

May 13, 2022

## Q4FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	2,091		2,357	
Sales (Rs. m)	17,22,100	18,97,759	16,65,092	18,40,530
% Chng.	3.4	3.1		
EBITDA (Rs. m)	2,07,092	2,34,602	2,06,560	2,28,523
% Chng.	0.3	2.7		
EPS (Rs.)	75.6	84.1	79.7	84.2
% Chng.	(5.1)	-		

### Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	1,360	1,565	1,722	1,898
EBITDA (Rs. bn)	156	182	207	235
Margin (%)	11.5	11.6	12.0	12.4
PAT (Rs. bn)	53	86	106	118
EPS (Rs.)	37.4	61.2	75.6	84.1
Gr. (%)	(40.9)	63.5	23.6	11.3
DPS (Rs.)	6.0	15.4	18.9	21.0
Yield (%)	0.4	1.0	1.2	1.4
RoE (%)	7.4	10.9	12.2	12.2
RoCE (%)	6.1	7.3	8.2	8.8
EV/Sales (x)	2.2	1.9	1.7	1.5
EV/EBITDA (x)	19.3	16.0	14.1	12.4
PE (x)	40.8	24.9	20.2	18.1
P/BV (x)	2.8	2.6	2.3	2.1

### Key Data

LART.BO | LT IN

52-W High / Low	Rs.2,079 / Rs.1,368
Sensex / Nifty	52,930 / 15,808
Market Cap	Rs.2,144bn/ \$ 27,695m
Shares Outstanding	1,405m
3M Avg. Daily Value	Rs.4147.18m

### Shareholding Pattern (%)

Promoter's	-
Foreign	22.42
Domestic Institution	33.49
Public & Others	44.09
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(12.7)	(22.1)	10.2
Relative	(3.4)	(10.7)	1.3

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## Prospects pipeline remains healthy

### Quick Pointers:

- Management guided 12-15% growth in revenue and order inflow, while core EBTDA margin to be ~9.5% for FY23.
- Tender prospects remains healthy at Rs8.53trn for FY23 (vs Rs9.06trn in FY22), comprising of domestic ~Rs6.31trn and international Rs2.22trn.

**Larsen & Toubro (LT) reported reasonable set of quarterly performance with consolidated revenue growth of 9.9% YoY and NWC to sales improving to 19.9% in FY22 vs 22.3% FY21, led by strong focus on collection. EBITDA margin declined 95bps YoY to 12.3%, impacted due to commodity inflation, delay in claims from customers and job mix. During the quarter, government of Telangana approved soft loan of Rs30bn towards Hyderabad metro and L&T is also looking for equity investor to reduce debt. Tender pipeline remains strong at Rs8.5trn, of which Infrastructure comprises Rs5.72trn (domestic Rs4.57trn). Given strong OB and tender pipeline, management guided for revenue and order inflow growth of 12-15% and core EBITDA margin to be ~9.5% for FY23. L&T came out with its strategic plan FY22-26 which highlights revenue/order inflow CAGR of 15%/14% between FY21-26 and ROE of +18% by FY26.**

**We believe that L&T is well-placed to benefit from pickup in economic activity and private capex given its financial, technical & managerial capability for sustaining, gaining market share and focus on divestment of non-core assets. Given the strong international outlook from infrastructure as well as hydrocarbon segment, prospect pipeline and continued execution momentum we expect revenue and PAT CAGR of 10.1% and 17.2% from FY22-24E. The stock is currently trading at PE of 20.2x/18.1x FY23/FY24E. We maintain our 'Buy' rating on stock with revise TP of Rs2,091 (Rs2,357 earlier), factoring in revised valuation for subsidiary businesses.**

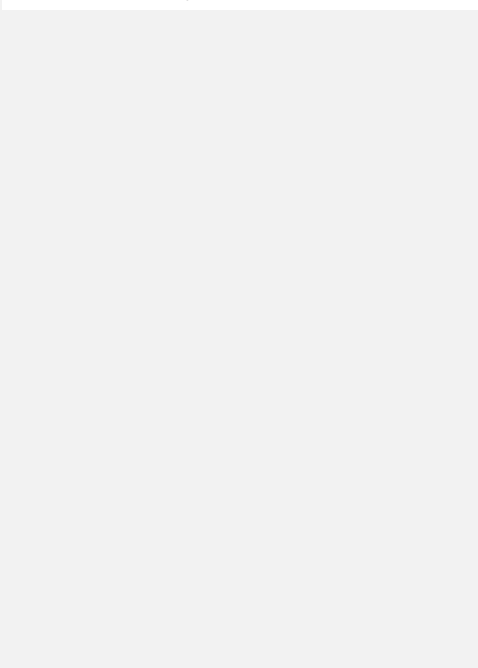
**Higher commodity cost and job mix impacts margin:** Consolidated sales came in at ~Rs528.5bn (up 9.9% YoY; PLe ~Rs486bn), driven by revenue growth in segments such as Infrastructure (up 14.4% YoY), Power (up 22.5% YoY), IT&TS (up 28.9% YoY), while it declined for Heavy Engineering (down 10.7% YoY), Defence Engineering (down 21.4% YoY), Hydrocarbon (down 2.6% YoY) and Financial service (down 12.2% YoY). EBITDA margins declined 95bps YoY to 12.3% (Ple ~13.5%), impacted due to higher commodity price, job mix and delay in claims certification from customers. Adj. PAT for Q4FY22 came in at Rs36.2bn (up 6% YoY).

**Order book stands healthy at Rs3.6trn:** Order inflow came in at Rs739bn (up 46% YoY), mainly driven by international order which contributed ~44% in Q4FY22, while FY22 order inflow grew 10% YoY to Rs1.9trn. Order book stands strong at Rs3.6trn (2.3x FY22 revenue). Off total OB order from exports accounts for 27%, of which 77% is from Middle East.

**Exhibit 1: Commodity inflation and delay in claims from customer impacts margin**

Y/e March (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY gr. (%)	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
<b>Revenue</b>	<b>4,80,879</b>	<b>2,93,347</b>	<b>3,47,729</b>	<b>3,95,629</b>	<b>5,28,507</b>	<b>9.9</b>	<b>33.6</b>	<b>15,65,212</b>	<b>13,59,790</b>	<b>15.1</b>
<b>Total Revenues</b>	<b>4,80,879</b>	<b>2,93,347</b>	<b>3,47,729</b>	<b>3,95,629</b>	<b>5,28,507</b>	<b>9.9</b>	<b>33.6</b>	<b>15,65,212</b>	<b>13,59,790</b>	<b>15.1</b>
<b>Expenditure</b>	<b>4,16,990</b>	<b>2,61,632</b>	<b>3,07,780</b>	<b>3,50,325</b>	<b>4,63,302</b>	<b>11.1</b>	<b>32.2</b>	<b>13,83,039</b>	<b>12,03,549</b>	<b>14.9</b>
as % of sales	86.7	89.2	88.5	88.5	87.7			88.4	88.5	
Consumption of RM	3,11,855	1,54,405	1,97,431	2,38,360	3,47,665	11.5	45.9	9,37,860	7,90,099	18.7
as % of sales	64.9	52.6	56.8	60.2	65.8			59.9	58.1	
Employee Cost	63,514	68,795	72,520	76,337	79,683	25.5	4.4	2,97,335	2,47,620	20.1
as % of sales	13.2	23.5	20.9	19.3	15.1			19.0	18.2	
Other expenditure	41,621	38,432	37,830	35,629	35,953	(13.6)	0.9	1,47,844	1,65,830	(10.8)
as % of sales	8.7	13.1	10.9	9.0	6.8			9.4	12.2	
<b>EBITDA</b>	<b>63,889</b>	<b>31,715</b>	<b>39,949</b>	<b>45,304</b>	<b>65,205</b>	<b>2.1</b>	<b>43.9</b>	<b>1,82,173</b>	<b>1,56,241</b>	<b>16.6</b>
Depreciation	8,168	7,174	7,288	7,325	7,694	(5.8)	5.0	29,480	29,042	1.5
<b>EBIT</b>	<b>55,722</b>	<b>24,541</b>	<b>32,661</b>	<b>37,980</b>	<b>57,512</b>	<b>3.2</b>	<b>51.4</b>	<b>1,52,694</b>	<b>1,27,199</b>	<b>20.0</b>
Other Income	10,283	6,480	5,321	5,714	5,156	(49.9)	(9.8)	22,671	34,294	(33.9)
Interest	8,531	8,275	7,793	8,138	7,051	(17.3)	(13.4)	31,257	39,134	(20.1)
Exceptional Items	-	(182)	(969)	-	-			(969)	35,560	
<b>PBT</b>	<b>57,474</b>	<b>22,928</b>	<b>31,159</b>	<b>35,556</b>	<b>55,617</b>	<b>(3.2)</b>	<b>56.4</b>	<b>1,45,077</b>	<b>86,798</b>	<b>67.1</b>
Total Tax	20,867	7,184	8,845	10,587	15,550	(25.5)	46.9	42,166	40,108	5.1
<b>PAT before Minority interest</b>	<b>36,607</b>	<b>15,743</b>	<b>22,313</b>	<b>24,969</b>	<b>40,067</b>	<b>9.5</b>	<b>60.5</b>	<b>1,02,911</b>	<b>46,690</b>	<b>120.4</b>
Minority Interest	(4,029)	(3,572)	(4,125)	(4,624)	(5,178)	-	-	(17,499)	(13,384)	-
<b>PAT after MI</b>	<b>32,578</b>	<b>12,171</b>	<b>18,188</b>	<b>20,345</b>	<b>34,889</b>	<b>7.1</b>	<b>71.5</b>	<b>85,411</b>	<b>33,306</b>	<b>156.4</b>
Share in profit/(loss) after tax of joint ventures/associates (net)	1,595	(245)	6	203	1,318			1,282	144	
<b>PAT From Continued Operation</b>	<b>34,173</b>	<b>11,926</b>	<b>18,195</b>	<b>20,547</b>	<b>36,207</b>	<b>6.0</b>	<b>76.2</b>	<b>86,693</b>	<b>33,450</b>	<b>159.2</b>
<b>Adjusted PAT from continued operation</b>	<b>34,173</b>	<b>11,801</b>	<b>17,500</b>	<b>20,547</b>	<b>36,207</b>	<b>6.0</b>	<b>76.2</b>	<b>86,006</b>	<b>52,578</b>	<b>63.6</b>
<b>Adjusted EPS</b>	<b>24.3</b>	<b>8.4</b>	<b>12.5</b>	<b>14.6</b>	<b>25.8</b>	<b>6.0</b>	<b>76.2</b>	<b>61.3</b>	<b>37.5</b>	<b>63.6</b>
<b>Margins (%)</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>bps</b>	<b>bps</b>	<b>FY22</b>	<b>FY21</b>	<b>bps</b>
EBIDTA	13.3	10.8	11.5	11.5	12.3	(95)	89	11.6	11.5	15
EBIT	11.6	8.4	9.4	9.6	10.9	(71)	128	9.8	9.4	40
EBT	12.0	7.8	9.0	9.0	10.5	(143)	154	9.3	6.4	289
PAT	7.1	4.1	5.2	5.2	6.9	(26)	166	5.5	2.5	308
Effective Tax rate	36.3	31.3	28.4	29.8	28.0	(835)	(182)	29.1	46.2	(1,714)

Source: Company, PL



**Exhibit 2: Segmental Performance**

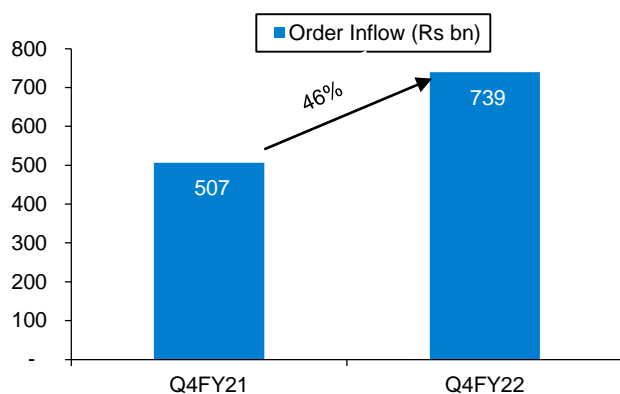
Y/e March (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY gr. (%)	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
<b>Segmental Revenue</b>										
Infrastructure	264,367	105,435	141,564	186,190	302,412	14.4	62.4	735,601	619,616	18.7
Power	12,202	7,645	11,182	10,710	14,946	22.5	39.5	44,482	31,926	39.3
Heavy Engineering	10,819	6,298	6,877	7,552	9,661	(10.7)	27.9	30,388	30,185	0.7
Defence Engineering	11,408	6,901	8,460	7,933	8,972	(21.4)	13.1	32,264	34,101	(5.4)
Hydrocarbon	54,217	42,016	48,838	48,968	52,831	(2.6)	7.9	192,652	169,638	13.6
IT & Technology Services	68,454	72,413	79,033	85,066	88,226	28.9	3.7	324,738	256,188	26.8
Financial Services	33,767	30,614	29,757	29,706	29,634	(12.2)	(0.2)	119,711	134,036	(10.7)
Developmental Projects	11,138	11,263	11,699	9,756	10,958	(1.6)	12.3	43,675	36,214	20.6
Others	19,065	13,840	14,724	15,131	19,124	0.3	26.4	62,818	60,928	3.1
<b>Total</b>	<b>485,438</b>	<b>296,423</b>	<b>352,134</b>	<b>401,011</b>	<b>536,763</b>	<b>10.6</b>	<b>33.9</b>	<b>1,586,330</b>	<b>1,372,832</b>	<b>15.6</b>
Less: Inter-segment revenue	4,559	3,075	4,405	5,382	8,256	81.1	53.4	21,118	13,041	61.9
<b>Total revenue</b>	<b>480,879</b>	<b>293,347</b>	<b>347,729</b>	<b>395,629</b>	<b>528,507</b>	<b>9.9</b>	<b>33.6</b>	<b>1,565,212</b>	<b>1,359,790</b>	<b>15.1</b>
<b>Segmental EBIT</b>										
Infrastructure	27,955	5,567	9,719	11,147	25,392	(9.2)	127.8	51,824	45,215	14.6
Power	949	110	221	371	693	(27.0)	86.7	1,395	1,112	25.4
Heavy Engineering	2,806	867	860	951	2,027	(27.8)	113.2	4,705	4,883	(3.7)
Defence Engineering	3,028	1,107	869	1,582	1,777	(41.3)	12.3	5,335	6,170	(13.5)
Hydrocarbon	6,325	3,593	3,595	4,033	4,684	(25.9)	16.1	15,006	15,425	(2.7)
IT & Technology Services	13,660	13,827	15,369	17,005	17,904	31.1	5.3	64,104	48,232	32.9
Financial Services	7,308	2,338	3,216	4,340	4,803	(34.3)	10.7	14,698	12,858	14.3
Developmental Projects	(652)	(907)	(354)	(480)	(564)	(13.5)	17.5	(2,306)	(1,966)	17.3
Others	2,333	1,777	2,635	1,735	3,238	38.8	86.7	9,385	11,230	(16.4)
<b>Total</b>	<b>63,714</b>	<b>28,280</b>	<b>36,129</b>	<b>40,684</b>	<b>59,953</b>	<b>(5.9)</b>	<b>47.4</b>	<b>164,147</b>	<b>144,003</b>	<b>14.0</b>
<b>EBIT Margins (%)</b>										
Infrastructure	10.6	5.3	6.9	6.0	8.4			7.0	7.3	
Power	7.8	1.4	2.0	3.5	4.6			3.1	3.5	
Heavy Engineering	25.9	13.8	12.5	12.6	21.0			15.5	16.2	
Defence Engineering	26.5	16.0	10.3	19.9	19.8			16.5	18.1	
Hydrocarbon	11.7	8.6	7.4	8.2	8.9			7.8	9.1	
IT & Technology Services	20.0	19.1	19.4	20.0	20.3			19.7	18.8	
Financial Services	21.6	7.6	10.8	14.6	16.2			12.3	9.6	
Developmental Projects	(5.9)	(8.1)	(3.0)	(4.9)	(5.1)			(5.3)	(5.4)	
Others	12.2	12.8	17.9	11.5	16.9			14.9	18.4	

Source: Company, PL

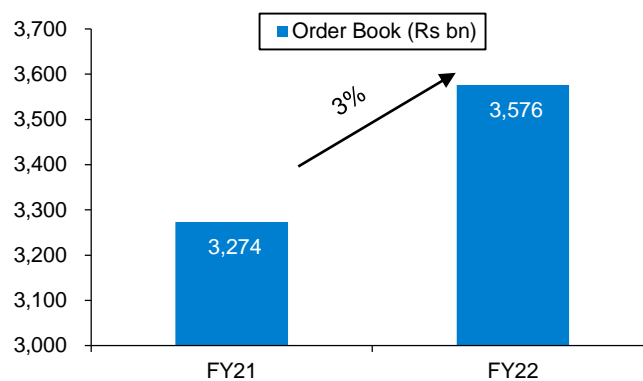
**Exhibit 3: SoTP Valuation**

	Earnings/Book (Rs mn)	Valuation basis	Target multiple (x)	Stake (%)	Value (Rs bn)	Fair Value (Rs)	Basis
L&T Core Business	92,766	P/E	20	100	1,855,325	1,323	20x FY24 EPS
L&T Finance Holdings	217,327	Mcap		64	97,149	69	30% discount to Tgt MKT cap
L&T Infotech	1,114,496	Mcap		75	583,550	416	30% discount to Tgt MKT cap
L&T Technology Services	479,947	Mcap		75	251,871	180	30% discount to Tgt MKT cap
Mindtree	787,338	Mcap		60	330,682	236	30% discount to Tgt MKT cap
L&T IDPL	93,000	P/B	0.6	97	54,349	39	0.6x P/B
L&T's equity investment in BTG	17,000	P/B	0.6	51	5,202	4	0.6x equity investment
Other Business	40,000	P/B	0.6	100	24,000	17	0.6x book value
Total subsidiaries				20% holding co. disc.	1,077,443	768	
<b>Grand total</b>						<b>2,091</b>	

Source: Company, PL

**Exhibit 4: Order inflow grew 46% YoY**


Source: Company, PL

**Exhibit 5: Order book stands strong at Rs3.6trn**


Source: Company, PL

## Concall Highlights

- Tender prospects for FY23 stands at Rs8.53trn comprising of domestic Rs6,31trn and international Rs2.22trn.
  - Infrastructure pipeline stands at Rs5.72trn, of which domestic accounts for Rs4.57trn and international Rs1.15trn.
  - Management indicated tender prospects have declined in FY23, as it will be selective while bidding for new orders.
- **Order inflow:** Inflow grew 46% YoY to Rs739bn, driven by mega order won international market from GCC country.
  - Order finalization has been slower due to higher commodity price, though it is expected to pickup going forward.
  - Fixed price contracts stands at ~15-20%.
  - Tendering to awarding ratio stood at 51% in Q4FY22 vs 75% in Q4FY21.
- **Order book:** OB stands strong at Rs3.6trn (2.3x FY22 revenue), domestic Rs2.6trn. Off the domestic OB, central government accounts for 11%, State government 29%, PSU 45% and Private 16%. Slow moving order accounts for 2-3%.
- Margins were impacted due to higher commodity price, job mix and delay in claims from customers.
- NWC to sales improved to 19.9% in FY22 better than guidance of 22.3% led by strong focus on collections.
- L&T plans to set up 500MW electrolyser plant by 2025 and expand it to 1GW by 2030. It is also exploring opportunity in battery manufacturing for EV segment. L&T is planning for capex to Rs100bn towards electrolyser manufacturing.
- Guidance: Given strong order and prospective pipeline, management guided for revenue and order inflow growth to be ~12-15% for FY23 and core EBITDA margin to be ~9.5%.
- **Segment Wise:**
  - **Infrastructure:** Order inflow was mainly driven by mega orders from GCC country, metro, health and public space. Order conversion was slower due to commodity inflation and is expected to pick-up, going forward. EBITDA margins declined due to job mix, commodity inflation and non-receipts of claims from customers.
  - **Hydrocarbon:** Revenue during the quarter were impacted due to supply chain disruption. EBITDA margin were down to 9,7% from 12.5% in Q4FY21, as last year margins were higher due to benefit of cost savings upon project closure.
  - **Power:** Revenue growth was driven by strong OB execution. Ordering activity continues to remains muted in thermal business.

- **Heavy Engineering:** Order inflow was impacted due to deferment of orders. Margins were lower at 24.7% vs 29.3% in Q4FY21. Last year margin was higher on account of benefit of price variation and early completion bonus.
- **Defense:** Order inflow was robust during the quarter. Revenue declined 21% YoY due to tampering of larger jobs. EBITDA margin came in 23.3% in Q4FY22 vs 29.3 % in Q4FY21 (higher due to cost saving on job completion).
- **Developmental projects:** Revenue declined 2% YoY as Nabha power revenue were impacted due to planned maintenance during Q4FY22. Hyderabad metro ridership during quarter stood at 1,99,000 in Q4FY22 vs 55,000 in Q1FY22. Hyderabad metro reported loss of Rs3.4bn in Q4FY22. Government of Telangana approved soft loan of ~Rs30bn, to be received in three yearly installments of Rs10bn each from FY23 onwards. Also looking to attract equity and use it to reduce debt.

## Strategic plan (Lakshya 2026)

### Key highlights of L&T Strategic plan (FY22-26)

- Focus will be on value accretive growth of current business, exit/reduce exposure to non-core business and scale up digital and E-commerce business.
- Focus on developing business offering to ride energy transition wave.
- Revenue target of Rs2.7trn by FY26, CAGR of 15% between FY21-26, Order inflow to be Rs3.4trn, CAGR of 14% between FY21-26 and ROE to expand from 11% in FY22 to ~18% by FY26.
- Company to re-classify its business segments into EPC (Construction-Buildings, & Factories, Heavy Civil, Water, Power T&D, Energy-Hydrocarbon, Green EPC etc.) Hi-Tech Manufacturing (Heavy Engineering, Defence, Battery etc), Services (LTI + Mindtree, LTTS, Data center & Platforms (Sufin & EduTech, Financials etc), Developmental projects (Green Energy-BOO, Hyderabad Metro) and Others (Realty, Smart world & Communication etc).
- **Capex:** Capex to be in range of Rs100-110bn towards existing business and Rs60-65bn towards new business verticals.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>13,59,790</b>	<b>15,65,212</b>	<b>17,22,100</b>	<b>18,97,759</b>
YoY gr. (%)	(6.5)	15.1	10.0	10.2
Cost of Goods Sold	4,37,101	5,26,910	5,83,792	6,39,545
Gross Profit	9,22,689	10,38,302	11,38,308	12,58,215
Margin (%)	67.9	66.3	66.1	66.3
Employee Cost	2,47,620	2,97,335	3,18,149	3,40,419
Other Expenses	1,29,836	1,63,226	1,39,490	1,51,821
<b>EBITDA</b>	<b>1,56,241</b>	<b>1,82,173</b>	<b>2,07,092</b>	<b>2,34,602</b>
YoY gr. (%)	(4.3)	16.6	13.7	13.3
Margin (%)	11.5	11.6	12.0	12.4
Depreciation and Amortization	29,042	29,480	32,737	36,781
<b>EBIT</b>	<b>1,27,199</b>	<b>1,52,694</b>	<b>1,74,355</b>	<b>1,97,821</b>
Margin (%)	9.4	9.8	10.1	10.4
Net Interest	39,134	31,257	37,886	45,546
Other Income	34,294	22,671	27,554	29,985
<b>Profit Before Tax</b>	<b>86,798</b>	<b>1,45,077</b>	<b>1,64,022</b>	<b>1,82,259</b>
Margin (%)	6.4	9.3	9.5	9.6
Total Tax	40,108	42,166	45,106	50,121
Effective tax rate (%)	46.2	29.1	27.5	27.5
<b>Profit after tax</b>	<b>46,690</b>	<b>1,02,911</b>	<b>1,18,916</b>	<b>1,32,138</b>
Minority interest	13,384	17,499	13,999	15,399
Share Profit from Associate	(144)	(1,282)	(1,346)	(1,481)
<b>Adjusted PAT</b>	<b>52,578</b>	<b>86,006</b>	<b>1,06,263</b>	<b>1,18,220</b>
YoY gr. (%)	(40.9)	63.6	23.6	11.3
Margin (%)	3.9	5.5	6.2	6.2
Extra Ord. Income / (Exp)	(19,128)	688	-	-
<b>Reported PAT</b>	<b>33,450</b>	<b>86,693</b>	<b>1,06,263</b>	<b>1,18,220</b>
YoY gr. (%)	(62.4)	159.2	22.6	11.3
Margin (%)	2.5	5.5	6.2	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	33,450	86,693	1,06,263	1,18,220
<b>Equity Shares O/s (m)</b>	<b>1,405</b>	<b>1,405</b>	<b>1,405</b>	<b>1,405</b>
<b>EPS (Rs)</b>	<b>37.4</b>	<b>61.2</b>	<b>75.6</b>	<b>84.1</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,90,074</b>	<b>5,00,239</b>	<b>5,25,239</b>	<b>5,50,239</b>
Tangibles	1,96,092	2,17,497	2,42,497	2,67,497
Intangibles	2,93,983	2,82,742	2,82,742	2,82,742
<b>Acc: Dep / Amortization</b>	<b>82,229</b>	<b>1,11,708</b>	<b>1,44,445</b>	<b>1,81,226</b>
Tangibles	82,229	1,11,708	1,44,445	1,81,226
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>4,07,846</b>	<b>3,88,531</b>	<b>3,80,794</b>	<b>3,69,013</b>
Tangibles	1,13,863	1,05,789	98,052	86,271
Intangibles	2,93,983	2,82,742	2,82,742	2,82,742
Capital Work In Progress	3,884	11,703	11,703	11,703
Goodwill	-	-	-	-
Non-Current Investments	6,64,873	6,29,266	7,25,002	8,10,366
Net Deferred tax assets	15,183	18,008	18,008	18,008
Other Non-Current Assets	59,497	60,776	72,328	79,706
<b>Current Assets</b>				
Investments	3,10,112	2,97,925	2,97,925	2,97,925
Inventories	58,205	59,433	61,335	67,591
Trade receivables	4,22,298	4,61,389	4,95,399	5,30,333
Cash & Bank Balance	1,62,415	1,89,532	1,95,619	2,26,463
Other Current Assets	5,47,977	6,09,637	6,19,956	6,35,749
<b>Total Assets</b>	<b>30,85,767</b>	<b>31,72,088</b>	<b>33,33,638</b>	<b>35,22,268</b>
<b>Equity</b>				
Equity Share Capital	2,809	2,810	2,810	2,810
Other Equity	7,55,876	8,21,267	9,13,617	10,16,200
<b>Total Networkth</b>	<b>7,58,685</b>	<b>8,24,077</b>	<b>9,16,427</b>	<b>10,19,010</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	10,68,633	9,50,311	6,36,582	6,36,582
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	2,77,658	3,04,770	6,33,499	6,48,499
Trade payables	4,55,046	5,11,442	5,56,734	5,97,924
Other current liabilities	4,20,413	4,69,835	4,78,744	5,08,600
<b>Total Equity &amp; Liabilities</b>	<b>30,85,767</b>	<b>31,72,088</b>	<b>33,33,638</b>	<b>35,22,268</b>

Source: Company Data, PL Research



**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	2,30,263	1,44,107	1,64,022	1,82,259
Add. Depreciation	29,042	29,480	32,737	36,781
Add. Interest	39,134	31,257	37,886	45,546
Less Financial Other Income	34,294	22,671	27,554	29,985
Add. Other	(1,34,990)	(15,253)	-	-
Op. profit before WC changes	1,63,450	1,89,591	2,34,645	2,64,587
Net Changes-WC	99,702	47,566	(28,034)	(45,822)
Direct tax	(34,710)	(45,521)	(45,106)	(50,121)
<b>Net cash from Op. activities</b>	<b>2,28,441</b>	<b>1,91,636</b>	<b>1,61,505</b>	<b>1,68,643</b>
Capital expenditures	(27,956)	(51,961)	(1,05,966)	(77,698)
Interest / Dividend Income	14,790	11,295	-	-
Others	(41,122)	3,989	-	-
<b>Net Cash from Inv. activities</b>	<b>(54,288)</b>	<b>(36,677)</b>	<b>(1,05,966)</b>	<b>(77,698)</b>
Issue of share cap. / premium	159	110	-	-
Debt changes	(87,325)	(84,132)	15,000	15,000
Dividend paid	(36,509)	(25,284)	(26,566)	(29,555)
Interest paid	(31,844)	(4,072)	(37,886)	(45,546)
Others	2,757	(37,614)	27,999	30,798
<b>Net cash from Fin. activities</b>	<b>(1,52,762)</b>	<b>(1,50,992)</b>	<b>(21,453)</b>	<b>(29,303)</b>
<b>Net change in cash</b>	<b>21,391</b>	<b>3,967</b>	<b>34,086</b>	<b>61,643</b>
Free Cash Flow	2,10,364	1,60,530	1,36,505	1,43,643

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	37.4	61.2	75.6	84.1
CEPS	58.1	82.2	98.9	110.3
BVPS	540.2	586.5	652.2	725.2
FCF	149.8	114.3	97.2	102.2
DPS	6.0	15.4	18.9	21.0
<b>Return Ratio(%)</b>				
RoCE	6.1	7.3	8.2	8.8
ROIC	4.2	6.8	7.7	8.3
RoE	7.4	10.9	12.2	12.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.2	0.9	0.8	0.7
Net Working Capital (Days)	7	2	-	-
<b>Valuation(x)</b>				
PER	40.8	24.9	20.2	18.1
P/B	2.8	2.6	2.3	2.1
P/CEPS	58.1	82.2	98.9	110.3
EV/EBITDA	19.3	16.0	14.1	12.4
EV/Sales	2.2	1.9	1.7	1.5
Dividend Yield (%)	0.4	1.0	1.2	1.4

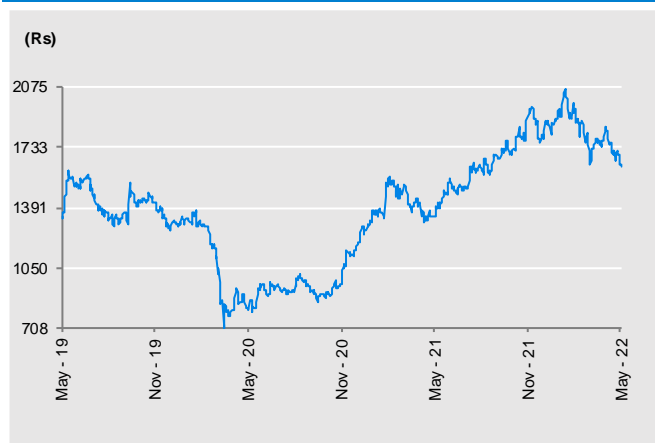
Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>2,93,347</b>	<b>3,47,729</b>	<b>3,95,629</b>	<b>5,28,507</b>
YoY gr. (%)	38.0	12.0	11.1	9.9
Raw Material Expenses	1,54,405	1,97,431	2,38,360	3,47,665
Gross Profit	1,38,942	1,50,299	1,57,270	1,80,842
Margin (%)	47.4	43.2	39.8	34.2
<b>EBITDA</b>	<b>31,715</b>	<b>39,949</b>	<b>45,304</b>	<b>65,205</b>
YoY gr. (%)	95.7	19.8	5.9	2.1
Margin (%)	10.8	11.5	11.5	12.3
Depreciation / Depletion	7,174	7,288	7,325	7,694
<b>EBIT</b>	<b>24,541</b>	<b>32,661</b>	<b>37,980</b>	<b>57,512</b>
Margin (%)	8.4	9.4	9.6	10.9
Net Interest	8,275	7,793	8,138	7,051
Other Income	6,480	5,321	5,714	5,156
<b>Profit before Tax</b>	<b>22,928</b>	<b>31,159</b>	<b>35,556</b>	<b>55,617</b>
Margin (%)	7.8	9.0	9.0	10.5
Total Tax	7,184	8,845	10,587	15,550
Effective tax rate (%)	31.3	28.4	29.8	28.0
<b>Profit after Tax</b>	<b>15,743</b>	<b>22,313</b>	<b>24,969</b>	<b>40,067</b>
Minority interest	3,572	4,125	4,624	5,178
Share Profit from Associates	(245)	6	203	1,318
<b>Adjusted PAT</b>	<b>11,801</b>	<b>17,500</b>	<b>20,547</b>	<b>36,207</b>
YoY gr. (%)	623.3	(34.9)	(9.0)	6.0
Margin (%)	4.0	5.0	5.2	6.9
Extra Ord. Income / (Exp)	125	694	-	-
<b>Reported PAT</b>	<b>11,926</b>	<b>18,195</b>	<b>20,547</b>	<b>36,207</b>
YoY gr. (%)	302.8	(169.3)	(9.0)	6.0
Margin (%)	4.1	5.2	5.2	6.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>11,926</b>	<b>18,195</b>	<b>20,547</b>	<b>36,207</b>
Avg. Shares O/s (m)	1,404	1,404	1,404	1,404
<b>EPS (Rs)</b>	<b>8.4</b>	<b>12.5</b>	<b>14.6</b>	<b>25.8</b>

Source: Company Data, PL Research



**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	2,357	1,826
2	31-Jan-22	BUY	2,382	1,898
3	11-Jan-22	BUY	2,201	1,953
4	28-Oct-21	BUY	2,201	1,814
5	05-Oct-21	BUY	1,855	1,717
6	27-Jul-21	BUY	1,855	1,598
7	06-Jul-21	UR	-	1,505
8	15-May-21	BUY	1,604	1,416

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	2,293	2,221
2	Apar Industries	BUY	830	666
3	Bharat Electronics	BUY	258	234
4	BHEL	Sell	34	57
5	Cummins India	Accumulate	1,032	1,113
6	Engineers India	BUY	89	69
7	GE T&D India	Hold	102	105
8	Kalpataru Power Transmission	BUY	467	394
9	KEC International	Accumulate	451	367
10	Larsen & Toubro	BUY	2,357	1,826
11	Siemens	Accumulate	2,602	2,470
12	Thermax	Accumulate	2,158	1,970
13	Triveni Turbine	BUY	244	202
14	Voltamp Transformers	Accumulate	2,215	2,075

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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