

Larsen & Toubro Ltd

BUY

CMP Rs955

Target Rs1,203

Upside 26%

HIGHLIGHTS

- ✓ L&T delivered decent set of results as consol. PAT came in at Rs32bn (+8% vs est.) It lost revenues/ PAT/ collections of worth Rs17.5bn/ Rs4bn/ Rs15bn respectively in Q4FY20 owing to Covid-19 led lockdown.
- ✓ Consol. order book stood at Rs3trn, +4% yoy post removal of slow moving orders worth Rs290bn. Order inflow grew 5% yoy to Rs578bn (excl. E&A) led by infra segment (+34% yoy).
- ✓ FY20 Order inflow was up 9% yoy to Rs1,864bn (excl. E&A business) vs mgmt. guidance of 10-12% led by Infra (+7.3% yoy), Power (+301% yoy), Others (+108% yoy) & Services (+10.6% yoy) segments.
- ✓ Net working capital has remained largely unchanged qoq at 23.7% of sales. In these challenging times, L&T is following "Collect & Spend" policy to protect its capital.
- ✓ Management has refrained from giving out guidance for FY21 due to uncertainties, however it is banking on new orders in heavy civil, water & power TD from States & Central govt, backed by funding from multilateral agencies.

Our View

- ✓ Though 80-90% of L&T's sites are operational currently, labour squeeze at projects sites (~40% availability) poses execution challenges in H1FY21. It expects things to normalize in 30 days.
- ✓ While L&T will face near term headwinds on new orders and execution, we think long term outlook remains strong led by, i) Over 80% of the NIP (opportunity: Rs102trn over FY20-25) is addressable by L&T which makes it a best play on the government's planned uptick in Infra spending, ii) Market share gain in difficult times by leveraging its strong balance sheet & technical forte, iii) Strong geographical diversification.

Valuation

- ✓ Retain BUY rating with SOTP based TP of Rs1,203 given its inexpensive valuations (Trades at 1yr forward EV/EBITDA of 13x vs long term avg. of 14x), healthy order book (book/bill ~2.2x) & proven execution capability.

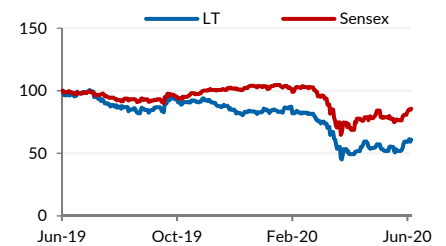
Risk to our call

- ✓ Prolonged impact of Covid-19 crisis on execution & inflows.

Stock data (as on June 05, 2020)

Sensex:	34,287
52 Week h/l (Rs)	1,592/661
Market cap (Rs/USD bn)	1,341/18
Outstanding Shares	1,404
6m Avg t/o (Rs mn):	4,893
Div yield (%):	1.0
Bloomberg code:	LT IN
NSE code:	LT

Stock performance



	1M	3M	1Y
Absolute return	14.1%	(18.1%)	(37.5%)

Shareholding pattern (As of Mar'20 end)

Promoter	0.0%
FII+DII	55.27%
Others	44.72%

Δ in earnings estimates

	FY21e	FY22e
EPS (New)	46.8	68.1
EPS (Old)	80.1	94.5
% change	(41.6%)	(27.8%)

Exhibit 1: Financial Summary (Consolidated)

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Revenues	1,198,620	1,352,203	1,454,524	1,327,980	1,570,885
yoy growth (%)	9.7	12.8	7.6	(8.7)	18.3
EBITDA	136,418	153,296	163,290	135,094	178,005
EBITDAM (%)	11.4	11.3	11.2	10.2	11.3
Adjusted PAT	72,474	80,410	88,945	65,615	95,684
yoy growth (%)	20.0	11.0	10.5	(26.2)	45.8
EPS (Rs)	51.7	57.3	63.4	46.8	68.2
P/E (x)	18.5	16.7	15.1	20.4	14.0
P/BV (x)	2.4	2.1	2.0	1.9	1.7
EV/EBITDA (x)	16.4	15.3	15.1	18.3	13.5
Net D/E (x)	1.6	1.6	1.7	1.6	1.4
ROE (%)	13.7	13.6	13.8	10.3	13.6
ROCE (%)	6.1	5.9	5.9	4.3	5.8

Source: Company, YES Sec - Research

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Exhibit 2: Result table (Consolidated)

(Rs mn)	Q4FY20	Q4FY19	% qoq	Q3FY20	% yoy
Total sales	442,453	433,034	2.2	362,427	22.1
EBITDA	51,211	52,791	(3.0)	41,177	24.4
EBITDAM (%)	11.6	12.2	(61.7) bps	11.4	21.3 bps
Depreciation	(7,109)	(4,354)	63.3	(6,602)	7.7
Interest	(8,208)	(5,065)	62.1	(7,092)	15.7
Other income	6,605	6,110	8.1	4,749	39.1
PBT	42,498	49,481	(14.1)	32,233	31.8
Tax	(9,663)	(12,344)	(21.7)	(7,110)	35.9
Minority Interest	(3,654)	(3,707)	(1.4)	(3,995)	(8.5)
Adjusted PAT	30,647	32,158	(4.7)	21,608	41.8
Dis-continued Ops. PAT	1,324	2,024	(34.6)	1,913	(30.8)
Reported PAT	31,971	34,182	(6.5)	23,521	35.9
EPS (Rs)	22.8	24.4	(6.5)	16.8	35.9

Source: Company, YES Sec – Research

Exhibit 3: Cost analysis (Consolidated)

As a % of net sales	Q4FY20	Q4FY19	bps qoq	Q3FY20	bps yoy
COGS	69.2	73.9	(470.6)	65.8	334.9
Employee cost	14.2	10.4	384.7	16.9	(271.0)
Other expenses	5.0	3.6	147.6	5.9	(85.2)
Total costs	88.4	87.8	61.7	88.6	(21.3)

Source: Company, YES Sec – Research

Exhibit 4: SoTP valuation

Segment	Value/Share (Rs)	Parameter
L&T Standalone	678	18x PE FY22E Standalone EPS
L&T Hydrocarbon	123	15x PE FY22E EPS
L&T IDPL, Metro	58	Roads at P/B of 0.8x, & Metro at 0.8x
L&T MHI Boiler & TG JV	14	10x PE FY22E EPS, 51% stake
L&T Technology Services	59	20% Hold co discount to L&T's stake at CMP
L&T InfoTech	137	20% Hold co discount to L&T's stake at CMP
L&T Finance Holding	45	20% Hold co discount to L&T's stake at CMP
Mindtree	52	20% Hold co discount to L&T's stake at CMP
Nabha Power	11	At 0.5x book
L&T Shipbuilding & others	24	At 0.5x book
Target price	1,203	
CMP	955	
Upside (%)	26	

Source: Company, YES Sec – Research

CON-CALL HIGHLIGHTS

FY21 Guidance

- ✓ Management has refrained from giving out any guidance for FY21 due to uncertainties related to COVID-19 pandemic.

Order inflow & Order book

- ✓ Consolidated order book stood at Rs3,038bn for FY20 (+4% yoy). International orders constitute 25% of total order book.
- ✓ International order inflows mainly driven by IT&TS segment, Power T&D and Metallurgical business contributed to FY20 growth
- ✓ FY20 Order inflow was up 9% yoy to Rs1,864bn (excl. E&A business) vs mgmt. guidance of 10-12% led by Infra (+7.3% yoy), Power (+301% yoy), Others (+108% yoy) & Services (+10.6% yoy) segments. Domestic order inflow dropped by 3% yoy while international order inflow was up 28% yoy.
- ✓ Order inflow grew 5% yoy to Rs577.9bn (excl. E&A business) in Q4FY20 led by infra segment (+34% yoy).
- ✓ Out of the total international order book, ~44% was non-Middle East

Infra

- ✓ Order book stood at Rs2,244bn (Domestic: 79%, International: 21%)
- ✓ Order inflow grew 34% yoy to Rs414bn. Strong domestic and international order inflows in Q4FY20 were contributed by solar and water projects
- ✓ Revenue declined 6% yoy in Q4FY20 primarily due to slowdown caused by Covid-19 environment, slow moving orders, & funding constraints
- ✓ FY20 EBITDA margin dropped 40bps yoy to 8.1%, with slowdown in revenue scale up, cost pressures encountered in a few projects and the adverse impact caused by COVID 19 led slowdown/lockdown in March 2020
- ✓ Order wins were in varied areas of Health sector, Affordable mass housing, Power Transmission & Distribution business, Renewable energy, airport, Industrial water systems, Water Supply and Distribution, Hydel project, Network management system, gold beneficiation plant and a Railway Freight facility package
- ✓ International orders at Rs295bn constituted 29% of the total order inflow of the segment for FY20, with noteworthy orders from Africa and Middle East.

Power

- ✓ Order book for FY20 stood at Rs158.5bn (with receipt of a major thermal power plant order and a slew of FGD orders during the year). The international order book constituted 7% of the total order book
- ✓ Order inflow for FY20 was Rs120bn registering significant growth on receipt of large domestic order for a 2X660 MW Ultra Supercritical thermal power project, multiple Flue Gas Desulphurization (FGD) orders and an order for a comprehensive boiler island package in L&T-MHPS Boiler JV, consolidated for L&T share. International orders constituted 2% of the total order inflow of the segment during the year
- ✓ Q4FY20 order inflow was Rs2.2bn mainly comprising of order amendments.

- ✓ Revenues declined 40% yoy in Q4FY20 majorly due to depleted opening order book and tapering of international jobs
- ✓ International revenue constituted 17% of the total revenue of the segment for FY20
- ✓ The FY20 EBITDA margins increased by 750bps yoy to 12% on receipt of favorable arbitration award & client claims

Hydrocarbon

- ✓ Order book as on FY20 was Rs441bn with the international order book constituting 48% of the total.
- ✓ Order inflow for FY20 was Rs209.6bn, down 25% yoy due to deferment of orders in Onshore vertical. International order inflow constituted 36% of the total order inflow of the segment
- ✓ Order inflow for Q4FY20 stood at Rs 25bn down 80% yoy majorly due to oil price volatility
- ✓ Revenues increased 15% yoy in Q4FY20 on back of strong execution momentum in Onshore vertical. International revenue contributed 43% of total revenues in the segment
- ✓ EBITDA margins for FY20 improved by 210bps to 10.1% driven by execution efficiencies and claim settlement in few projects
- ✓ Mgmt. sees revenue visibility of 3 years in this segment backed by strong order backlog

Heavy Engineering

- ✓ Order book for FY20 stood at Rs41bn. (Domestic: 48%, International: 52%)
- ✓ FY20 order inflow declined 42% yoy mainly due to deferment of orders and on a high base of Order Inflows in FY19 which included a significant quantum of international orders from the Refinery, Cracker, Oil & Gas sector. International orders constituted 57% of the total order inflow of the segment for FY20
- ✓ FY20 revenues grew 31% yoy on the back of improved order book coupled with good execution progress in refinery, oil and gas equipment business.
- ✓ EBITDA margins declined by 300bps to 21.5% on account of cost provisions made by the company

Defence

- ✓ L&T Shipbuilding Limited, a 100% subsidiary under the Defence Engineering segment, merged with parent Larsen & Toubro Limited after obtaining NCLT approval
- ✓ Order book at the end of FY20 stood at Rs92bn with 19% being contributed by international order book
- ✓ Order inflow for FY20 was Rs22bn which was down 26% yoy due to deferment of awards from the Ministry of Defence
- ✓ Revenues for Q4FY20 stood at Rs9bn, down 15% yoy majorly impacted by delays and non-receipt of target orders
- ✓ EBITDA margin for FY20 was higher by 200bps to 18.2% driven by operational efficiencies

IT & TS

- ✓ FY20 revenues were Rs221bn (including Mindtree revenue consolidation of Rs59bn). International revenues contributed to 92% of total revenues in FY20
- ✓ Q4FY20 revenues grew by 68% yoy to Rs63.5bn driven by a strong revenue growth in manufacturing, cpg, retail & pharma and energy & utilities in L&T Infotech Group, transportation, medical devices and plant engineering verticals in L&T Technology Services Group and hi-tech & media and travel & hospitality in Mindtree Limited

Developmental Projects

- ✓ During the year, shareholding in L&T Infrastructure Development Projects Ltd (L&T IDPL) was diluted to 51% on the partner Canadian Pension Plan Investment Board getting statutory approval for conversion of Compulsorily Convertible Preference Shares (CCPS) into Equity under a negotiated agreement
- ✓ The balance stretch of Hyderabad metro was commissioned during the quarter, with which now the metro rail project is fully commissioned
- ✓ FY20 revenues declined by 4% yoy to Rs48.5bn on account of lower offtake from Nabha power plant by the state of Punjab and a planned shutdown of one unit for overhaul and repairs in Q4FY20

Others segment (Realty, Construction & Mining Machinery, Rubber Processing Machinery and Valves businesses)

- ✓ Revenues for FY20 declined by 11% yoy as FY19 included revenue from a large value transaction pertaining to the sale of commercial property and higher hand over of residential property in Realty business.
- ✓ Q4FY20 revenues were impacted by delayed handover in the Realty business, & lower demand in construction and mining equipment
- ✓ EBITDA margin for FY20 declined by 770bps on account of gain on sale of commercial property in FY19

Impacts due to Covid-19 disruptions

- ✓ L&T lost Rs17.5bn in revenues & Rs15bn in collections in Q4FY20 due to lockdown in Mar'20. PAT was impacted negatively by Rs4bn.
- ✓ 5% of order book was not moving which impacted the Q4FY20 and FY20 revenues
- ✓ There were difficulties in execution of orders in April and May and there were minimal activities in those 2 months
- ✓ L&T had 40% labour availability on sites due to the lockdown Current availability of labour was around 1,20,000 and mgmt. plans to reach to 2,25,000 in the next 30-40 days
- ✓ L&T incurred additional expenses on account of accommodation and healthcare for the labour
- ✓ Currently 80-90% of the sites are operational

Other Highlights

- ✓ 80% of the order book is contributed by government orders hence this minimizes the credit risk
- ✓ L&T removed a few orders worth Rs290bn due to non-moving projects (AP orders received in FY19, Orders stuck under national green tribunal act & few real estate projects)
- ✓ Average borrowing cost for the company was 7.5%

Larsen & Toubro Ltd

- ✓ Most of contracts have cost escalation/price revision clause due to delays
- ✓ States in north-eastern India have enough labour availability hence the those state govts. are pushing for projects execution while in case of west-southern states, L&T is facing issue of labour migration.
- ✓ 22-23% of orderbook was contributed by Maharashtra

No capital infusion required for Larsen & Toubro Financial Holdings Ltd (LTFH)

- ✓ Management sees no need to invest capital in LTFH as the subsidiary has managed to raise money without the parent's help
- ✓ If the disbursement picks up, then the capital requirement will arise in H2FY21

Order pipeline

- ✓ L&T saw a lot of traction in orders heavy civil infrastructure, water & power transmission and distribution segments
- ✓ The company has an L1 position in a few large orders
- ✓ Mgmt. expects hydrocarbon and real-estate sector to recover by H2FY21
- ✓ Govt. has come out with a National Infrastructure Plan (NIP) of Rs103tn and management expects that L&T has 80% of opportunities in orders due to its robust businesses
- ✓ Mgmt. expects the demand in construction equipment to revive by Q4FY21

Working Capital

- ✓ Working capital in Q4FY20 stretched majorly due to delay in client collections and lack of vendor support
- ✓ Collections from clients in April & May was decent
- ✓ Mgmt. sees the need to be more cautious about new tenders in terms of change of payment norms
- ✓ L&T is now implementing the policy of 'Collect & Spend' so management doesn't see any issues arising in working capital

International Execution

- ✓ Middle east orders were moving well
- ✓ There were a few cases of Covid19 at some international sites initially, but the situation now has normalized
- ✓ There were no major disruptions in Africa in terms of execution except for a little issue of labour availability

Update on E&A business divestment

- ✓ The transaction was planned to be completed by Mar'20 but did not happen due to Covid-19
- ✓ Mgmt. plans to complete the transaction by FY21
- ✓ The cashflows from the deal will be utilized in the Hyderabad metro project as well as internal growth

Exhibit 5: Details of major orders declared by L&T in CY20

Date	Business Segment	Client name/Order Type	Classification	Value (Rs mn)
June 5, 2020	Heavy Civil Infra	Irrigation and Command Area Development Department, Govt. of Telangana	Large	25,000-50,000
April 24, 2020	Railway	Dedicated Freight Corridor Corporation of India Limited (DFCCIL)	Significant	10,000-25,000
April 22, 2020	B & F	To design and construct an integrated resort complex project at Goa.	Significant	10,000-25,000
April 21, 2020	MMH	From BHEL to manufacture and supply heavy material handling equipment with high end automation From M/s Birla Copper, a unit of Hindalco Ltd. to revamp its Copper Smelter complex at Dahej, Gujarat To supply high-end manufactured equipment including add on jobs from its existing domestic and international contracts	Significant	10,000-25,000
	Smart infra	Smart city project for design, supply, installation, testing and commissioning with five-year comprehensive operation and maintenance of an Integrated Command and Control Centre in Jhansi, Uttar Pradesh		
	Geostructure	From the State Project Management Unit, Government of West Bengal, for flood protection works and embankment strengthening of Damodar river in Purba Bardhaman and Hooghly districts, West Bengal		
April 20, 2020	Power T&D	To modernize the power distribution network in a subdivision of Bengaluru Metropolitan Area Zone To establish 220kV, 132kV Substations and 132kV cable networks in India, the Middle East and Africa	Significant	10,000-25,000
April 17, 2020	B & F	Design and build order from a leading cement manufacturer to execute and commission a 9,500 TPD cement plant at Ametha, Katni, Madhya Pradesh.	Significant	10,000-25,000
		From a reputed developer in Bengaluru to construct a residential complex with a total built up area of 5 million Sq.f From a key government organisation to construct its Smart Data Centres at Hyderabad and Chennai with a total built up area of 2.68 lakh Sq.ft		
April 16, 2020	Heavy Engineering	For Key Gasification Equipment from Wuhan Engineering Ltd, China Reactors and Heat Exchangers for Process Plant and Nuclear Power sectors against global competition	Significant	10,000-25,000
April 15, 2020	Heavy Civil Infra	to build Regional Rapid Transit System (RRTS) Infrastructure from National Capital Region Transport Corporation (NCRTC) in Uttar Pradesh	Significant	10,000-25,000
April 13, 2020	Water Treatment	Secured three Engineering Procurement Construction (EPC) Water Management orders from the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC).	Large	25,000-50,000
April 9, 2020	Power T&D	To upgrade substations and related power facilities in KNPC's Mina Al Ahmadi oil refinery 400 kV Grid Station order in Oman which will be a crucial element in the Sultanate's major transmission initiative to interconnect the grids in the south and north with the PDO Area	Major	50,000-70,000
		an order to Design, Supply, Construct Et Commission a 220 kV Gas Insulated Substation has been bagged from a reputed client An order has been won to strengthen the urban HT distribution network in Chennai with addition of Ring Main Units and Feeder Remote Terminal Units on a total turnkey basis To supply and install Medium Voltage capacitor banks with related accessories under different discoms in Uttar Pradesh		
April 8, 2020	Hydrocarbon	Large Project by Indian Oil Corporation Limited (IOCL)	Large	25,000-50,000
April 7, 2020	Smart infra	From the Indian Army to establish a first-of-its-kind, state-of-the-art Unified Network Management System	Large	25,000-50,000
March 4, 2020	Water Treatment	From a client in the Sultanate of Oman for the design and execution of a water infrastructure project to enhance the Al Dhakhliya Water Transmission System, Phase - II.	Significant	10,000-25,000
March 3, 2020	Power T&D	In Bangladesh, the business has won a turnkey order for design, supply, installation and commissioning of power transmission infrastructure for the 800 MW Rupsha power plant. An order to build 220kV Substations in Nepal has been received	Significant	10,000-25,000

Date	Business Segment	Client name/Order Type	Classification	Value (Rs mn)
February 27, 2020	Water Treatment	In the Kingdom of Saudi Arabia, an order to establish 380kV and 230kV Transmission Line corridors has been bagged On the domestic front, the business has won an order to design and construct a 50 MW Solar Photovoltaic Plant in Tamil Nadu. United Arab Emirates to execute a Recycled Water Transmission Pipeline Project. The business has also secured an EPC order from National Mineral Development Corporation (NMDC) for the construction of a Pump House for Slurry Et Water Pipeline Systems.	Significant	10,000-25,000
	Heavy Civil	From Pune Metropolitan Region Development Authority (PMRDA) order from Konkan LNG Private Limited (KLPL) based on open competitive bidding process.		
February 10, 2020	Power T&D	In the Philippines, the business has won an order to construct a 500kV Substation, in association with a prominent local player In the Kingdom of Saudi Arabia, orders to construct a 380kV Substation with an associated 230kV cable network and establish 380kV and 230kV Transmission Line corridors have been bagged On the domestic front, the business has won an order in Gujarat to construct a 765kV Double Circuit Transmission Line that will help transmit power from renewable energy sources. order has been secured to build a 20MW floater solar power project at a reservoir of NTPC's Auraiya Gas Power Plant in Uttar Pradesh	Large	25,000-50,000
January 30, 2020	Water Treatment	EPC order from Narmada Valley Development Authority (NVDA), Government of Madhya Pradesh to execute the Indira Sagar - Parwati Phase III Et IV Lift Micro Irrigation Project	Large	25,000-50,000
January 15, 2020	Water Treatment	EPC order has been secured from the Public Health Engineering Directorate, West Bengal for water supply to Nandakumar, Chandipur, Nandigram - I a II blocks in East Medinipur district Another order has been received from the Bangalore Water Supply and Sewerage Board (BWSSB) for supplying, laying, testing Et commissioning of clear water trunk main of 54 Km with associated civil Et mechanical works along the eastern route of Bangalore, Karnataka. The project is funded by Japan International Cooperation Agency (JICA).	Large	25,000-50,000
	Transportation	Engineering, Procurement and Construction order from the Central Organization for Railway Electrification (CORE) involving electrification of 1137 Track Km Another order has been secured from the Mumbai Metro Rail Corporation Ltd (MMRCL) order for various packages of the Western Dedicated Freight Corridor order for various packages of the Western Dedicated Freight Corridor		
	B & F	Engineering, Procurement and Construction of a 300 bedded multi-specialty hospital at Tirupathi, Andhra Pradesh. various add-on orders have been received by some of the existing projects in the Power Transmission and Distribution (PTecD) and Heavy Civil Infrastructure (HC) businesses		

Source: Company, YES Sec – Research

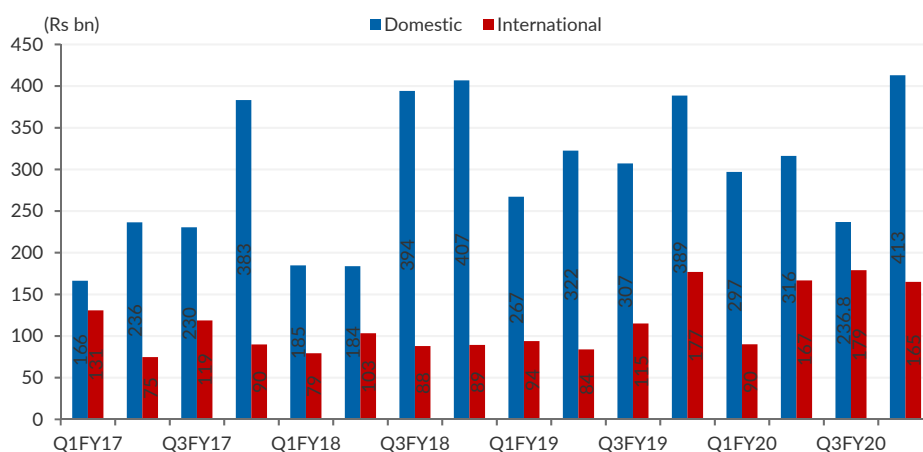
NIP is big structural boost but execution remains challenging as funding & regulatory clearances hold key

The finance ministry's Rs102tn National Infrastructure Pipeline (NIP) for India over FY20-FY25 is a major boost for the sector with focus towards key segments of energy, roads, urban infrastructure, railways and irrigation. The measures announced so far are oriented towards improving the structural growth prospects for the industry and may result in a cyclical uptick in ordering for the capital goods industry. We still await the measures that can address chronic challenges of funding, land acquisition, regulatory clearances and time/cost overruns which would trigger a significant cyclical demand uptick in the industry. The government has been actively reviewing capex plans for public sector enterprises and nudging them to accelerate the pace of investments. With lower taxes now, we expect the government to further push the state-run enterprises to accelerate their investment cycle.

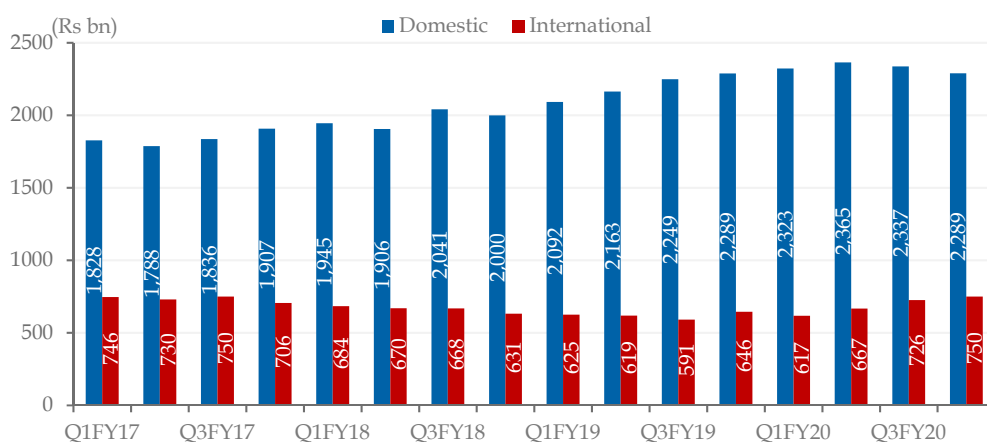
Exhibit 6: Segment-wise quarterly revenue

Revenues (Rs mn)	Q4 FY20	Q4 FY19	% yoy	Q3 FY20	% qoq
Consolidated (ex-services)	351,796	374,882	(6.2)	270,971	29.8
Infrastructure	255,597	270,936	(5.7)	173,994	46.9
Power	5,653	9,343	(39.5)	6,983	(19.1)
Heavy Engineering	7,016	8,995	(22.0)	8,061	(13.0)
Defence Engineering	9,281	11,084	(16.3)	10,647	(12.8)
Electrical & Automation	12,391	17,155	(27.8)	14,198	(12.7)
Hydrocarbon	49,792	43,243	15.1	43,926	13.4
Others	12,066	14,128	(14.6)	13,162	(8.3)
IT and Technology services	64,613	38,268	68.8	61,259	5.5
Financial services	33,657	31,823	5.8	35,501	(5.2)
Developmental projects	9,815	10,829	(9.4)	12,382	(20.7)
Total revenues	459,880	455,803	0.9	380,114	21.0
Inter-segment revenue	5,037	5,613	(10.3)	3,489	44.4
Discontinued ops rev.	12,391	17,155	(27.8)	14,198	(12.7)
Net revenue	442,453	433,034	2.2	362,427	22.1

Source: Company, YES Sec – Research

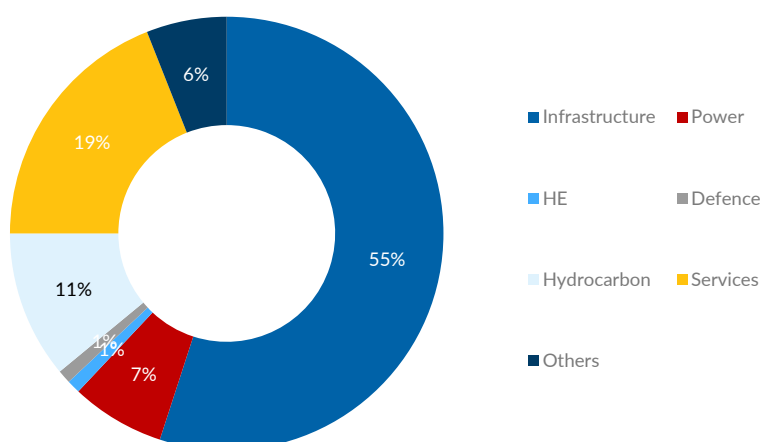
Exhibit 7: Consolidated quarterly order inflow trend


Source: Company, YES Sec – Research

Exhibit 8: Consolidated quarterly order backlog trend


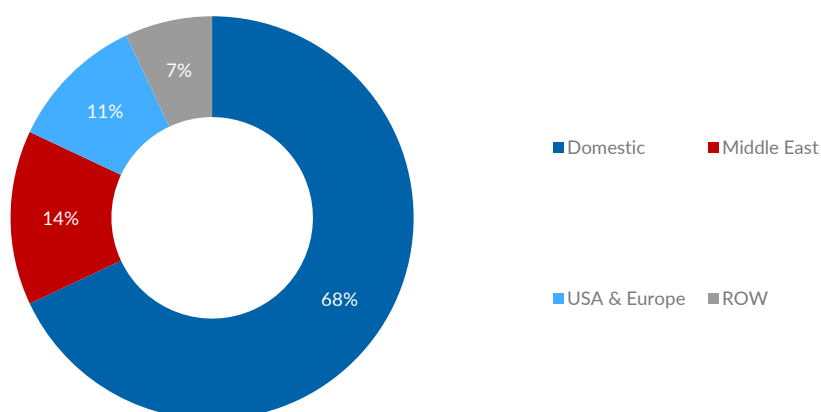
Source: Company, YES Sec – Research

Exhibit 9: FY20 order inflow composition (Segment wise)



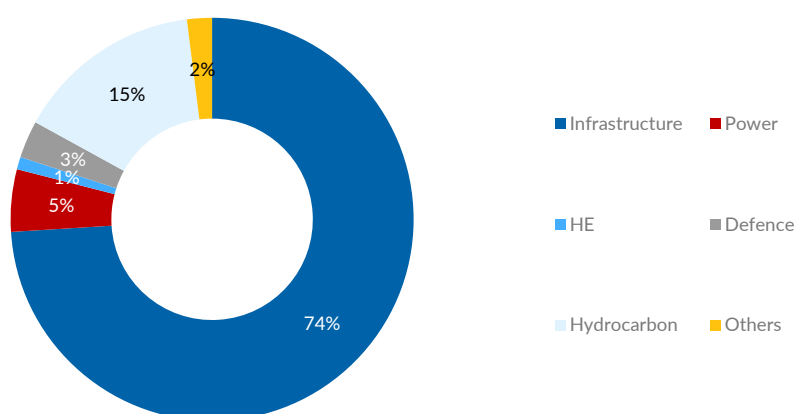
Source: Company, YES Sec – Research

Exhibit 10: FY20 Order inflow composition (Geography wise)

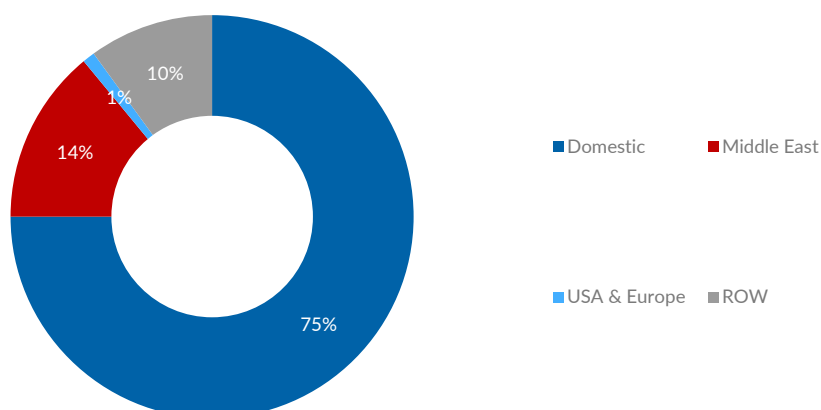


Source: Company, YES Sec – Research

Exhibit 11: FY20 order book composition (Segment wise)



Source: Company, YES Sec – Research

Exhibit 12: FY20 Order book composition (Geography wise)


Source: Company, YES Sec – Research

Exhibit 13: Segment EBIT

EBIT (Rs mn)	Q4 FY20	Q4 FY19	% yoy	Q3 FY20	% qoq
Consolidated (ex-services)	38,995	42,892	(9.1)	22,406	74.0
Infrastructure	26,266	30,883	(15.0)	8,843	197.0
Power	2,032	284	615.6	139	1,359.6
Heavy Engineering	1,057	1,695	(37.7)	1,586	(33.4)
Defence Engineering	1,236	1,702	(27.4)	1,816	(31.9)
Electrical & Automation	1,877	2,914	(35.6)	2,571	(27.0)
Hydrocarbon	5,023	3,864	30.0	4,930	1.9
Others	1,505	1,550	(2.9)	2,522	(40.3)
IT and Technology services	10,230	7,631	34.1	9,955	2.8
Financial services	4,467	7,498	(40.4)	7,269	(38.5)
Developmental projects	(96)	(603)	(84.1)	1,825	(105.2)
Total EBIT	53,597	57,418	(6.7)	41,455	29.3

Source: Company, YES Sec – Research

Exhibit 14: Segment EBIT Margin

EBITM (%)	Q4 FY20	Q4 FY19	bps yoy	Q3 FY20	bps qoq
Consolidated (ex-services)	11.1	11.4	(36)	8.3	282
Infrastructure	10.3	11.4	(112)	5.1	519
Power	35.9	3.0	3,290	2.0	3,395
Heavy Engineering	15.1	18.8	(379)	19.7	(462)
Defence Engineering	13.3	15.4	(203)	17.1	(373)
Electrical & Automation	15.1	17.0	(184)	18.1	(296)
Hydrocarbon	10.1	8.9	115	11.2	(114)
Others	12.5	11.0	150	19.2	(668)
IT and Technology services	15.8	19.9	(411)	16.3	(42)
Financial services	13.3	23.6	(1,029)	20.5	(720)
Developmental projects	(1.0)	(5.6)	459	14.7	(1,571)

Source: Company, YES Sec – Research

FINANCIALS (CONSOLIDATED)

Exhibit 15: Income statement

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Total operating revenues	1,198,620	1,352,203	1,454,524	1,327,980	1,570,885
Growth (%)	9.7	12.8	7.6	(8.7)	18.3
EBITDA	136,418	153,296	163,290	135,094	178,005
EBITDA margin (%)	11.4	11.3	11.2	10.2	11.3
Growth (%)	(16.5)	12.4	6.5	(17.3)	31.8
Depreciation & amortization	19,287	19,230	24,623	25,854	27,922
EBIT	117,131	134,065	138,667	109,240	150,083
EBIT margin (%)	9.8	9.9	9.5	8.2	9.6
Interest	15,385	18,026	27,966	29,600	30,400
Other income	13,419	18,365	23,609	23,000	24,600
Profit before tax	115,165	134,405	134,310	102,640	144,283
Tax	31,988	40,671	32,632	25,865	36,359
Associate income	(4,358)	(210)	719	840	960
Minority interest	(6,345)	(13,115)	(13,453)	(12,000)	(13,200)
Reported net profit	73,704	89,050	95,490	71,015	102,484
Extra. Items/ Disc. Ops PAT	(1,230)	(8,641)	(6,545)	(5,400)	(6,800)
Adjusted net profit	72,474	80,410	88,945	65,615	95,684
Adjusted net margin (%)	6.0	5.9	6.1	4.9	6.1
Diluted EPS (Rs)	51.7	57.3	63.4	46.8	68.2
Growth (%)	20.0	11.0	10.5	(26.2)	45.8

Exhibit 16: Balance sheet

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
SOURCE OF FUNDS					
Share capital	2,803	2,805	2,808	2,805	2,805
Reserve & Surplus	553,767	620,943	664,424	713,160	784,289
Total shareholder's funds	556,570	623,748	667,232	715,966	787,094
Minority Interest	56,250	68,261	95,208	106,368	118,608
Debt	1,075,241	1,255,552	1,410,071	1,453,473	1,487,423
Deferred tax liabilities/(assets)	15,834	12,234	48,355	44,953	46,003
TOTAL	1,703,895	1,959,794	2,220,866	2,320,760	2,439,128
APPLICATION OF FUNDS					
Gross block	357,225	400,803	536,523	556,523	576,523
Less: Depn. and amort.	58,420	74,505	99,127	124,981	152,903
Net block	298,806	326,299	437,396	431,542	423,620
Capital WIP	21,431	24,836	32,249	25,000	25,000
Long term investments	58,471	71,741	73,477	89,753	99,753
Other long term assets	709,444	698,628	711,380	702,353	692,353
Inventories	48,478	64,139	57,467	61,851	64,557
Debtors	346,541	370,382	407,315	418,405	443,291
Cash & cash equivalents	174,968	256,724	278,175	323,950	420,217
Loans & advances	270,077	431,575	424,394	422,043	473,417
Other current assets	522,319	547,017	659,548	630,303	732,363
Total current liabilities	746,639	831,546	860,534	784,440	935,442
Net current assets	615,744	838,291	966,365	1,072,112	1,198,402
TOTAL	1,703,895	1,959,794	2,220,866	2,320,760	2,439,128

Exhibit 17: Cash flow statement

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
PBT	115,165	134,405	134,310	102,640	144,283
Depreciation	19,287	19,230	24,623	25,854	27,922
Others	(168,609)	(139,609)	26,385	5,400	6,800
Tax Paid	(31,988)	(40,671)	(40,465)	(25,865)	(36,359)
Changes in Working Capital	(34,165)	(20,913)	(77,914)	(59,973)	(30,024)
Net Cash from Operations	(100,310)	(47,558)	66,939	48,056	112,622
Capex	(20,150)	(34,994)	(8,458)	(3,724)	(10,000)
Change in Investment	18,151	(48,666)	(99,871)	(16,276)	(10,000)
Others	41,144	(26,568)	25,767	0	(0)
Net Cash from Investing	39,145	(110,228)	(82,563)	(20,000)	(20,000)
Change in debt	126,190	181,743	136,450	43,402	33,950
Change in Equity	495	113	176	(2)	(0)
Others	(32,980)	(27,454)	(72,910)	(25,681)	(30,305)
Net Cash from Financing	93,705	154,402	63,716	17,719	3,645
Net Change in Cash	32,539	(3,385)	48,092	45,775	96,267
Free cash flow (FCF)	(50,054)	(145,215)	5,547	50,197	115,361

Exhibit 18: Ratio analysis

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
PROFITABILITY RATIOS					
EBITDA Margin (%)	11.4	11.3	11.2	10.2	11.3
Adjusted net margin (%)	6.1	6.6	6.6	4.9	6.1
Return on invested capital (%)	6.1	5.9	5.9	4.3	5.8
Return on equity (%)	13.7	13.6	13.8	10.3	13.6
EFFICIENCY RATIOS					
Asset Turnover	3.7	3.9	3.1	2.9	3.5
Debt to equity	1.9	2.0	2.1	2.0	1.9
Net debt to equity	1.6	1.6	1.7	1.6	1.4
Interest coverage	7.6	7.4	5.0	3.7	4.9
Debtor days	105.5	100.0	102.2	115.0	103.0
Inventory days	14.8	17.3	14.4	17.0	15.0
Payable days	115.1	116.1	109.5	105.0	110.0
PER SHARE DATA					
Diluted EPS (Rs)	51.7	57.3	63.4	46.8	68.2
BVPS (Rs)	397.2	444.7	475.3	510.4	561.1
DPS (Rs)	16.0	18.0	18.0	13.5	19.0
VALUATION RATIOS					
P/E	18.5	16.7	15.1	20.4	14.0
P/BV	2.4	2.1	2.0	1.9	1.7
EV/EBITDA	16.4	15.3	15.1	18.3	13.5
Dividend Yield (%)	1.7	1.9	1.9	1.4	2.0

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