

Buy

Improving execution, strong order book; Maintain Buy

- Q3 execution indicates ongoing improvement as labor availability has fully normalised. Order inflows were strong at Rs732bn and order book continues to be robust at Rs3.31trn. WC, at 26.2% sales, while high, is seen from the perspective of the lower revenue base in 9M.
- LT remains cautious and continues to withhold guiding on FY21 on inflows or execution, though they view Q4 positively, with further anticipated improvement in execution. On the order front, there is a pipeline of Rs2.65trn in Q4. L&T is focused on working capital and met its 9M liquidity needs fully out of its customer collections.
- LT is the best play for the recovery in the capex cycle. Its strengths are its size, diversity and balance sheet that gives it competitive advantages. Current valuations are attractive and we maintain Buy with a SOTP based TP of Rs1680.

Q3- In line; Best ever inflows and strong order book

Larsen reported flat YoY revenues at Rs355bn in line with our expectations. Infra revenues came in marginally lower by 7% YoY at Rs158bn but was up 22% sequentially indicating improved normalcy at sites, power business was up 29% YoY at Rs9bn and development business revenue was down 34% YoY at Rs8bn. EBITDA came in flat YoY at Rs43bn with margins slightly up by 66bps at 12.0% in Q3FY21. PAT before exceptional items came in at Rs25bn, Order inflow for Q3 was at highest ever at Rs732bn, mainly due to infra orders up 80% YoY at Rs456bn due to 2 High Speed Rail orders. Order inflows for 9M were at Rs1.25trn. Order book stood at Rs3.3tn, up by ~10% QoQ; with international order book contributing to 20% of book.

Q3FY21 Result (Rs Mn)

| Particulars | Q3FY21 | Q3FY20 | YoY (%) | Q2FY21 | QoQ (%) |
|-------------------|---------|---------|---------|---------|---------|
| Revenue | 355,964 | 362,427 | (1.8) | 310,347 | 14.7 |
| Total Expense | 313,165 | 321,250 | (2.5) | 277,000 | 13.1 |
| EBITDA | 42,800 | 41,177 | 3.9 | 33,348 | 28.3 |
| Depreciation | 7,021 | 6,602 | 6.3 | 7,131 | (1.5) |
| EBIT | 35,779 | 34,575 | 3.5 | 26,216 | 36.5 |
| Other Income | 10,647 | 4,749 | 124.2 | 5,590 | 90.4 |
| Interest | 9,620 | 7,092 | 35.7 | 10,425 | (7.7) |
| EBT | 38,898 | 32,232 | 20.7 | 65,519 | (40.6) |
| Tax | 10,408 | 7,110 | 46.4 | 6,754 | 54.1 |
| RPAT | 24,667 | 23,521 | 4.9 | 55,203 | (55.3) |
| APAT | 26,483 | 23,521 | 12.6 | 14,103 | 87.8 |
| | | | (bps) | | (bps) |
| Gross Margin (%) | 40.8 | 39.7 | 106 | 43.6 | (280) |
| EBITDA Margin (%) | 12.0 | 11.4 | 66 | 10.7 | 128 |
| NPM (%) | 6.9 | 6.5 | 44 | 17.8 | (1086) |
| Tax Rate (%) | 26.8 | 22.1 | 470 | 10.3 | 1645 |
| EBIT Margin (%) | 10.1 | 9.5 | 51 | 8.4 | 160 |

| | |
|-----------------|----------------|
| CMP | Rs 1,361 |
| Target / Upside | Rs 1,680 / 23% |
| NIFTY | 14,239 |

Scrip Details

| | |
|--------------------------|--------------------------------|
| Equity / FV | Rs 2,810mn / Rs 2 |
| Market Cap | Rs 1,913bn |
| | USD 26bn |
| 52-week High/Low | Rs 1,396/ 661 |
| Avg. Volume (no) | 5,817,970 |
| Bloom Code | LT IN |
| Price Performance | 1M 3M 12M |
| Absolute (%) | 8 45 0 |
| Rel to NIFTY (%) | 5 26 (16) |

Shareholding Pattern

| | Jun'20 | Sep'20 | Dec'20 |
|-----------------|--------|--------|--------|
| Promoters | 0.0 | 0.0 | 0.0 |
| MF/Banks/FIs | 61.9 | 59.9 | 56.9 |
| FIIIs | 16.9 | 18.7 | 21.1 |
| Public / Others | 21.2 | 21.7 | 22.0 |

Valuation (x)

| | FY21E | FY22E | FY23E |
|-----------|-------|-------|-------|
| P/E | 28.3 | 17.0 | 14.9 |
| EV/EBITDA | 24.9 | 17.3 | 15.8 |
| ROE (%) | 16.5 | 15.0 | 15.5 |
| RoACE (%) | 4.7 | 6.4 | 6.7 |

Estimates (Rs mn)

| | FY21E | FY22E | FY23E |
|-----------|-----------|-----------|-----------|
| Revenue | 1,367,252 | 1,668,048 | 1,851,533 |
| EBITDA | 132,623 | 195,162 | 216,629 |
| PAT | 67,556 | 112,280 | 128,639 |
| EPS (Rs.) | 48.1 | 79.9 | 91.6 |

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Execution expected to improve further

As guided, H2 is seeing increasing ramp up in execution as project sites are back to normal, with further anticipated improvement in Q4. The current ordering pipeline also remains strong at Rs2.65trn in the fourth quarter, with Rs2.2trn of domestic order pipeline. However, they are still cautious and have refrained from guiding for FY21, despite only one quarter left for the year.

Focus on balance sheet continues

LT saw WC at 26.7% levels in 9M. which is a 50bps improvement sequentially and while elevated YoY, in context of the lower revenue base in 9M. Cash from operations was strong and the company managed to collect Rs320bn from customers, mainly government and public sector and could manage entire 9M liquidity needs out of this collection, without having to draw down on cash buffers. Consolidated cash and equivalents are at Rs452bn, marginally down from Rs468bn in H1, of which Rs140bn belong to IT and Financial services business.

Remains the way to play the capex recovery. Maintain Buy

LT is the preferred play for the recovery in the capex cycle. Its size, diversity and balance sheet are key competitive advantages. We retain estimates and maintain Buy with an SOTP based TP of Rs1680, as we increase multiples for the core business on improving order inflows and also update change in subsidiary valuations.

Exhibit 1: Actual v/s DART estimates

| Particulars (Rs mn) | Actual | | DART | | Consensus | | Comment |
|---------------------|---------|---------|---------|---------|-----------|---------|---|
| | Q3FY21 | Q3FY21 | Q3FY21 | Var (%) | Q3FY21 | Var (%) | |
| Sales | 355,964 | 354,889 | 370,715 | 0.3 | | (4.0) | Improved execution as sites become normal in the E&C business |
| EBITDA | 42,800 | 40,226 | 40,194 | 6.4 | | 6.5 | Project mix has helped EBITDA margins |
| EBITDA margins | 12.0 | 11.3 | 10.8 | 6.1 | | 10.9 | |
| PAT | 24,667 | 23,207 | 19,485 | 6.3 | | 26.6 | PAT impacted by mix and WC needs |
| Pat margins | 6.9 | 6.5 | 5.3 | 6.0 | | 31.8 | |
| EPS | 17.6 | 16.5 | 13.9 | 6.3 | | 26.6 | |

Source: Company, DART

Exhibit 2: Change in estimates

| Particulars (Rs mn) | FY21E | | | FY22E | | | FY24E | | |
|---------------------|-----------|-----------|---------|-----------|-----------|--------|-----------|-----------|--------|
| | Earlier | New | Var (%) | Earlier | New | Var(%) | Earlier | New | Var(%) |
| Sales | 1,367,252 | 1,367,252 | 0.0 | 1,668,048 | 1,668,048 | (0.0) | 1,851,533 | 1,851,533 | (0.0) |
| EBITDA | 132,623 | 132,623 | 0.0 | 195,162 | 195,162 | (0.0) | 216,629 | 216,629 | 0.0 |
| EBITDA Margin | 9.7 | 9.7 | 0 | 11.7 | 11.7 | (0) | 11.7 | 11.7 | 0 |
| PAT | 67,556 | 67,556 | 0.0 | 112,280 | 112,280 | 0.0 | 128,639 | 128,639 | (0.0) |
| EPS (Rs) | 48.1 | 48.1 | 0.0 | 79.9 | 79.9 | 0.0 | 91.6 | 91.6 | (0.0) |

Source: Company, DART

Exhibit 3: SOTP Valuation Target Price: Rs 1,680

| | Earnings/ Book Value | Target P/E, P/B | Value | Valuation Type | L&T Stake | Value | Per share value |
|-------------------------|-------------------------|--------------------|-----------|--------------------------------|--------------|-----------|--------------------|
| | (Rs mn) | (x) | (Rs mn) | | (%) | (Rs mn) | (Rs) |
| Core E&C business | 89,326 | 17 | 1,518,540 | PER | 100.0 | 1,518,540 | 1,081 |
| L&T Infotech | 666,420 | | 533,136 | 20% disc to current DART FV | 74.5 | 397,346 | 283 |
| L&T Tech. services | 252,273 | | 201,818 | 20% disc to current Mcap | 74.6 | 150,597 | 107 |
| L&T Finance Holdings | 184,861 | | 147,889 | 20% disc to current Mcap | 63.7 | 94,235 | 67 |
| Mindtree | 257,400 | | 205,920 | 20% disc to DART FV | 61.1 | 125,776 | 90 |
| Rest of the investments | 140,259 | 0.5 | 70,129 | PBV | 100.0 | 70,129 | 50 |
| | | | | | | | 1,677 |

Source: DART, Company

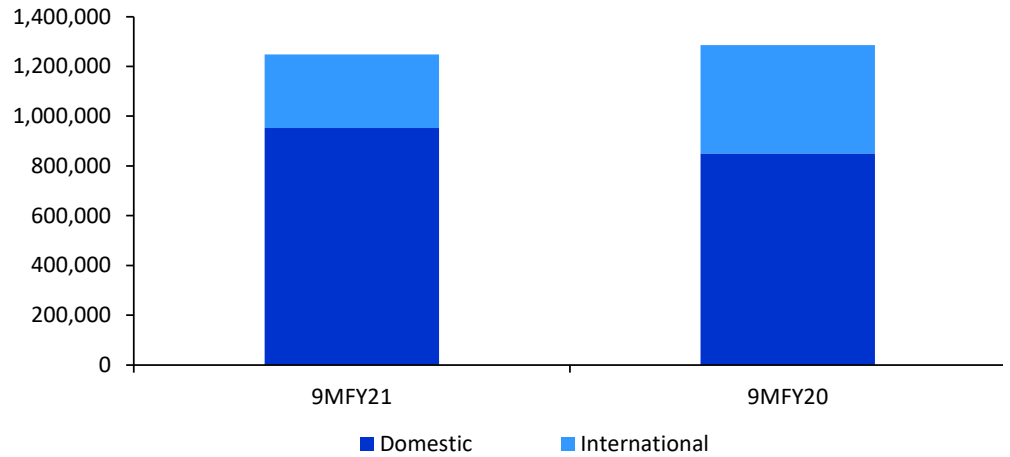
Exhibit 4: Consolidated quarterly financials

| Particulars (Rs mn) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | YoY (%) | QoQ(%) | YTD FY20 | YTD FY21 | YoY(%) |
|---|----------------|----------------|----------------|----------------|----------------|--------------|---------------|------------------|----------------|---------------|
| Gross Revenue | 362,427 | 442,453 | 212,600 | 310,347 | 355,964 | (1.8) | 14.7 | 1,012,071 | 878,911 | (13.2) |
| Operating Income | 362,427 | 442,453 | 212,600 | 310,347 | 355,964 | (1.8) | 14.7 | 1,012,071 | 878,911 | (13.2) |
| Raw Material, Stores & Spares Cost | 45,726 | 42,112 | 26,216 | 44,978 | 46,578 | 1.9 | 3.6 | 129,824 | 117,772 | (9.3) |
| Subcontracting charges | 69,069 | 84,670 | 20,888 | 46,852 | 63,024 | (8.8) | 34.5 | 179,870 | 130,763 | (27.3) |
| Construction materials consumed | 68,679 | 114,704 | 20,577 | 45,556 | 62,122 | (9.5) | 36.4 | 188,457 | 128,255 | (31.9) |
| Purchases of stock-in-trade | 2,431 | 2,237 | 1,395 | 2,939 | 3,462 | 42.5 | 17.8 | 6,174 | 7,797 | 26.3 |
| Changes in Inventory, WIP & SIP | (1,140) | 6,643 | (1,926) | 5,406 | 2,970 | (360.5) | (45.1) | (166) | 6,450 | (3,975.9) |
| Other Manufact, Const & Opex | 33,732 | 36,309 | 25,182 | 29,370 | 32,656 | (3.2) | 11.2 | 102,374 | 87,208 | (14.8) |
| Total Manufacturing & Operating Cost | 218,497 | 286,674 | 92,331 | 175,101 | 210,812 | (3.5) | 20.4 | 606,533 | 478,244 | (21.2) |
| Staff Expenditure | 61,332 | 62,884 | 61,535 | 60,844 | 61,702 | 0.6 | 1.4 | 168,256 | 184,081 | 9.4 |
| Finance Cost of Financial Services & Leases | 20,044 | 19,356 | 21,039 | 19,848 | 17,859 | (10.9) | (10.0) | 61,063 | 58,745 | (3.8) |
| Sales Admin & Other Expenses | 21,377 | 22,328 | 21,490 | 21,207 | 22,792 | 6.6 | 7.5 | 61,634 | 65,490 | 6.3 |
| Excise Duty | | | | | | | | | | |
| EBITDA | 41,177 | 51,210 | 16,205 | 33,348 | 42,800 | 3.9 | 28.3 | 114,585 | 92,352 | (19.4) |
| Other Income | 4,749 | 6,605 | 7,774 | 5,590 | 10,647 | 124.2 | 90.4 | 14,558 | 24,011 | 64.9 |
| Depreciation | 6,602 | 7,109 | 6,722 | 7,131 | 7,021 | 6.3 | (1.5) | 17,513 | 20,875 | 19.2 |
| EBIT | 39,324 | 50,706 | 17,256 | 31,807 | 46,425 | 18.1 | 46.0 | 111,629 | 95,488 | (14.5) |
| Interest Cost | 7,092 | 8,208 | 10,559 | 10,425 | 9,620 | 35.7 | (7.7) | 19,817 | 30,604 | 54.4 |
| Exceptional items | - | - | 1,833 | 44,137 | 2,093 | #DIV/0! | (95.3) | 1,252 | 48,064 | 3,738.6 |
| PBT | 32,232 | 42,497 | 8,531 | 65,519 | 38,898 | 20.7 | (40.6) | 93,064 | 112,948 | 21.4 |
| Tax | 7,110 | 9,663 | 2,080 | 6,754 | 10,408 | 46.4 | 54.1 | 22,969 | 19,241 | (16.2) |
| Associates & JV- Profit/(Loss) | 2,394 | 2,790 | (1,011) | (526) | 86 | (96.4) | (116.3) | 3,223 | (1,451) | (145.0) |
| Minority Interest - (Profit)/Loss | 3,995 | 3,654 | 2,408 | 3,037 | 3,910 | | | 9,798 | 9,355 | (4.5) |
| Net Profit | 23,521 | 31,971 | 3,031 | 55,203 | 24,667 | 4.9 | (55.3) | 63,520 | 82,901 | 30.5 |
| Reported EPS | 16.8 | 22.8 | 2.1 | 39.3 | 17.6 | 4.8 | (55.3) | 45.3 | 59.0 | 30.3 |
| Operating Cost as a % of Sales | | | | | | | | | | |
| Manufacturing & Operating cost | 60.3 | 64.8 | 43.4 | 56.4 | 59.2 | (106) | 280 | 59.9 | 54.4 | (552) |
| Staff Cost | 16.9 | 14.2 | 28.9 | 19.6 | 17.3 | 41 | (227) | 16.6 | 20.9 | 432 |
| Sales Admin & Other Expenses | 5.9 | 5.0 | 10.1 | 6.8 | 6.4 | 50 | (43) | 6.1 | 7.5 | 136 |
| Margins (%) | | | | | | | | | | |
| EBITDA | 11.4 | 11.6 | 7.6 | 10.7 | 12.0 | 66 | 128 | 11.3 | 10.5 | (81) |
| EBIT | 10.9 | 11.5 | 8.1 | 10.2 | 13.0 | 219 | 279 | 11.0 | 10.9 | (17) |
| PBT | 8.9 | 9.6 | 4.0 | 21.1 | 10.9 | 203 | (1,018) | 9.2 | 12.9 | 366 |
| NPM | 6.5 | 7.2 | 1.4 | 17.8 | 6.9 | 44 | (1,086) | 6.3 | 9.4 | 316 |
| Segmental Revenue | | | | | | | | | | |
| Infrastructure | 173,994 | 255,597 | 64,561 | 130,957 | 159,732 | (8.2) | 22.0 | 478,579 | 355,250 | (25.8) |
| Power | 6,983 | 5,653 | 3,800 | 6,887 | 9,037 | 29.4 | 31.2 | 17,532 | 19,724 | 12.5 |
| Heavy Engineering | 8,061 | 7,016 | 4,251 | 7,081 | 8,034 | (0.3) | 13.5 | 25,034 | 19,365 | (22.6) |
| Defence Engineering | 10,647 | 9,281 | 4,765 | 7,688 | 10,240 | (3.8) | 33.2 | 29,908 | 22,693 | (24.1) |
| Electrical & Automation | 14,198 | 12,391 | 7,549 | 8,460 | 48 | (99.7) | (99.4) | 43,279 | 16,057 | (62.9) |
| Hydrocarbon | 43,926 | 49,792 | 30,701 | 40,497 | 44,224 | 0.7 | 9.2 | 124,663 | 115,421 | (7.4) |
| IT & Technology Services | 61,259 | 64,613 | 60,434 | 61,998 | 65,301 | 6.6 | 5.3 | 158,739 | 187,733 | 18.3 |
| Financial Services | 35,501 | 33,657 | 32,842 | 33,419 | 34,007 | (4.2) | 1.8 | 104,567 | 100,268 | (4.1) |
| Development Projects | 12,382 | 9,815 | 5,543 | 11,396 | 8,138 | (34.3) | (28.6) | 38,689 | 25,077 | (35.2) |
| Others | 13,162 | 12,066 | 7,684 | 13,672 | 20,507 | 55.8 | 50.0 | 45,220 | 41,863 | (7.4) |
| Less: Inter Segment Revenue | 3,489 | 5,037 | 1,980 | 3,246 | 3,256 | (6.7) | 0.3 | 19,069 | 8,482 | (55.5) |
| Total | 376,625 | 454,844 | 220,148 | 318,807 | 356,013 | (5.5) | 11.7 | 1,047,142 | 894,968 | (14.5) |

| | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | YoY (%) | QoQ(%) | YTD FY20 | YTD FY21 | YoY(%) |
|--------------------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|----------------|---------------|---------------|
| EBIT | | | | | | | | | | |
| Infrastructure | 8,843 | 26,266 | 2,448 | 6,586 | 8,226 | (7.0) | 24.9 | 25,667 | 17,260 | (32.8) |
| Power | 139 | 2,032 | (50) | 125 | 88 | (36.9) | (29.7) | 329 | 163 | (50.5) |
| Heavy Engineering | 1,586 | 1,057 | 543 | 187 | 1,347 | (15.1) | 619.1 | 4,604 | 2,077 | (54.9) |
| Defence Engineering | 1,816 | 1,236 | 250 | 1,508 | 1,384 | (23.8) | (8.3) | 4,445 | 3,142 | (29.3) |
| Electrical & Automation | 2,571 | 1,877 | 178 | 698 | (32) | (101.3) | (104.6) | 7,004 | 844 | (88.0) |
| Hydrocarbon | 4,930 | 5,023 | 1,179 | 2,990 | 4,932 | 0.0 | 65.0 | 12,439 | 9,100 | (26.8) |
| IT & Technology Services | 9,955 | 10,230 | 9,670 | 11,307 | 13,595 | 36.6 | 20.2 | 26,702 | 34,572 | 29.5 |
| Financial Services | 7,269 | 4,467 | (1,252) | 3,283 | 3,520 | (51.6) | 7.2 | 22,319 | 5,550 | (75.1) |
| Development Projects | 1,825 | (96) | (386) | (168) | (760) | (141.6) | 351.2 | 3,969 | (1,314) | (133.1) |
| Others | 2,522 | 1,505 | 229 | 2,114 | 6,553 | 159.9 | 209.9 | 8,408 | 8,896 | 5.8 |
| Total | 41,455 | 53,597 | 12,808 | 28,630 | 38,853 | (6.3) | 35.7 | 115,885 | 80,290 | (30.7) |
| EBIT Margin (%) | | | | | | | | | | |
| Infrastructure | 5.1 | 10.3 | 3.8 | 5.0 | 5.2 | 7 | 12 | 5.4 | 4.9 | (50) |
| Power | 2.0 | 35.9 | (1.3) | 1.8 | 1.0 | (102) | (84) | 1.9 | 0.8 | (105) |
| Heavy Engineering | 19.7 | 15.1 | 12.8 | 2.6 | 16.8 | (291) | 1,412 | 18.4 | 10.7 | (766) |
| Defence Engineering | 17.1 | 13.3 | 5.2 | 19.6 | 13.5 | (354) | (611) | 14.9 | 13.8 | (102) |
| Electrical & Automation | 18.1 | 15.1 | 2.4 | 8.3 | (66.7) | (8,477) | (7,492) | 16.2 | 5.3 | (1,093) |
| Hydrocarbon | 11.2 | 10.1 | 3.8 | 7.4 | 11.2 | (7) | 377 | 10.0 | 7.9 | (209) |
| IT & Technology Services | 16.3 | 15.8 | 16.0 | 18.2 | 20.8 | 457 | 258 | 16.8 | 18.4 | 159 |
| Financial Services | 20.5 | 13.3 | (3.8) | 9.8 | 10.4 | (1,013) | 53 | 21.3 | 5.5 | (1,581) |
| Development Projects | 14.7 | (1.0) | (7.0) | (1.5) | (9.3) | (2,407) | (786) | 10.3 | (5.2) | (1,550) |
| Others | 19.2 | 12.5 | 3.0 | 15.5 | 32.0 | 1,280 | 1,649 | 18.6 | 21.3 | 266 |

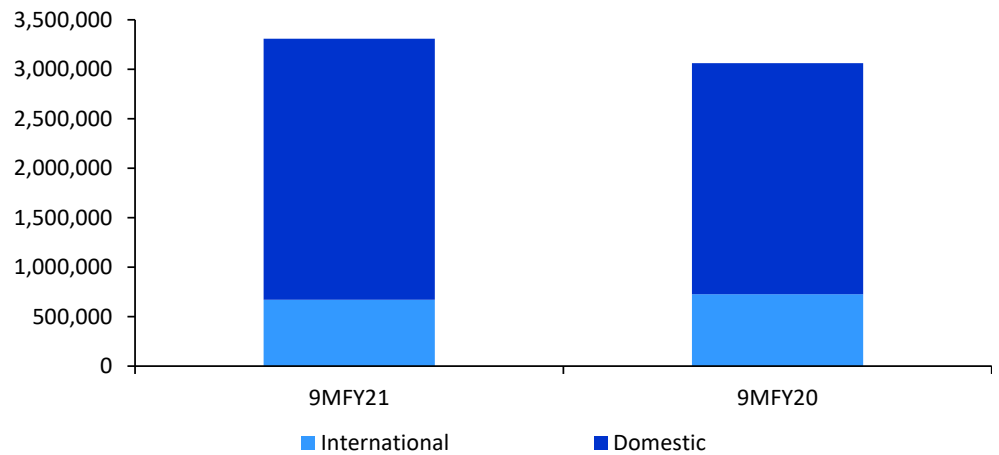
Source: Company, DART

Exhibit 5: Order Inflow Mix for 9MFY21 (in Rs bn)



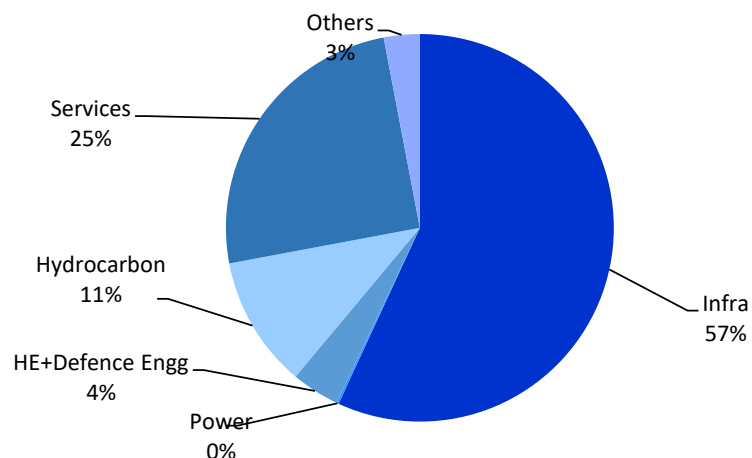
Source: DART, Company

Exhibit 6: Order book mix 9MFY21 (Rs bn)



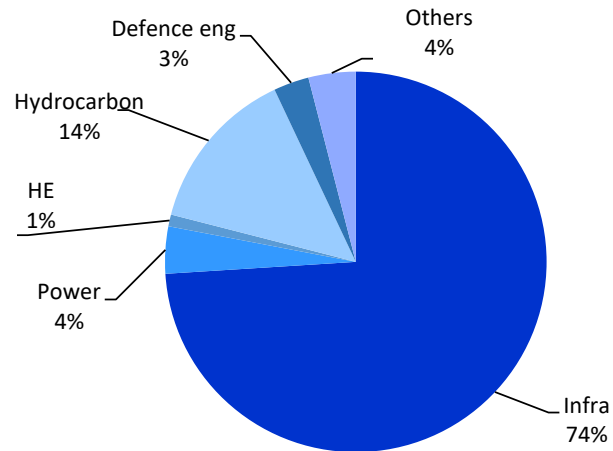
Source: DART, Company

Exhibit 7: 9MFY21 Order Inflow (%)



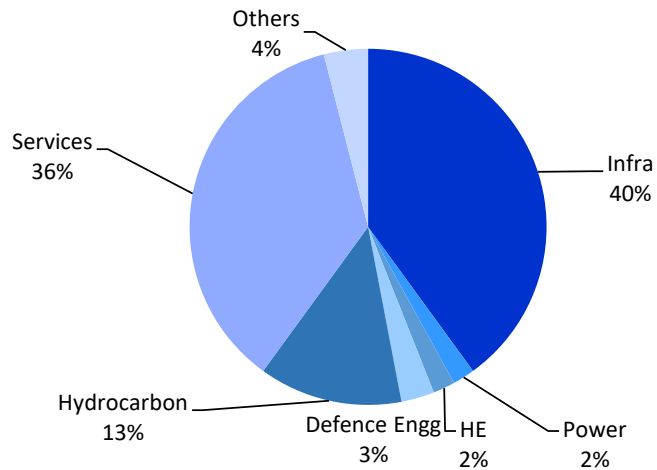
Source: DART, Company

Exhibit 8: 9MFY21 order book composition



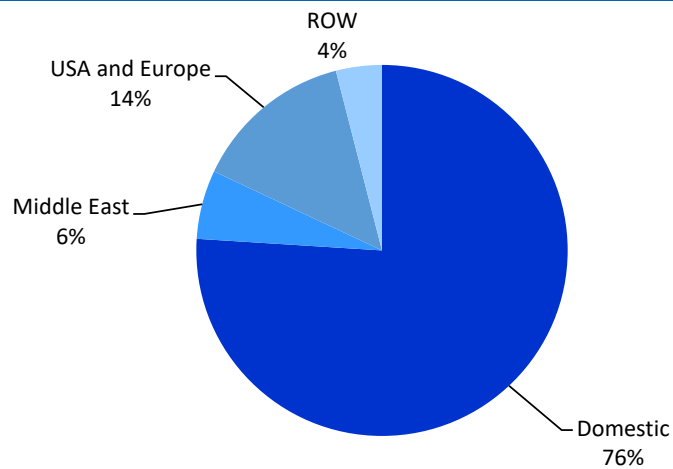
Source: DART, Company

Exhibit 9: Revenue break up for 9MFY21



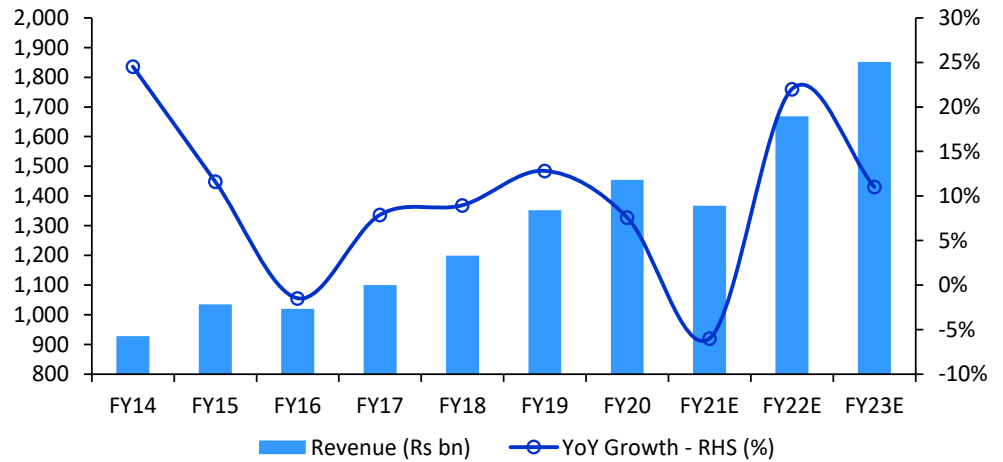
Source: DART, Company

Exhibit 10: 9MFY21 Order inflow composition



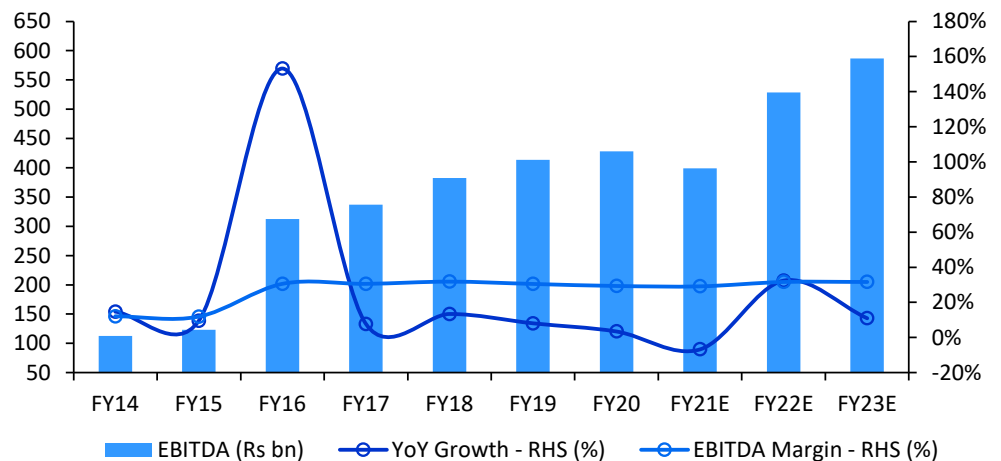
Source: Company, DART

Exhibit 11: Revenue and YoY growth (%)



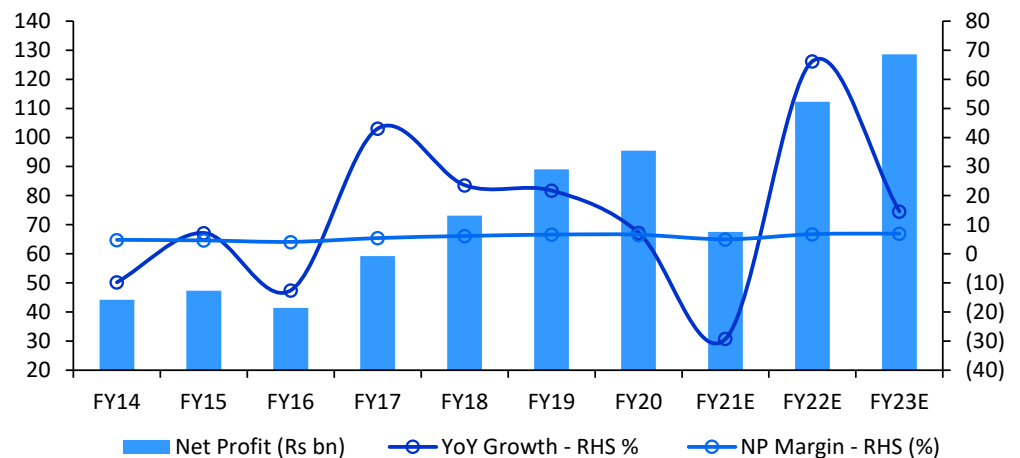
Source: DART, Company

Exhibit 12: EBITDA, EBITDA margin and YoY growth (%)



Source: DART, Company

Exhibit 13: Net profit, Net profit margin and YoY growth (%)



Source: DART, Company

Profit and Loss Account

| (Rs Mn) | FY20A | FY21E | FY22E | FY23E |
|--|------------------|------------------|------------------|------------------|
| Revenue | 1,454,524 | 1,367,252 | 1,668,048 | 1,851,533 |
| Total Expense | 1,291,234 | 1,234,629 | 1,472,886 | 1,634,904 |
| COGS | 759,921 | 731,480 | 909,086 | 1,009,085 |
| Employees Cost | 231,140 | 239,269 | 241,867 | 268,472 |
| Other expenses | 300,173 | 263,880 | 321,933 | 357,346 |
| EBIDTA | 163,290 | 132,623 | 195,162 | 216,629 |
| Depreciation | 24,623 | 28,122 | 31,279 | 31,879 |
| EBIT | 138,667 | 104,501 | 163,883 | 184,751 |
| Interest | 27,967 | 30,818 | 32,359 | 33,977 |
| Other Income | 23,609 | 25,970 | 28,567 | 31,424 |
| Exc. / E.O. items | 0 | 45,970 | 0 | 0 |
| EBT | 134,310 | 145,624 | 160,091 | 182,197 |
| Tax | 32,632 | 25,910 | 41,624 | 47,371 |
| RPAT | 95,490 | 113,527 | 112,280 | 128,639 |
| Minority Interest | 13,453 | 13,453 | 13,453 | 13,453 |
| Profit/Loss share of associates | 7,265 | 7,265 | 7,265 | 7,265 |
| APAT | 95,490 | 67,556 | 112,280 | 128,639 |

Balance Sheet

| (Rs Mn) | FY20A | FY21E | FY22E | FY23E |
|-------------------------------|------------------|------------------|------------------|------------------|
| Sources of Funds | | | | |
| Equity Capital | 2,808 | 2,810 | 2,810 | 2,810 |
| Minority Interest | 95,208 | 95,208 | 95,208 | 95,208 |
| Reserves & Surplus | 664,424 | 709,126 | 783,420 | 868,539 |
| Net Worth | 667,232 | 711,936 | 786,230 | 871,349 |
| Total Debt | 1,431,737 | 1,503,324 | 1,578,490 | 1,657,414 |
| Net Deferred Tax Liability | (23,935) | (23,935) | (23,935) | (23,935) |
| Total Capital Employed | 2,170,242 | 2,286,532 | 2,435,993 | 2,600,036 |

Applications of Funds

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Net Block | 399,387 | 381,265 | 359,986 | 338,108 |
| CWIP | 33,111 | 44,111 | 55,111 | 66,111 |
| Investments | 237,622 | 247,127 | 257,012 | 267,292 |
| Current Assets, Loans & Advances | 2,372,816 | 2,320,810 | 2,626,156 | 2,885,648 |
| Inventories | 57,467 | 93,647 | 82,260 | 91,308 |
| Receivables | 407,315 | 393,319 | 434,149 | 481,906 |
| Cash and Bank Balances | 151,178 | 109,169 | 118,173 | 147,298 |
| Loans and Advances | 1,025,511 | 1,037,210 | 1,152,867 | 1,234,171 |
| Other Current Assets | 731,345 | 687,465 | 838,707 | 930,965 |
| Less: Current Liabilities & Provisions | 872,694 | 706,781 | 862,273 | 957,123 |
| Payables | 838,099 | 674,261 | 822,599 | 913,085 |
| Other Current Liabilities | 34,595 | 32,519 | 39,674 | 44,038 |
| | | <i>sub total</i> | | |
| Net Current Assets | 1,500,122 | 1,614,030 | 1,763,884 | 1,928,525 |
| Total Assets | 2,170,242 | 2,286,532 | 2,435,993 | 2,600,036 |

E – Estimates

Important Ratios

| Particulars | FY20A | FY21E | FY22E | FY23E |
|---|-----------|-----------|-----------|-----------|
| (A) Margins (%) | | | | |
| Gross Profit Margin | 47.8 | 46.5 | 45.5 | 45.5 |
| EBIDTA Margin | 11.2 | 9.7 | 11.7 | 11.7 |
| EBIT Margin | 9.5 | 7.6 | 9.8 | 10.0 |
| Tax rate | 24.3 | 17.8 | 26.0 | 26.0 |
| Net Profit Margin | 6.6 | 8.3 | 6.7 | 6.9 |
| (B) As Percentage of Net Sales (%) | | | | |
| COGS | 52.2 | 53.5 | 54.5 | 54.5 |
| Employee | 15.9 | 17.5 | 14.5 | 14.5 |
| Other | 20.6 | 19.3 | 19.3 | 19.3 |
| (C) Measure of Financial Status | | | | |
| Gross Debt / Equity | 2.1 | 2.1 | 2.0 | 1.9 |
| Interest Coverage | 5.0 | 3.4 | 5.1 | 5.4 |
| Inventory days | 14 | 25 | 18 | 18 |
| Debtors days | 102 | 105 | 95 | 95 |
| Average Cost of Debt | 2.1 | 2.1 | 2.1 | 2.1 |
| Payable days | 210 | 180 | 180 | 180 |
| Working Capital days | 376 | 431 | 386 | 380 |
| FA T/O | 3.6 | 3.6 | 4.6 | 5.5 |
| (D) Measures of Investment | | | | |
| AEPS (Rs) | 68.0 | 48.1 | 79.9 | 91.6 |
| CEPS (Rs) | 85.5 | 68.1 | 102.2 | 114.2 |
| DPS (Rs) | 18.0 | 14.4 | 23.9 | 27.4 |
| Dividend Payout (%) | 26.4 | 30.0 | 30.0 | 30.0 |
| BVPS (Rs) | 474.9 | 506.7 | 559.6 | 620.2 |
| RoANW (%) | 14.8 | 16.5 | 15.0 | 15.5 |
| RoACE (%) | 6.3 | 4.7 | 6.4 | 6.7 |
| RoAIC (%) | 7.3 | 5.0 | 7.3 | 7.7 |
| (E) Valuation Ratios | | | | |
| CMP (Rs) | 1361 | 1361 | 1361 | 1361 |
| P/E | 20.0 | 28.3 | 17.0 | 14.9 |
| Mcap (Rs Mn) | 1,912,627 | 1,912,627 | 1,912,627 | 1,912,627 |
| Mcap/ Sales | 1.3 | 1.4 | 1.1 | 1.0 |
| EV | 3,193,185 | 3,306,781 | 3,372,944 | 3,422,743 |
| EV/Sales | 2.2 | 2.4 | 2.0 | 1.8 |
| EV/EBITDA | 19.6 | 24.9 | 17.3 | 15.8 |
| P/BV | 2.9 | 2.7 | 2.4 | 2.2 |
| Dividend Yield (%) | 1.3 | 1.1 | 1.8 | 2.0 |
| (F) Growth Rate (%) | | | | |
| Revenue | 7.6 | (6.0) | 22.0 | 11.0 |
| EBITDA | 6.5 | (18.8) | 47.2 | 11.0 |
| EBIT | 3.4 | (24.6) | 56.8 | 12.7 |
| PBT | (2.2) | 8.4 | 9.9 | 13.8 |
| APAT | 7.2 | (29.3) | 66.2 | 14.6 |
| EPS | 7.2 | (29.3) | 66.2 | 14.6 |

Cash Flow

| (Rs Mn) | FY20A | FY21E | FY22E | FY23E |
|--------------|-----------|----------|----------|----------|
| CFO | 308,878 | 243,382 | 374,864 | 435,472 |
| CFI | (148,532) | (21,000) | (21,000) | (21,000) |
| CFF | 119,701 | 17,916 | 4,821 | 1,427 |
| FCFF | 160,346 | 222,382 | 353,864 | 414,472 |
| Opening Cash | 117,262 | 151,178 | 109,169 | 118,173 |
| Closing Cash | 151,178 | 109,169 | 118,173 | 147,298 |

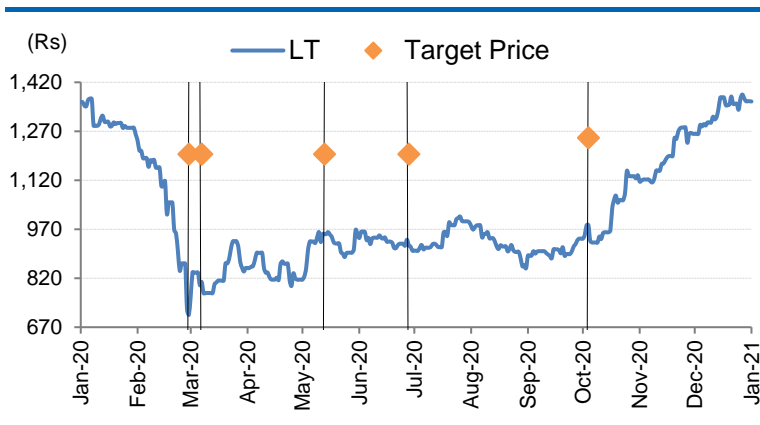
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

| | |
|-------------------|------------------|
| Buy | > 20% |
| Accumulate | 10 to 20% |
| Reduce | 0 to 10% |
| Sell | < 0% |

Rating and Target Price History



| Month | Rating | TP (Rs.) | Price (Rs.) |
|--------|--------|----------|-------------|
| Mar-20 | Buy | 1,200 | 708 |
| Mar-20 | Buy | 1,200 | 809 |
| Jun-20 | Buy | 1,200 | 955 |
| Jul-20 | Buy | 1,200 | 921 |
| Oct-20 | Buy | 1,250 | 983 |

*Price as on recommendation date

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| | | | |
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