40,205	43,346	44,397	49,651	56,542
Employee benefits Expense	3,861	4,662	4,151	4,811	5,347
Sales, Admin. & Other Exps	2,072	1,923	1,982	2,309	2,783
EBITDA	5,473	6,667	6,488	7,377	8,569
% Chg		22	(3)	14	16
EBIDTA %	10.6	11.8	11.4	11.5	11.7
Depreciation	728	792	1,008	1,173	1,342
EBIT	4,745	5,875	5,480	6,205	7,227
% Chg		23.8	(6.7)	13.2	16.5
Interest and Financial Charges	955	1,076	1,419	1,516	1,618
Other Income	1,887	1,881	2,283	2,428	2,547
PBT	5,678	6,679	6,344	7,116	8,156
Exceptional Item	(176)	(589)	(357)	(546)	(120)
PBT after Exceptional Item	5,854	7,268	6,701	7,662	8,276
Tax Expenses	1,541	1,775	1,645	1,886	2,120
% of PBT	27.1	26.6	25.9	26.5	26.0
PAT before Extra-Ordinary Items	4,313	5,493	5,056	5,776	6,155
Extra-Ordinary Item	(72)	0	0	0	0
PAT	4,385	5,493	5,056	5,776	6,155
% Chg		25.3	(8.0)	14.2	6.6
PAT %	8.5	9.7	8.9	9.0	8.4
EPS (after Extra-ord. Items)	53	59	54	62	66
% Chg		11.6	(8.3)	13.7	6.6

Balance Sheet (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Sources of Funds					
Equity Capital	123	185	186	186	186
Reserves Total	29,020	33,476	36,899	40,847	45,111
Networth	29,143	33,662	37,085	41,032	45,297
Total Debt	8,834	11,459	12,937	15,000	16,500
Other Long-term Liabilities	788	393	470	557	569
Deferred Tax Liability	242	410	363	363	363
Total Liabilities	39,007	45,924	50,854	56,952	62,729
Application of Funds					
Gross Block	11,855	11,397	12,604	14,554	16,534
Accumulated Depreciation	3,550	3,836	4,844	6,016	7,359
Net Block	8,305	7,561	7,760	8,537	9,175
Capital WIP	597	676	222	250	250
Investments	16,103	19,215	23,053	26,103	28,413
Current Assets	47,419	50,853	55,869	58,596	62,451
Inventories	2,064	1,983	2,208	2,359	2,575
Sundry Debtors	22,613	21,539	23,051	23,876	24,475
Cash and Bank Balance	1,456	1,783	1,516	2,429	3,135
Loans, Advances & Deposits	9,413	10,067	10,533	12,088	13,279
Other Current Asset	11,873	15,481	18,562	17,845	18,987
Current Liabilities	33,417	32,381	36,050	36,534	37,560
Net Current Assets	14,002	18,472	19,820	22,062	24,891
Total Assets	39,007	45,924	50,854	56,952	62,729

Cash Flow Statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15P	FY16E	FY17E
Profit before tax	5,678	6,679	6,344	7,116	8,156
Depreciation	728	792	1,008	1,173	1,342
Change in Working Capital	(3,703)	(5,029)	(1,579)	(2,643)	(3,870)
Net Interest & Financial Charges	422	581	909	996	1,083
Direct taxes paid	(1,653)	(1,977)	(1,645)	(1,886)	(2,120)
Cash Flow from Operations	1,472	1,047	5,037	4,756	4,590
(Inc)/ Dec in Fixed Assets	(1,000)	(962)	(1,655)	(1,922)	(1,980)
(Inc)/ Dec in Investments	1,657	(252)	(2,345)	(984)	(191)
Cash Flow from Investing	657	(1,214)	(3,999)	(2,905)	(2,171)
Issue/ (Buy Back) of Equity	163	144	0	0	0
Inc./ (Dec.) in Loans	(1,515)	2,612	1,478	2,063	1,500
Dividend Paid (Incl. Tax)	(1,115)	(1,227)	(1,375)	(1,485)	(1,595)
Interest Expenses	(850)	(1,025)	(1,419)	(1,516)	(1,618)
Cash Flow from Financing	(3,316)	504	(1,316)	(938)	(1,713)
Inc/(Dec) in cash (inc. Dis. Opr)	(410)	337	(278)	913	707
Opening Cash balances	1,906	1,496	1,794	1,516	2,429
Closing Cash balances	1,496	1,794	1,516	2,429	3,135

Key Ratios (Standalone)

Y/E March	FY13	FY14	FY15P	FY16E	FY17E
Valuation Ratio (x)					
P/E (on FDEPS)	26.7	23.9	26.1	22.9	21.5
P/CEPS	23.5	20.9	21.8	19.1	17.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	2.4	2.5	2.5	2.2	2.0
EV/EBITDA	22.9	21.0	22.0	19.5	16.9
EV / Total Assets	3.2	3.1	2.8	2.5	2.3
Per Share Data (₹)					
EPS (fully diluted)	52.9	59.0	54.1	61.5	65.6
Cash EPS	59.9	67.5	64.6	74.0	79.8
DPS	12.0	12.3	13.3	14.4	15.4
Book Value	464	493	542	607	668
Returns (%)					
RoCE (Pre-tax)	17.5	18.7	16.3	16.3	16.6
Angel RoIC (Pre-tax)	17.5	17.2	15.5	15.4	15.8
RoE	14.2	15.6	13.3	13.4	14.0
Turnover ratios (x)					
Asset Turnover (Gross Block) (X)	4.4	4.9	4.8	4.7	4.7
Inventory / Sales (days)	15	13	13	13	12
Receivables (days)	160	142	143	134	120
Payables (days)	134	122	127	119	103
Leverage Ratios (x)					
D/E ratio (x)	0.3	0.3	0.3	0.4	0.4
Interest Coverage Ratio (x)	6.9	7.2	5.5	5.7	6.0

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

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Disclosure of Interest Statement	L&T
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15)
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