

# Larsen & Toubro Ltd

BUY

CMP Rs916

Target Rs1,203

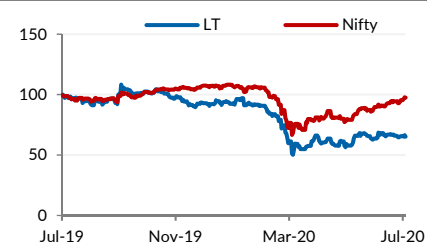
Upside 31%

<b>HIGHLIGHTS</b>	<ul style="list-style-type: none"> <li>✓ L&amp;T delivered consolidated EBITDA beat (+51%/+41% vs our/cons. est.) led by, 1) Good IT services performance, 2) Resilient infra margins &amp; 3) Relatively better hydrocarbon execution. It lost sales of Rs12.5bn in owing to Covid-19 led disruptions. With partial lifting of lockdown and graded resumption of business operations, the execution is expected to improve incrementally over the 4-5 months.</li> <li>✓ Consol. order book stood at Rs3.05trn, +4% yoy. Order inflow de-grew 39% yoy to Rs236bn (excl. E&amp;A). Order pipeline is decent at Rs6.35trn (vs Rs8.5trn yoy), majorly from Water, Heavy Engineering, Power T&amp;D &amp; Transportation infra.</li> <li>✓ Though net working capital has increased marginally by Rs4bn (26.8% of sales), it delivered noteworthy operating cash flow of Rs9bn through focus on better cash collection.</li> <li>✓ Mgmt. is not witnessing any material order cancellations, execution deferrals, delay in collections or working capital deterioration, other than physical disruptions in work.</li> </ul>
<b>Our View</b>	<ul style="list-style-type: none"> <li>✓ While challenges for FY21 remain in terms of new orders, execution and margins, we believe L&amp;T is in a more favorable position than peers in a constrained liquidity environment.</li> <li>✓ We like L&amp;T as, i) Over 80% of the NIP (opportunity: Rs102trn over FY20-25) is addressable by L&amp;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, iii) Strong geographical diversification.</li> <li>✓ Our FY21/FY22 earnings estimates remain largely unchanged as 8%/4% increase in EBITDA estimates offset by increase in finance &amp; depreciation expenses.</li> </ul>
<b>Valuation</b>	<ul style="list-style-type: none"> <li>✓ 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) &amp; proven diversified execution capability.</li> </ul>
<b>Risk to our call</b>	<ul style="list-style-type: none"> <li>✓ Slower than expected recovery in execution &amp; order inflows.</li> </ul>

## Stock data (as on July 23, 2020)

Nifty:	11,215
52 Week h/l (Rs)	1551 / 661
Market cap (Rs/USD bn)	1293 / 17.3
Outstanding Shares (mn)	1,404
6m Avg t/o (Rs mn):	5,133
Div yield (%):	2.0
Bloomberg code:	LT IN
NSE code:	LT

## Stock performance



	1M	3M	1Y
Absolute return	1.5%	8.0%	(32.6%)

## Shareholding pattern (As of Jun'20 end)

Promoter	0.0%
FII+DII	54.89%
Others	45.11%

## Δ in earnings estimates

	FY21e	FY22e
EPS (New)	47.2	69.6
EPS (Old)	46.8	68.2
% change	0.8%	2.1%


## 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	1,342,682	1,598,625
yoy growth (%)	9.7	12.8	7.6	(7.7)	19.1
EBITDA	136,418	153,296	163,290	146,262	184,545
EBITDAM (%)	11.4	11.3	11.2	10.9	11.5
Adjusted PAT (Cont. Ops)	72,474	80,410	88,945	66,142	97,636
yoy growth (%)	20.0	11.0	10.5	(25.6)	47.6
EPS (Rs)	51.7	57.3	63.4	47.2	69.6
P/E (x)	17.7	16.0	14.5	19.4	13.2
P/BV (x)	2.3	2.1	1.9	1.8	1.6
EV/EBITDA (x)	16.0	14.9	14.8	16.4	12.6
Net D/E (x)	1.6	1.6	1.7	1.6	1.3
ROE (%)	13.7	13.6	13.8	10.5	13.8
ROCE (%)	6.1	5.9	5.9	4.6	6.0

Source: Company, YES Sec - Research

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## Exhibit 2: Result table (Consolidated)

(Rs mn)	Q1FY21	Q1FY20	% yoy	Q4FY20	% qoq
Total sales	212,600	296,359	(28.3)	442,453	(51.9)
EBITDA	16,205	33,189	(51.2)	51,211	(68.4)
EBITDAM (%)	7.6	11.2	(357.7)	11.6	(395.2)
Depreciation	(6,722)	(4,615)	45.7	(7,109)	(5.4)
Interest	(10,559)	(5,867)	80.0	(8,208)	28.6
Other income	7,774	3,844	102.2	6,605	17.7
PBT	6,697	26,552	(74.8)	42,498	(84.2)
Tax	(1,920)	(7,948)	(75.8)	(9,663)	(80.1)
Minority Interest	(2,408)	(3,371)	(28.6)	(3,654)	(34.1)
Adjusted PAT	1,428	14,725	(90.3)	31,971	(95.5)
Dis-continued Ops. PAT	71	1,121	(93.7)	1,324	(94.7)
Reported PAT	3,031	14,725	(79.4)	31,971	(90.5)
EPS (Rs)	1.0	10.5	(90.3)	22.8	(95.5)

Source: Company, YES Sec – Research

## Exhibit 3: Cost analysis (Consolidated)

As a % of net sales	Q1FY21	Q1FY20	bps yoy	Q4FY20	bps qoq
COGS	53.3	67.6	(1,422.5)	69.2	(1,584.1)
Employee cost	28.9	15.4	1,358.5	14.2	1,473.1
Other expenses	10.1	5.9	421.7	5.0	506.2
Total costs	92.4	88.8	357.7	88.4	395.2

Source: Company, YES Sec – Research

## Exhibit 4: SoTP valuation

Segment	Value/Share (Rs)	Parameter
L&T Standalone	684	18x PE FY22E Standalone EPS
L&T Hydrocarbon	123	15x PE FY22E EPS
L&T EA	37	50% discount to deal worth Rs105bn (post tax)
L&T MHI Boiler & TG JV	12	10x PE FY22E EPS, 51% stake
L&T Technology Services	58	25% Hold co discount to L&T's stake at CMP
L&T InfoTech	158	25% Hold co discount to L&T's stake at CMP
L&T Finance Holding	42	25% Hold co discount to L&T's stake at CMP
Mindtree	54	25% Hold co discount to L&T's stake at CMP
Nabha Power	5	At 0.2x BV
Others	29	At 0.5x BV
<b>Target price</b>	<b>1,203</b>	
<b>CMP</b>	<b>916</b>	
<b>Upside (%)</b>	<b>31</b>	

Source: Company, YES Sec – Research

## CON-CALL HIGHLIGHTS

### Management outlook

- ✓ Management has refrained from giving out any guidance for FY21 due to uncertainties related to COVID-19 pandemic.
- ✓ Order pipeline has now come down to Rs6.35trn from Rs8.5trn yoy due to expected cut in spending by Central & state governments. Ordering activity has continued despite pandemic concerns, though with time delays. Order pipeline is likely to be driven by sectors like Water (Rs1trn), Heavy Civil (Rs1trn), International (Rs1.4trn), Power T&D (Rs1trn), Transportation infra (Rs1trn). International orderings expected to pick up once oil prices inch up towards USD45-50/barrel.
- ✓ Govt. has come out with a National Infrastructure Plan (NIP) of Rs103trn and management expects that L&T has 80% of opportunities in orders due to its robust businesses
- ✓ E&A deal is getting delayed due to restrictions on international travel. Both parties are still keen on closing the deal.
- ✓ Execution is expected to normalize within 4-5 months assuming current pandemic situation stays under control.

### Order inflows & Order book

- ✓ L&T secured orders worth Rs236bn during the quarter registering decline of 39% yoy, in a quarter characterized by low interest towards fresh investment and deferment of award decisions. International orders at Rs89bn constituted 38% of the total order inflow. The Consolidated Order Book of the Company stood at Rs3.05trn as at June 30, 2020, with international Order Book constituting 24% of the total Order Book.
- ✓ Domestic order book composition (Rs2,306bn)
  - Central government: 13%
  - State government: 37%
  - PSUs: 32%
  - Private sector: 18%
- ✓ 50% of OB from central & state govts is funded by multilateral agencies like JICA, World Bank
- ✓ 82% of the domestic order book is contributed by government orders hence this minimizes the credit risk

### Impacts due to disruptions related to COVID-19

- ✓ L&T lost Rs12.5bn in revenues in Q1FY21 due to nationwide lockdown. There were difficulties in execution of orders in April and May and there were minimal activities in those 2 months. Execution improved month on month during the quarter.
- ✓ L&T incurred additional expenses for accommodation and healthcare for its workforce.
- ✓ Labour Availability: at 190k (vs 250k pre-covid level). Adding 1500 labours per day and expect to reach normality in 45 to 60 days. The trend has been 150k during lockdown period, and reduced to 70k in May as labour went home.
- ✓ 90% of the factories are currently operating; Imports are unlikely to be disrupted due to political tensions as the procurement are on contractual basis.

## Infra margins surprise positively

Infra segment secured orders of Rs113.5bn, down 32% yoy. Major orders received included a large barrage project, rural water supply schemes, an expressway project and some international orders in Power Transmission and Distribution. International orders at Rs16.5bn constituted 15% of the total order inflow of the segment during the quarter, mainly from Middle East region. Order Book of the segment stood at Rs2211bn as at June 30, 2020, with the international order book constituting 22% of the total Order Book. Smart World and Communication business, which was reported under Infrastructure segment, has been reclassified to 'Others' Segment. Infra segment revenue came in at Rs64bn, down 53% yoy, with stoppage in project execution on account of nation-wide lockdown, restricted availability of workforce and disruptions to the supply chain ecosystem. International revenue constituted 29% of the total customer revenue of the segment during the quarter. EBITDA margin of the segment was stable at 6.3% vs 6.4% in Q1FY20, due to favorable input costs and expense control measures.

## Power segment had dismal order inflow

Power segment did not receive any major order in Q1FY21, given the significant slowdown in the sector consequent to the recessionary economic conditions. Order inflow during Q1FY20, included a large value order for a 2x660 MW ultra- supercritical thermal power plant in Buxar, Bihar. The Order Book of the segment stood at Rs154bn, with the international order book constituting 7% of the total Order Book. Power segment recorded customer revenue of Rs3.7bn, registering yoy decrease of 33% as all sites were operating at suboptimal levels for major part of the quarter under review. International revenue constituted 8% of the total customer revenue. EBITDA margin was at 1.0%, lower compared to 3.3% recorded in Q1FY20 mainly due to early stage of execution of orders won in the previous year.

## Heavy Engineering segment EBITDA margins dipped by 200bps yoy

Heavy Engineering segment secured orders at Rs4.8bn during Q1FY21. International orders constituted 70% of the total order inflow. Order Book stood at Rs41bn with 52% being international. The segment recorded revenue of Rs3.8bn, down 57% yoy mainly due to decline in the refinery business, which in the previous year included simultaneous execution of multiple high value heavy reactor orders, as well as due to lower manufacturing activity during the lockdown period. International sales constituted 66% of the total customer revenue of the segment. EBITDA margin of the segment at 17.5%, down 200bps yoy on account of under-recovery of overheads amidst low capacity utilization.

## Defence Engineering segment revenues/EBITDAM dropped by 47%/370bps yoy

Defence Engineering segment received orders of Rs1.4bn, down 47% yoy with deferment of awards from Ministry of Defence. International orders constituted 2% of the total order inflow of the segment. The Order Book of the segment stood at Rs85.8bn as on June 30, 2020, with a 20% international component. Military communication business, which was reported under Defence Engineering segment till last year, has been made part of the Smart World and Communication business which is now reclassified to "Others Segment". Revenue of Rs4.7bn registering a y-o-y decline of 49% due to delay in procurement of materials on account of nation-wide lockdown. International Revenue constituted 19% of the total customer revenue of the segment. EBITDA margin of the segment at 12.9%, down 370bps yoy, mainly on account of under-recovery of overheads and delay in realization of price variation claims.

## Hydrocarbon segment relatively done well in Q1FY21

Hydrocarbon segment secured orders valued at Rs12.2bn, down 64% yoy, with relatively muted tendering activity in a global low oil price scenario. Orders received during the quarter being from Middle East, there were no domestic order wins for the segment. Order Book stood at Rs421bn, with the international order book constituting 49% of the total Order Book. Hydrocarbon segment recorded Customer Revenue of Rs31bn, registering yoy decline of 19% due to slow progress in construction and fabrication work. International Revenue constituted 51% of the total customer revenue of the segment. EBITDA margin of the segment at 5.3% was lower vs 7.6% in

Q1FY20 mainly due to impact of cost pressures created on project margins by under recoveries during the lockdown.

### Hyderabad metro posted EBITDA losses while Nabha power was EBITDA positive

Developmental Projects segment revenue came in at Rs5.54bn during Q1FY21, decline of 53% yoy, on account of lower offtake from Nabha power plant by the state of Punjab and shut down of Metro services during lockdown period in Hyderabad city. EBITDA Margin of declined to 7% from 10% in Q1FY20 on account of shutdown of operations in Hyderabad Metro. Depreciation expenses for Hyderabad metro at Rs700mn/qtr.

### Sharp contraction in realty business

Others segment revenue came in at Rs7.1bn, decline of 51% yoy. The decline was mainly in Realty business, which in the previous year included higher handover of residential units in 2 projects in Mumbai. Construction Equipment and other allied businesses have recorded a decline with lower demand for wheel loaders, excavators and rubber processing machinery. Communication business also registered decline, as new projects are yet to pick up execution momentum. International sales constituted 18% of the total customer revenue of the segment, mainly driven by Valves business. During Q1FY21, the segment EBITDA margin stood at 6.7%, lower as compared to 19.9% Q1FY20. Margins were impacted by sharp contraction in Realty business revenues and under-recovery of overheads in the product businesses.

### Electrical & Automation Segment (Discontinued Operations)

L&T is on course to complete the divestment of its Electrical Et Automation business to Schneider Electric. The sale is expected to conclude in FY21. This segment clocked revenue of Rs7bn, decline of 48% yoy on reduced industrial offtake due to COVID-19. International Revenue constituted 36% of the total customer revenue. EBITDA margin of the segment slumped to 2.5% in Q1FY21 as compared to 16.9% in Q1FY20 mainly due to under-recovery of overheads in constrained conditions of low manufacturing capacity utilization and disrupted distribution Et supply chain ecosystem.

### Working Capital

Net working capital stood at 26.8% vs 23.9% in Q1FY20. Incrementally working capital increased by ~Rs4bn; WC at end of Q1FY21 is Rs32.5bn. WC stretched marginally due to delay in client collections in April'20 and extended vendor support. Collections from clients have improved in 2<sup>nd</sup> half of Q1FY21. Mgmt. sees the need to be more cautious about new tenders in terms of change of payment norms. Implemented the policy of 'Collect & Spend' so management doesn't see any issues arising in working capital.

### Other highlights

- ✓ L&T has raised additional borrowings during the quarter to cushion against liquidity crunch & Rs40bn for loan repayment.
- ✓ 50% of order book has a clause for material prices variation pass through to customer. L&T received benefits of lower raw material prices in Q1FY21.
- ✓ The company is planning for cost rationalization & control over overhead costs through various measures. It saved Rs2bn in Q1FY21 due to travel & other overheads.
- ✓ L&T is in process of contractual negotiations with customers to compensate for extra expenses related to lockdown or social distancing or cost overruns, but most of the customers are not accepting it.

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

Date	Business Segment	Client name/Order Type	Classification	Value (Rs mn)
June 23, 2020	Trans. Infra	Govt of West Bengal, Delhi-Vadodara Expressway	Large	25,000-50,000
	Water	State Water a Sanitation Mission, Uttar Pradesh		
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	Significant	10,000-25,000
		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		
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	Significant	10,000-25,000	
	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	Significant	10,000-25,000
		To establish 220kV, 132kV Substations and 132kV cable networks in India, the Middle East and Africa		
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		
April 16, 2020	Heavy Engineering	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	Significant	10,000-25,000
		For Key Gasification Equipment from Wuhan Engineering Ltd, China		
April 15, 2020	Heavy Civil Infra	Reactors and Heat Exchangers for Process Plant and Nuclear Power sectors against global competition	Significant	10,000-25,000
		to build Regional Rapid Transit System (RRTS) Infrastructure from National Capital Region Transport Corporation (NCRTC) in Uttar Pradesh		
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	Major	50,000-70,000
		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		
		an order to Design, Supply, Construct Et Commission a 220 kV Gas Insulated Substation has been bagged from a reputed client		

Date	Business Segment	Client name/Order Type	Classification	Value (Rs mn)
		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
		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		
March 3, 2020	Power T&D	In the Kingdom of Saudi Arabia, an order to establish 380kV and 230kV Transmission Line corridors has been bagged	Significant	10,000-25,000
		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.		
February 27, 2020	Water Treatment	From Pune Metropolitan Region Development Authority (PMRDA)	Significant	10,000-25,000
	Heavy Civil	order from Konkan LNG Private Limited (KLPL) based on open competitive bidding process.		
		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		
February 10, 2020	Power T&D	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.	Large	25,000-50,000
		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		
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
		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		
January 15, 2020	Water Treatment	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		

Date	Business Segment	Client name/Order Type	Classification	Value (Rs mn)
		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.

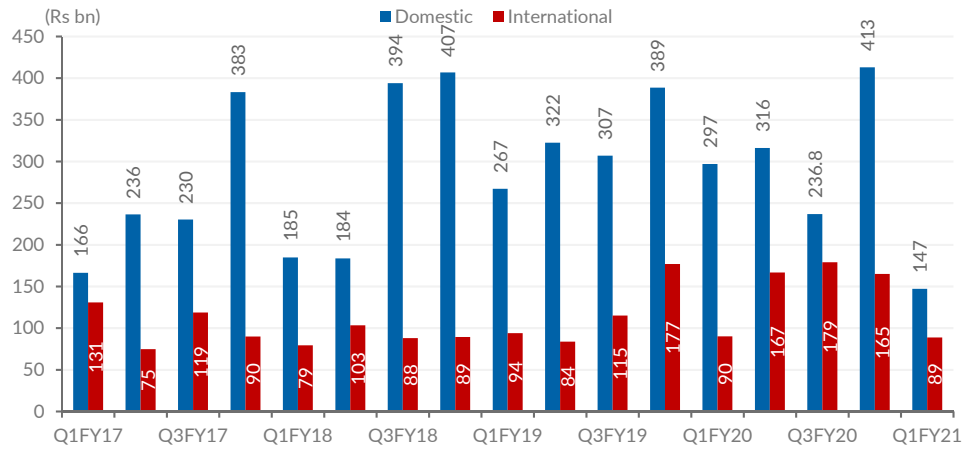
### Exhibit 6: Segment-wise quarterly revenue

Revenues (Rs mn)	Q1 FY21	Q1 FY20	% yoy	Q4 FY20	% qoq
Consolidated (ex-services)	123,310	229,477	(46.3)	351,796	(64.9)
Infrastructure	64,561	137,669	(53.1)	255,597	(74.7)
Power	3,800	5,632	(32.5)	5,653	(32.8)
Heavy Engineering	4,251	9,915	(57.1)	7,016	(39.4)
Defence Engineering	4,765	9,391	(49.3)	9,281	(48.7)
Electrical & Automation	7,549	14,237	(47.0)	12,391	(39.1)
Hydrocarbon	30,701	37,687	(18.5)	49,792	(38.3)
Others	7,684	14,945	(48.6)	12,066	(36.3)
IT and Technology services	60,434	38,444	57.2	64,613	(6.5)
Financial services	32,842	34,621	(5.1)	33,657	(2.4)
Developmental projects	5,543	11,784	(53.0)	9,815	(43.5)
Total revenues	222,129	314,326	(29.3)	459,880	(51.7)
Inter-segment revenue	1,980	3,729	(46.9)	5,037	(60.7)
Discontinued ops rev.	7,549	14,237	(47.0)	12,391	(39.1)
Net revenue	212,600	296,360	(28.3)	442,453	(51.9)

Source: Company, YES Sec – Research

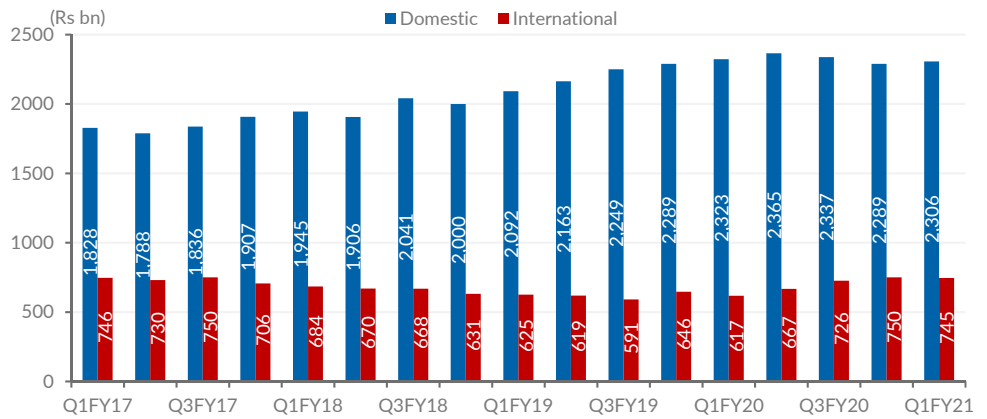


**Exhibit 7: Consolidated quarterly order inflow trend**



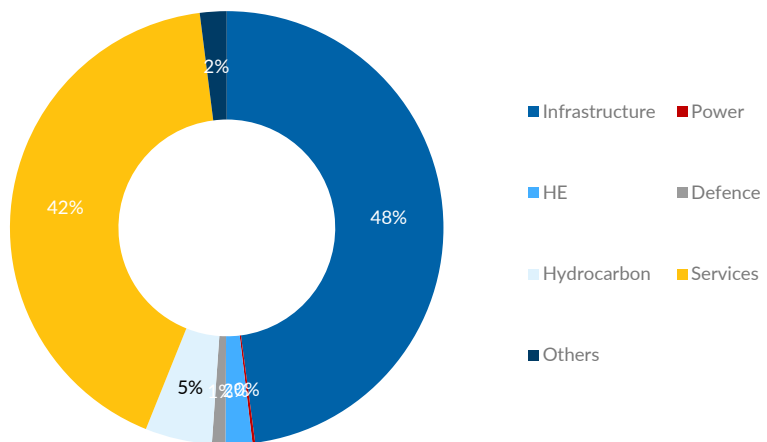
Source: Company, YES Sec – Research

**Exhibit 8: Consolidated quarterly order backlog trend**



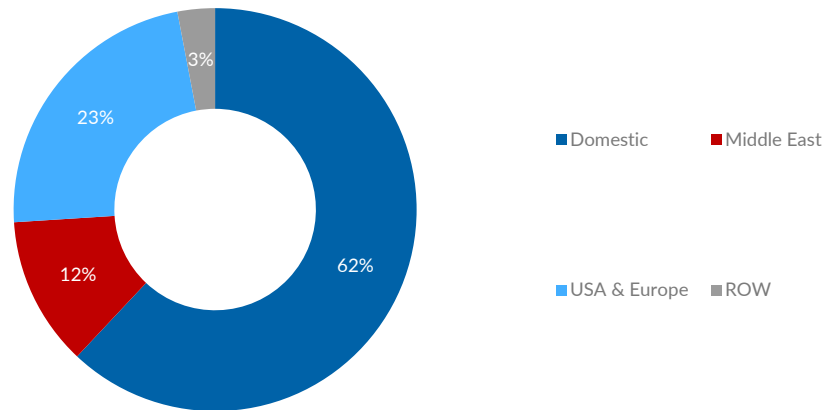
Source: Company, YES Sec – Research

**Exhibit 9: Q1FY21 order inflow composition (Segment wise)**



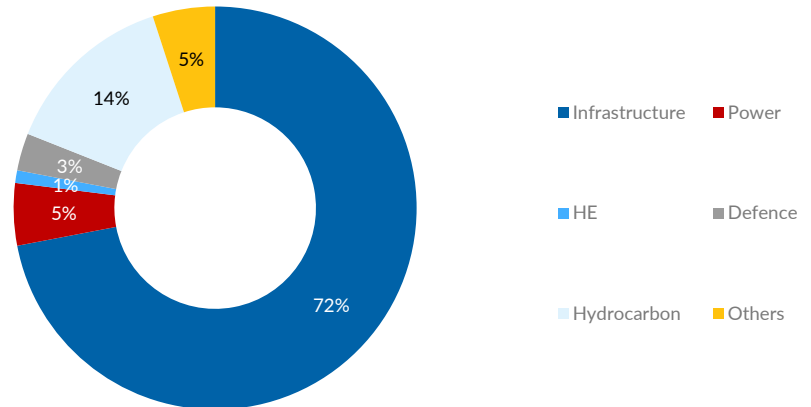
Source: Company, YES Sec – Research

**Exhibit 10: Q1FY21 Order inflow composition (Geography wise)**



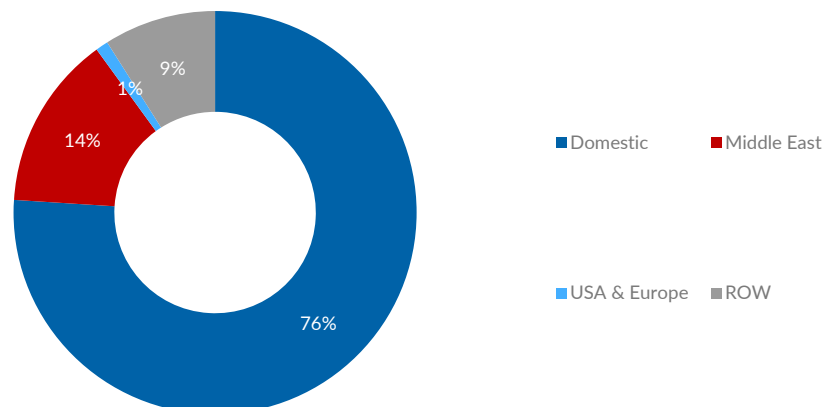
Source: Company, YES Sec - Research

**Exhibit 11: Q1FY21 order book composition (Segment wise)**



Source: Company, YES Sec - Research

**Exhibit 12: Q1FY21 Order book composition (Geography wise)**



Source: Company, YES Sec - Research

## Exhibit 13: Segment EBIT

EBIT (Rs mn)	Q1 FY21	Q1 FY20	% yoy	Q4 FY20	% qoq
Consolidated (ex-services)	4,776	16,722	(71.4)	38,995	(87.8)
Infrastructure	2,448	6,975	(64.9)	26,149	(90.6)
Power	(50)	86	(158.2)	2,032	(102.5)
Heavy Engineering	543	1,599	(66.0)	1,057	(48.6)
Defence Engineering	250	1,208	(79.3)	845	(70.5)
Electrical & Automation	178	1,732	(89.7)	1,877	(90.5)
Hydrocarbon	1,179	2,468	(52.2)	5,023	(76.5)
Others	229	2,654	(91.4)	2,013	(88.6)
IT and Technology services	9,670	7,842	23.3	10,230	(5.5)
Financial services	995	7,463	(86.7)	4,467	(77.7)
Developmental projects	(386)	937	(141.1)	(96)	302.4
<b>Total EBIT</b>	<b>15,055</b>	<b>32,964</b>	<b>(54.3)</b>	<b>53,597</b>	<b>(71.9)</b>

Source: Company, YES Sec – Research

## Exhibit 14: Segment EBIT Margin

EBITM (%)	Q1 FY21	Q1 FY20	bps yoy	Q4 FY20	bps qoq
Consolidated (ex-services)	3.9	7.3	(341)	11.1	(721)
Infrastructure	3.8	5.1	(127)	10.2	(644)
Power	(1.3)	1.5	(285)	35.9	(3,726)
Heavy Engineering	12.8	16.1	(335)	15.1	(229)
Defence Engineering	5.2	12.9	(763)	9.1	(387)
Electrical & Automation	2.4	12.2	(981)	15.1	(1,279)
Hydrocarbon	3.8	6.5	(271)	10.1	(625)
Others	3.0	17.8	(1,478)	16.7	(1,370)
IT and Technology services	16.0	20.4	(440)	15.8	17
Financial services	3.0	21.6	(1,853)	13.3	(1,024)
Developmental projects	(7.0)	8.0	(1,491)	(1.0)	(598)

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	1,342,682	1,598,625
Growth (%)	9.7	12.8	7.6	(7.7)	19.1
EBITDA	136,418	153,296	163,290	146,262	184,545
EBITDA margin (%)	11.4	11.3	11.2	10.9	11.5
Growth (%)	(16.5)	12.4	6.5	(10.4)	26.2
Depreciation & amortization	19,287	19,230	24,623	27,085	29,252
EBIT	117,131	134,065	138,667	119,177	155,294
EBIT margin (%)	9.8	9.9	9.5	8.9	9.7
Interest	15,385	18,026	27,966	39,600	34,400
Other income	13,419	18,365	23,609	25,000	26,000
Profit before tax	115,165	134,405	134,310	104,577	146,894
Tax	31,988	40,671	32,632	26,775	37,017
Associate income	(4,358)	(210)	719	840	960
Minority interest	(6,345)	(13,115)	(13,453)	(12,500)	(13,200)
Reported net profit	73,704	89,050	95,490	72,886	103,836
Extra. Items/ Disc. Ops PAT	(1,230)	(8,641)	(6,545)	(6,744)	(6,200)
Adjusted net profit	72,474	80,410	88,945	66,142	97,636
Adjusted net margin (%)	6.0	5.9	6.1	4.9	6.1
Diluted EPS (Rs)	51.7	57.3	63.4	47.2	69.6
Growth (%)	20.0	11.0	10.5	(25.6)	47.6

### Exhibit 16: Balance sheet

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
<b>SOURCE OF FUNDS</b>					
Share capital	2,803	2,805	2,808	2,805	2,805
Reserve & Surplus	553,767	620,943	664,424	715,031	787,512
Total shareholder's funds	556,570	623,748	667,232	717,837	790,318
Minority Interest	56,250	68,261	95,208	106,868	119,108
Debt	1,075,241	1,255,552	1,410,071	1,492,273	1,545,623
Deferred tax liabilities/(assets)	15,834	12,234	48,355	46,153	47,803
<b>TOTAL</b>	<b>1,703,895</b>	<b>1,959,794</b>	<b>2,220,866</b>	<b>2,363,131</b>	<b>2,502,852</b>
<b>APPLICATION OF FUNDS</b>					
Gross block	357,225	400,803	536,523	556,523	576,523
Less: Depn. and amort.	58,420	74,505	99,127	126,212	155,464
Net block	298,806	326,299	437,396	430,311	421,059
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	706,728	696,728
Inventories	48,478	64,139	57,467	62,536	65,697
Debtors	346,541	370,382	407,315	423,037	451,119
Cash & cash equivalents	174,968	256,724	278,175	377,680	502,283
Loans & advances	270,077	431,575	424,394	426,715	481,777
Other current assets	522,319	547,017	659,548	614,496	711,398
Total current liabilities	746,639	831,546	860,534	793,124	951,961
Net current assets	615,744	838,291	966,365	1,111,340	1,260,313
<b>TOTAL</b>	<b>1,703,895</b>	<b>1,959,794</b>	<b>2,220,866</b>	<b>2,363,130</b>	<b>2,502,852</b>

## Exhibit 17: Cash flow statement

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
PBT	115,165	134,405	134,310	104,577	146,894
Depreciation	19,287	19,230	24,623	27,085	29,252
Others	(168,609)	(139,609)	26,385	6,744	6,200
Tax Paid	(31,988)	(40,671)	(40,465)	(26,775)	(37,017)
Changes in Working Capital	(34,165)	(20,913)	(77,914)	(45,470)	(24,370)
<b>Net Cash from Operations</b>	<b>(100,310)</b>	<b>(47,558)</b>	<b>66,939</b>	<b>66,161</b>	<b>120,958</b>
Capex	(20,150)	(34,994)	(8,458)	(8,099)	(10,000)
Change in Investment	18,151	(48,666)	(99,871)	(16,276)	(10,000)
Others	41,144	(26,568)	25,767	0	0
<b>Net Cash from Investing</b>	<b>39,145</b>	<b>(110,228)</b>	<b>(82,563)</b>	<b>(24,375)</b>	<b>(20,000)</b>
Change in debt	126,190	181,743	136,450	82,202	53,350
Change in Equity	495	113	176	(2)	(0)
Others	(32,980)	(27,454)	(72,910)	(24,481)	(29,705)
<b>Net Cash from Financing</b>	<b>93,705</b>	<b>154,402</b>	<b>63,716</b>	<b>57,719</b>	<b>23,645</b>
<b>Net Change in Cash</b>	<b>32,539</b>	<b>(3,385)</b>	<b>48,092</b>	<b>99,505</b>	<b>124,603</b>
<b>Free cash flow (FCF)</b>	<b>(50,054)</b>	<b>(145,215)</b>	<b>5,547</b>	<b>71,247</b>	<b>126,689</b>

## Exhibit 18: Ratio analysis

Y/e 30 Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
<b>PROFITABILITY RATIOS</b>					
EBITDA Margin (%)	11.4	11.3	11.2	10.9	11.5
Adjusted net margin (%)	6.1	6.6	6.6	4.9	6.1
Return on invested capital (%)	6.1	5.9	5.9	4.6	6.0
Return on equity (%)	13.7	13.6	13.8	10.5	13.8
<b>EFFICIENCY RATIOS</b>					
Asset Turnover	3.7	3.9	3.1	2.9	3.6
Debt to equity	1.9	2.0	2.1	2.1	2.0
Net debt to equity	1.6	1.6	1.7	1.6	1.3
Interest coverage	7.6	7.4	5.0	3.0	4.5
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
<b>PER SHARE DATA</b>					
Diluted EPS (Rs)	51.7	57.3	63.4	47.2	69.6
BVPS (Rs)	397.2	444.7	475.3	511.7	563.4
DPS (Rs)	16.0	18.0	18.0	13.5	19.0
<b>VALUATION RATIOS</b>					
P/E	17.7	16.0	14.5	19.4	13.2
P/BV	2.3	2.1	1.9	1.8	1.6
EV/EBITDA	16.0	14.9	14.8	16.4	12.6
Dividend Yield (%)	1.7	2.0	2.0	1.5	2.1

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