

January 26, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,526		1,284	
Sales (Rs. m)	15,47,630	17,01,046	15,47,630	17,01,046
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,64,380	1,82,139	1,64,822	1,80,928
% Chng.	(0.3)	0.7	-	-
EPS (Rs.)	66.1	74.2	64.7	71.7
% Chng.	2.2	3.4	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	1,455	1,356	1,548	1,701
EBITDA (Rs. bn)	163	132	164	182
Margin (%)	11.2	9.8	10.6	10.7
PAT (Rs. bn)	95	63	93	104
EPS (Rs.)	68.0	45.0	66.1	74.2
Gr. (%)	(8.2)	(33.9)	46.9	12.2
DPS (Rs.)	17.0	11.2	16.5	18.5
Yield (%)	1.2	0.8	1.2	1.4
RoE (%)	14.8	9.1	12.2	12.4
RoCE (%)	7.0	4.9	6.1	6.5
EV/Sales (x)	2.1	2.3	2.0	1.8
EV/EBITDA (x)	18.8	23.5	18.9	17.2
PE (x)	20.0	30.3	20.6	18.4
P/BV (x)	2.9	2.6	2.4	2.2

Key Data

LART.BO | LT IN

52-W High / Low	Rs.1,396 / Rs.648
Sensex / Nifty	48,348 / 14,239
Market Cap	Rs.1,912bn/ \$ 26,203m
Shares Outstanding	1,404m
3M Avg. Daily Value	Rs.13802.71m

Shareholding Pattern (%)

Promoter's	-
Foreign	21.11
Domestic Institution	33.30
Public & Others	45.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.9	53.4	2.1
Relative	4.8	21.0	(12.1)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Khushboo Parekh

khushbooparekh@plindia.com | 91-22-66322257

Execution momentum returning to normalcy

Quick Pointers:

- With orders inflows of Rs732bn in 3Q company recorded highest ever OI driven by large order wins in Infrastructure and Hydrocarbon segments.
- NWC remains flat at 26.2% QoQ of sales aided by lower denominator. Cash collection picked up with rising payments both from Centre and States.

L&T reported healthy set of numbers led by pick-up in execution in its core infra segment, owing to improved work force availability and supply chain issues normalizing. During 3Q, company recorded highest ever OI of Rs732bn, up 76% YoY led by large order wins in Infra and Hydrocarbon segment in the domestic market. OB stands strong at Rs3.3trn providing a strong revenue visibility for next 2-3 years. Management indicated that order pipeline stands healthy at ~Rs2.65trn with good traction witnessed in sectors such as Metros/RRTS/HSR, Roads and Expressways, Water, Renewables and Power T&D. On global front, business remains cautious on back of repeat outbreaks of Pandemic and resultant lockdown hampering the economy.

With labour availability at full strength in 3Q, we expect sustained execution pick-up and improved productivity in 2HFY21. Also timely payments from Central/State governments provides comfort on working capital front. We believe that L&T is well-placed to emerge stronger given its financial, technical and managerial capability to sustain and gain market share. Taking into account high ticket size order wins and improving economic growth, we have marginally raised out EPS estimate by 2%/3% for FY22E/23E respectively. At CMP, the stock is currently trading at 30.3x/20.6x/18.4x FY21E/22E/23E. We roll over to FY23 estimates and maintain BUY with revised SOTP based TP of Rs1,526 (earlier Rs1,284). TP is revised upwards mainly due to recent rise in market capitalization of its holdings companies.

Execution returning at pre-covid levels: Consolidated sales came in at ~Rs356bn (down 2% YoY) vs (PLe ~Rs352bn) mainly driven by growth across segments where Power (up, 29% YoY), IT&TS (up, 7% YoY), Heavy Engineering (flat YoY) while Infra (down 8% YoY) and Development Projects (down 34% YoY). EBITDA increased by 4% YoY to Rs42.8bn (PLe ~Rs36bn) with EBITDA margins expanding by 60bps YoY to 12% led by better topline & operational performance. PBT was up by 14% YoY to Rs36.8bn. During the quarter, Adj. PAT came in at Rs24.7bn (PLe Rs18bn), up 5% YoY on back of rise in other income expense (up 124% YoY) and lower interest cost (down 36% YoY).

Strong OB provides revenue visibility: OB stands healthy at Rs3.3trn (up 8% YoY). Of the total Rs2.6trn domestic OB, 12% is from Central Govt., State- 34%, PSU's- 41% and Private-13%. Management saw strong enquiry pipeline from Infra, Hydrocarbon and Heavy engineering segments from both domestic as well as international markets. Going ahead, management expects healthy ordering from key sectors like Water, Power T&D, Metro/RRTS, Railways, Roads and Expressways that comprises strong pipeline of ~Rs2.65trn for next 3-4 months.

Exhibit 1: Execution levels recovering on account of improving labour availability and supply chain normalization

Y/e March (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY gr. (%)	QoQ gr. (%)	9MFY21	9MFY20	YoY gr. (%)
Revenue	3,62,427	4,42,453	2,12,600	3,10,347	3,55,964	(1.8)	14.7	8,78,911	10,12,071	(13.2)
Total Revenues	3,62,427	4,42,453	2,12,600	3,10,347	3,55,964	(1.8)	14.7	8,78,911	10,12,071	(13.2)
Expenditure	3,21,249	3,91,242	1,96,395	2,77,000	3,13,165	(2.5)	13.1	7,86,560	8,99,991	(12.6)
as % of sales	88.6	88.4	92.4	89.3	88.0			89.5	88.9	
Consumption of RM	2,18,497	2,86,674	92,331	1,75,101	2,10,812	(3.5)	20.4	4,78,244	6,06,533	(21.2)
as % of sales	60.3	64.8	43.4	56.4	59.2			54.4	59.9	
Employee Cost	61,332	62,884	61,535	60,844	61,702	0.6	1.4	1,84,081	1,68,256	9.4
as % of sales	16.9	14.2	28.9	19.6	17.3			20.9	16.6	
Other expenditure	41,420	41,684	42,529	41,055	40,651	(1.9)	(1.0)	1,24,235	1,25,202	(0.8)
as % of sales	11.4	9.4	20.0	13.2	11.4			14.1	12.4	
EBIDTA	41,177	51,210	16,205	33,348	42,800	3.9	28.3	92,352	1,12,080	(17.6)
Depreciation	6,602	7,109	6,722	7,131	7,021	6.3	(1.5)	20,875	17,513	19.2
EBIT	34,575	44,101	9,482	26,216	35,779	3.5	36.5	71,477	94,566	(24.4)
Other Income	4,749	6,605	7,774	5,590	10,647	124.2	90.4	24,011	17,064	40.7
Interest	7,092	8,208	10,559	10,425	9,620	35.7	(7.7)	30,604	19,817	54.4
Exceptional Items	-	-	(1,763)	37,323	-			(35,560)	936	
PBT	32,233	42,497	8,460	(15,941)	36,805	14.2	(330.9)	64,884	91,812	(29.3)
Total Tax	7,110	9,663	2,080	6,754	10,408	46.4	54.1	19,241	22,969	(16.2)
Adjusted PAT	25,123	32,835	6,380	(22,695)	26,398	5.1	(216.3)	(16,314)	42,785	(138.1)
Minority Interest	(3,995)	(3,654)	(2,408)	(3,037)	(3,910)	-	-	9,355	9,798	-
PAT after MI	21,127	29,180	3,972	(25,732)	22,488	6.4	(187.4)	(21,759)	36,982	(158.8)
Share in profit/(loss) after tax of joint ventures/associates (net)	481	1,467	(1,011)	(526)	86			(1,451)	189	
Profit from discontinued operation	1,913	1,324	71	81,460	2,093	-	-	83,624	5,222	-
PAT after DO	23,521	31,971	3,031	55,203	24,667	4.9	(55.3)	82,901	63,520	30.5
Adjusted EPS	16.8	22.8	2.2	39.4	17.6	4.9	(55.3)	59.2	45.3	30.5
Margins (%)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	bps	bps	9MFY21	9MFY20	bps
EBIDTA	11.4	11.6	7.6	10.7	12.0	66	128	10.5	11.1	(57)
EBIT	9.5	10.0	4.5	8.4	10.1	51	160	8.1	9.3	(121)
EBT	8.9	9.6	4.0	(5.1)	10.3	145	1,548	7.4	9.1	(169)
PAT	6.5	7.2	1.4	17.8	6.9	44	(1,086)	9.4	6.3	316
Effective Tax rate	22.1	22.7	24.6	(42.4)	28.3	622	7,064	29.7	25.0	464

Source: Company, PL

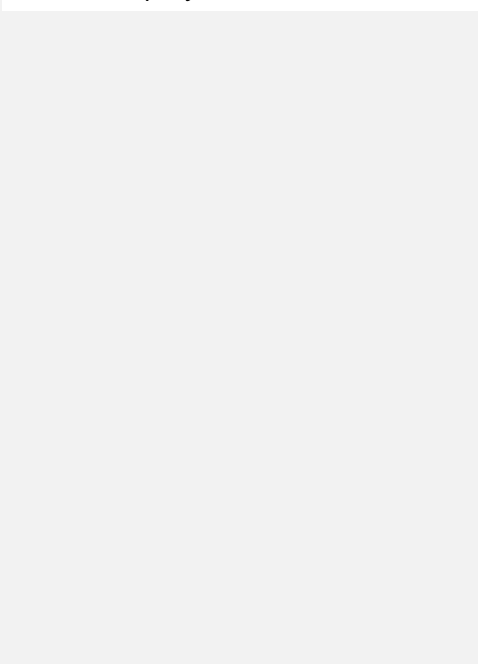


Exhibit 2: Segmental break-up- Power, IT & TS and Hydrocarbon business performed well amidst pandemic

Y/e March (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY gr. (%)	QoQ gr. (%)	9MFY21	9MFY20	YoY gr. (%)
Segmental Revenue										
Infrastructure	1,73,994	2,55,597	64,561	1,30,957	1,59,732	(8.2)	22.0	3,55,250	4,82,176	(26.3)
Power	6,983	5,653	3,800	6,887	9,037	29.4	31.2	19,724	17,532	12.5
Heavy Engineering	8,061	7,016	4,251	7,081	8,034	(0.3)	13.5	19,365	25,034	(22.6)
Defence Engineering	10,647	9,281	4,765	7,688	10,240	(3.8)	33.2	22,693	30,511	(25.6)
Electrical & Automation (discontinued)	14,198	12,391	7,549	8,460	48	(99.7)	(99.4)	16,057	43,279	(62.9)
Hydrocarbon	43,926	49,792	30,701	40,497	44,224	0.7	9.2	1,15,421	1,24,663	(7.4)
IT & Technology Services	61,259	64,613	60,434	61,998	65,301	6.6	5.3	1,87,733	1,58,739	18.3
Financial Services	35,501	33,657	32,842	33,419	34,007	(4.2)	1.8	1,00,268	1,04,567	(4.1)
Developmental Projects	12,382	9,815	5,543	11,396	8,138	(34.3)	(28.6)	25,077	38,689	(35.2)
Others	13,162	12,066	7,684	13,672	20,507	55.8	50.0	41,863	41,021	2.1
Total	3,80,114	4,59,880	2,22,129	3,22,053	3,59,268	(5.5)	11.6	9,03,450	10,66,211	(15.3)
Less: Revenue of discontinued operation	14,198	12,391	7,549	8,460	48	(99.7)	(99.4)	16,057	43,279	(62.9)
Less: Inter-segment revenue	3,489	5,037	1,980	3,246	3,256	(6.7)	0.3	8,482	10,861	(21.9)
Total revenue from continuing operations	3,62,427	4,42,453	2,12,600	3,10,347	3,55,964	(1.8)	14.7	8,78,911	10,12,071	(13.2)
Segmental EBIT										
Infrastructure	9,920	8,843	26,266	2,448	6,586	(33.6)	169.0	17,260	25,808	(33.1)
Power	104	139	2,032	(50)	125	20.2	(349.7)	200	329	(39.3)
Heavy Engineering	1,419	1,586	1,057	543	187	(86.8)	(65.5)	2,077	4,604	(54.9)
Defence Engineering	1,465	1,816	1,237	250	1,508	3.0	504.5	3,142	4,522	(30.5)
Electrical & Automation (discontinued)	2,701	2,571	1,877	178	698	(74.2)	292.4	844	7,004	(88.0)
Hydrocarbon	5,041	4,930	5,023	1,179	2,990	(40.7)	153.6	9,100	12,439	(26.8)
IT & Technology Services	8,905	9,955	10,230	9,670	11,307	27.0	16.9	34,572	26,702	29.5
Financial Services	7,587	7,269	4,467	(1,252)	3,283	(56.7)	(362.1)	5,550	22,319	(75.1)
Developmental Projects	1,207	1,825	(96)	(386)	(168)	(114.0)	(56.3)	(1,314)	3,969	(133.1)
Others	3,118	2,522	1,505	229	2,114	(32.2)	823.3	8,896	8,189	8.6
Total	41,466	41,455	53,597	12,808	28,630	(31.0)	123.5	80,327	1,15,885	(30.7)
Less: Result of discontinued operation	2,701	2,571	1,877	178	698	(74.2)	292.4	844	7,004	(88.0)
Less/(Add) Intersegment revenue on capital jobs	79	87	372	25	3	(96.2)	(87.9)	105	258	(59.3)
Less: Finance Cost	6,859	7,092	8,208	10,559	10,425	52.0	(1.3)	30,604	19,817	54.4
Add/(Less) : Unallocable corporate income net of expenditure	1,200	527	(642)	4,651	3,878	223.1	(16.6)	16,147	3,006	437.2
Add/(Less) : Exceptional items	-	-	-	2,247	(39,185)	-	(1,843.7)	(36,938)	(936)	3,848.5
EBIT from continuing operations	33,028	32,232	42,498	8,945	(17,803)	(153.9)	(299.0)	27,984	90,877	(69.2)
EBIT Margins (%)										
Infrastructure	5.7	3.5	40.7	1.9	4.1			4.9	5.4	
Power	1.5	2.5	53.5	(0.7)	1.4			1.0	1.9	
Heavy Engineering	17.6	22.6	24.9	7.7	2.3			10.7	18.4	
Defence Engineering	13.8	19.6	26.0	3.2	14.7			13.8	14.8	
Electrical & Automation (discontinued)	19.0	20.7	24.9	2.1	1,445.1			5.3	16.2	
Hydrocarbon	11.5	9.9	16.4	2.9	6.8			7.9	10.0	
IT & Technology Services	14.5	15.4	16.9	15.6	17.3			18.4	16.8	
Financial Services	21.4	21.6	13.6	(3.7)	9.7			5.5	21.3	
Developmental Projects	9.7	18.6	(1.7)	(3.4)	(2.1)			(5.2)	10.3	
Others	23.7	20.9	19.6	1.7	10.3			21.3	20.0	
EBIT from continuing operations	9.1	7.3	20.0	2.9	(5.0)			3.2	9.0	

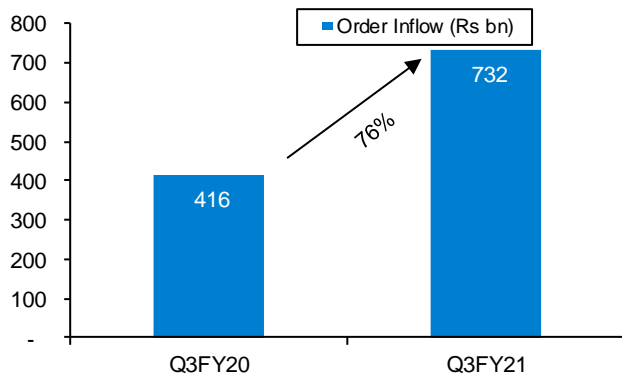
Source: Company, PL

Exhibit 3: SOTP

	Earnings/Book (Rs mn)	Valuation basis	Target multiple (x)	Stake (%)	Value (Rs bn)	Fair Value (Rs)	Basis
L&T Core Business	66,953	P/E	20	100	13,39,060	955	20x FY23 EPS
L&T Finance Holdings*	1,93,815	Mcap		64	86,639	62	30% discount to Tgt MKt cap
L&T Infotech*	7,59,342	Mcap		75	3,97,591	283	30% discount to Tgt MKt cap
L&T Technology Services*	3,17,947	Mcap		75	1,66,855	119	30% discount to Tgt MKt cap
Mindtree*	3,19,198	Mcap		60	1,34,063	96	30% discount to Tgt MKt cap
L&T Hydrocarbon	15,084	P/E	7	100	1,05,589	75	7x FY23 EPS
L&T IDPL	93,000	P/B	0.8	97	72,466	52	0.8x P/B
L&T's equity investment in BTG	17,000	P/B	0.8	51	6,936	5	0.8x equity investment
Other Business	40,000	P/B	0.8	100	32,000	23	0.8x book value
Total subsidiaries				30% holding co. disc.	8,01,712	572	
Grand total						1,526	

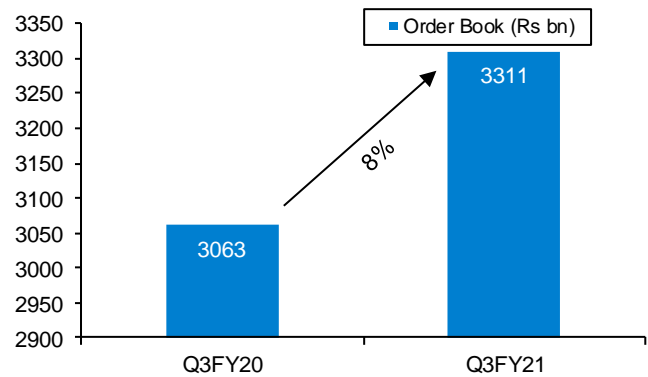
Source: PL *We have taken Mcap based on the TP of the covered companies at PL

Exhibit 4: High OI due to large order wins



Source: Company, PL

Exhibit 5: OB stands strong at Rs3.3trn



Source: Company, PL

Conference Call Highlights:

- With labour availability improving and supply side constraint addressed, execution has witnessed a significant pickup sequentially. However, some productivity issues have been seen, as stringent covid safety protocol had to be implemented during execution. Management believes 4Q to be stronger than 3Q and expects strong execution momentum to continue.
- Order Inflows (OI)- Company recorded highest ever OI in 3Q, up 76% YoY largely driven by prestigious order wins in Infra & Hydrocarbon segment.
- Order pipeline continues to remain healthy with Rs2.65trn of orders to be awarded within 3months of which domestic (~most in Infra, Rs150bn hydrocarbon, Rs80-90bn others) comprise of Rs2.3trn, while balance would be exports. In Middle East alone, Rs400bn bid opportunity arises from sectors like water, renewables and power T&D.
- Order book- OB stands at Rs3.3trn as on 3QFY21 with Domestic: Export mix comprising of 80:20. Of the total Rs2.6trn domestic OB, 12% is from Central govt, State- 34%, PSU's- 41% and Private-13%. Of the total OB, Rs90bn is multilateral funded.
- Revenues during 3Q grew by 15% QoQ due to near normal labour availability and supply chain issues normalizing.
- Other income increased 124% YoY owing to higher investible surplus of E&A business followed by higher level of treasury investments and yields earned during 3Q.
- Cash flow- Improvement is on account of extension on good collection in 1H both from states and center. Gross collection stands at Rs320bn of which parent contributes Rs180bn.
- Net working capital has marginal improvement at Rs310bn.
- Working capital- NWC was maintained due to drop in gross working capital, as collections from customers were better. In 3Q advance of Rs4.5bn was received for high speed rail order. Core business working capital stands at Rs220bn of the total of Rs310bn.
- Realty business- of the total 5600 units, 2600 units have been sold (booked revenue) and from balance 3000-1900 have been contracted to be sold and have unsold inventory of 1100 residential units. Management indicated that response to Phase 2 unit in Navi Mumbai and Bangalore have been good. Due to commercial sale of asset during 3Q, the company reported Rs3.4bn at a PBT level for realty business.
- Company highlighted that they have seen orders coming from States in Hospitals segment due to large uptick in health sector followed by data centres and low cost residential housing.
- Company has exposure of Rs450bn in real estate of which most of them are under execution.

- Going ahead sectors like Metro/RRTS/HSR, Roads and Expressways, Water, Renewables and Power T&D are expected to drive growth.
- RoE excluding E&A business is 10.3%

Segment Wise:

- **Infra-** Revenue decreased by 7% YoY on account of slow execution. Project Pipeline remains healthy going ahead. Margins stabilised at 6.2% v/s 6.1% in 3QFY20 due to better order mix. Expect margins to be stable going ahead.
- **Power-** Revenue increased by 29% YoY driven by opening OB. Award deferments were seen in 9M due to pandemic, OB remains healthy on back of large wins in FY20. Margins remained subdued as major part of OB is yet to cross margin recognition threshold.
- **Heavy Engineering-** 60% of total OI is from exports. Revenue came in flat YoY due to better capacity utilisation.
- **Defence-** Recent policy pronouncements were encouraging for domestic industry; implementation over course of time. Final stages of execution of a large order led to 2% YoY increase in revenue.
- **Hydrocarbon-** Revenue came in flat YoY due to improved activity level. Margins were stable contributed by efficient execution and job mix.
- **Development Projects-** Includes Power Development business (Thermal (1400MW and Hydro-900MW) and Hyderabad Metro. Revenue largely contributed by Power Development Business. Decline in revenue of 34% YoY was attributed to lower PLF in Nabha. Revenue for Hyderabad Metro was Rs500mn (~Rs300mn from passenger ridership), expenses-Rs500-600mn, Dep- Rs750 and interest cost of Rs3.65bn. Cash operating expense of Hyd metro stood at Rs3.75bn. During 3Q, Uttaranchal hydel power project had been fully commissioned.
- For Hyderabad metro Rs5bn was infused during 3Q. It has Rs40bn of Debt and Rs25bn of equity.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	14,54,524	13,56,062	15,47,630	17,01,046
YoY gr. (%)	7.6	(6.8)	14.1	9.9
Cost of Goods Sold	4,95,380	4,20,379	5,41,671	5,95,366
Gross Profit	9,59,143	9,35,683	10,05,960	11,05,680
Margin (%)	65.9	69.0	65.0	65.0
Employee Cost	2,31,140	2,47,320	2,72,052	2,99,257
Other Expenses	1,33,287	1,35,606	1,33,096	1,44,589
EBITDA	1,63,290	1,32,378	1,64,380	1,82,139
YoY gr. (%)	6.5	(18.9)	24.2	10.8
Margin (%)	11.2	9.8	10.6	10.7
Depreciation and Amortization	24,623	28,085	28,962	30,973
EBIT	1,38,667	1,04,292	1,35,418	1,51,166
Margin (%)	9.5	7.7	8.8	8.9
Net Interest	27,967	40,682	34,048	37,423
Other Income	23,609	29,833	32,500	35,722
Profit Before Tax	1,34,310	93,444	1,33,870	1,49,465
Margin (%)	9.2	6.9	8.7	8.8
Total Tax	32,632	23,361	33,468	37,366
Effective tax rate (%)	24.3	25.0	25.0	25.0
Profit after tax	1,01,678	70,083	1,00,403	1,12,099
Minority interest	6,907	7,597	8,357	8,775
Share Profit from Associate	(720)	(648)	(712)	(784)
Adjusted PAT	95,490	63,133	92,758	1,04,107
YoY gr. (%)	(8.1)	(33.9)	46.9	12.2
Margin (%)	6.6	4.7	6.0	6.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	95,490	63,133	92,758	1,04,107
YoY gr. (%)	(8.1)	(33.9)	46.9	12.2
Margin (%)	6.6	4.7	6.0	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	95,490	63,133	92,758	1,04,107
Equity Shares O/s (m)	1,404	1,404	1,404	1,404
EPS (Rs)	68.0	45.0	66.1	74.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	1,72,784	1,97,784	2,22,784	2,47,784
Tangibles	1,72,784	1,97,784	2,22,784	2,47,784
Intangibles	-	-	-	-
Acc: Dep / Amortization	71,746	99,831	1,28,793	1,59,766
Tangibles	71,746	99,831	1,28,793	1,59,766
Intangibles	-	-	-	-
Net fixed assets	1,01,038	97,953	93,991	88,018
Tangibles	1,01,038	97,953	93,991	88,018
Intangibles	-	-	-	-
Capital Work In Progress	3,31,460	3,31,460	3,31,460	3,31,460
Goodwill	-	-	-	-
Non-Current Investments	7,18,123	7,23,253	7,81,461	8,54,506
Net Deferred tax assets	23,935	23,935	23,935	23,935
Other Non-Current Assets	65,416	1,16,621	1,23,810	1,36,084
Current Assets				
Investments	1,26,998	1,26,998	1,26,998	1,26,998
Inventories	57,467	55,729	63,601	69,906
Trade receivables	4,07,315	4,45,829	4,66,409	4,98,663
Cash & Bank Balance	1,51,178	1,24,284	1,36,600	1,33,228
Other Current Assets	6,30,269	5,83,107	6,19,052	6,46,397
Total Assets	30,42,936	30,66,293	32,23,147	34,12,582
Equity				
Equity Share Capital	2,808	2,808	2,808	2,808
Other Equity	6,64,424	7,18,724	7,95,937	8,82,009
Total Networkth	6,67,232	7,21,532	7,98,745	8,84,817
Non-Current Liabilities				
Long Term borrowings	10,81,527	8,44,979	8,44,979	8,44,979
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,50,210	6,01,758	6,16,758	6,31,758
Trade payables	4,36,439	3,90,100	4,24,008	4,66,040
Other current liabilities	4,36,254	4,36,652	4,67,384	5,13,716
Total Equity & Liabilities	30,42,936	30,66,293	32,23,147	34,12,582

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,43,142	93,444	1,33,870	1,49,465
Add. Depreciation	24,623	28,085	28,962	30,973
Add. Interest	27,967	40,682	34,048	37,423
Less Financial Other Income	23,609	29,833	32,500	35,722
Add. Other	(10,483)	-	-	-
Op. profit before WC changes	1,85,248	1,62,211	1,96,880	2,17,861
Net Changes-WC	(77,845)	(1,06,370)	(35,816)	(82,802)
Direct tax	(40,465)	(23,361)	(33,468)	(37,366)
Net cash from Op. activities	66,939	32,480	1,27,596	97,693
Capital expenditures	(51,701)	(17,909)	(73,043)	(52,615)
Interest / Dividend Income	9,517	-	-	-
Others	(40,379)	-	-	-
Net Cash from Inv. activities	(82,563)	(17,909)	(73,043)	(52,615)
Issue of share cap. / premium	176	-	-	-
Debt changes	1,38,176	15,000	15,000	15,000
Dividend paid	(45,513)	(15,783)	(23,190)	(26,027)
Interest paid	(27,397)	(40,682)	(34,048)	(37,423)
Others	(3,240)	-	-	-
Net cash from Fin. activities	62,201	(41,465)	(42,237)	(48,450)
Net change in cash	46,577	(26,894)	12,316	(3,372)
Free Cash Flow	32,571	7,480	1,02,596	72,693

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	4,42,453	2,12,600	3,10,347	3,55,964
YoY gr. (%)	2.2	(28.3)	(12.2)	(1.8)
Raw Material Expenses	2,86,674	92,331	1,75,101	2,10,812
Gross Profit	1,55,779	1,20,269	1,35,246	1,45,153
Margin (%)	35.2	56.6	43.6	40.8
EBITDA	51,210	16,205	33,348	42,800
YoY gr. (%)	(3.0)	(47.2)	(17.1)	3.9
Margin (%)	11.6	7.6	10.7	12.0
Depreciation / Depletion	7,109	6,722	7,131	7,021
EBIT	44,101	9,482	26,216	35,779
Margin (%)	10.0	4.5	8.4	10.1
Net Interest	8,208	10,559	10,425	9,620
Other Income	6,605	7,774	5,590	10,647
Profit before Tax	42,497	8,460	(15,941)	36,805
Margin (%)	9.6	4.0	(5.1)	10.3
Total Tax	9,663	2,080	6,754	10,408
Effective tax rate (%)	22.7	24.6	(42.4)	28.3
Profit after Tax	32,835	6,380	(22,695)	26,398
Minority interest	3,654	2,408	3,037	3,910
Share Profit from Associates	2,790	(941)	80,935	2,179
Adjusted PAT	31,971	3,031	55,203	24,667
YoY gr. (%)	(6.5)	(79.4)	118.4	4.9
Margin (%)	7.2	1.4	17.8	6.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	31,971	3,031	55,203	24,667
YoY gr. (%)	(6.5)	(79.4)	118.4	4.9
Margin (%)	7.2	1.4	17.8	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	31,971	3,031	55,203	24,667
Avg. Shares O/s (m)	1,401	1,401	1,401	1,401
EPS (Rs)	22.8	2.2	39.4	17.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	68.0	45.0	66.1	74.2
CEPS	85.6	65.0	86.7	96.2
BVPS	475.3	513.9	568.9	630.3
FCF	23.2	5.3	73.1	51.8
DPS	17.0	11.2	16.5	18.5
Return Ratio(%)				
RoCE	7.0	4.9	6.1	6.5
ROIC	6.1	4.2	5.2	5.5
RoE	14.8	9.1	12.2	12.4
Balance Sheet				
Net Debt : Equity (x)	1.7	1.7	1.5	1.4
Net Working Capital (Days)	7	30	25	22
Valuation(x)				
PER	20.0	30.3	20.6	18.4
P/B	2.9	2.6	2.4	2.2
P/CEPS	85.6	65.0	86.7	96.2
EV/EBITDA	18.8	23.5	18.9	17.2
EV/Sales	2.1	2.3	2.0	1.8
Dividend Yield (%)	1.2	0.8	1.2	1.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-21	BUY	1,284	1,339
2	29-Oct-20	BUY	1,284	935
3	08-Oct-20	BUY	1,192	888
4	23-Jul-20	BUY	1,192	917
5	08-Jul-20	BUY	1,192	941
6	06-Jun-20	BUY	1,192	955
7	16-Apr-20	BUY	1,361	880

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	1,303
2	Ahluwalia Contracts (India)	BUY	288	263
3	Ashoka Buildcon	BUY	147	94
4	Bharat Electronics	Accumulate	110	132
5	BHEL	Hold	34	39
6	Capacite's Infraprojects	BUY	270	180
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	643
9	Engineers India	BUY	104	79
10	GE T&D India	Hold	86	132
11	H.G. Infra Engineering	BUY	259	238
12	IRB Infrastructure Developers	BUY	157	116
13	ITD Cementation India	BUY	67	64
14	J.Kumar Infraprojects	BUY	176	142
15	Kalpataru Power Transmission	BUY	437	336
16	KEC International	Accumulate	339	366
17	KNR Constructions	BUY	336	337
18	Larsen & Toubro	BUY	1,284	1,339
19	NCC	BUY	83	62
20	PNC Infratech	BUY	219	176
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	64
23	Siemens	Accumulate	1,516	1,633
24	Thermax	Accumulate	798	980
25	Triveni Turbine	BUY	85	85
26	Voltamp Transformers	BUY	1,283	1,254

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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