Sharekhan
by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Stock Update

Larsen & Toubro

Resilient quarter; Healthy outlook

Capital Goods	Sharekhan code: LT	Result Update

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Reco/View	Change
Reco: **Buy**	↔
CMP: **Rs. 1,598**	
Price Target: **Rs. 1,900**	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

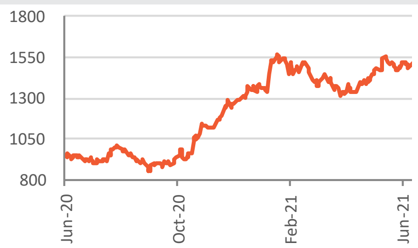
Company details

Market cap:	Rs. 2,24,435 cr
52-week high/low:	Rs. 1,647 / 843
NSE volume: (No of shares)	2.5 lakh
BSE code:	500510
NSE code:	LT
Free float: (No of shares)	140.4 cr

Shareholding (%)

Promoters	0.0
FII	22.8
DII	32.8
Others	44.5

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	8	21	17	67
Relative to Sensex	1	10	9	52

Sharekhan Research, Bloomberg

Summary

- Revenues were marginally lower than expected, while OPM remained broadly in-line for Q1FY20222. Order prospects and order backlog stayed healthy.
- Management retained FY2022 guidance for order intake, revenues, OPM and working capital levels. Cash reserve remained robust.
- Divestment of power assets, stake in road entity and restructuring of Hyderabad Metro project is expected to conclude in the current year.
- We maintain a Buy on Larsen and Toubro (L&T) with a revised PT of Rs. 1900, considering inexpensive valuation for core business and positive business dynamics, barring near-term COVID-led concerns.

Larsen and Toubro (L&T) reported marginally lower-than-expected revenues in Q1FY2022 while OPM broadly remained in-line with estimate. Consolidated revenue grew by 38% y-o-y to Rs. 29,335 crore, where revenues excluding services and concessions businesses (ex-E&A revenues) grew by 69% y-o-y (but 9.2% versus pre-COVID levels of Q1FY2020). Its financial services (Rs. 3061 crore, -7% y-o-y, -9% q-o-q) and Hyderabad metro project was disproportionately affected by the second wave of COVID during Q1FY2022. Consolidated OPM at 10.8% (up 319 bps y-o-y, down 247 bps q-o-q) was a tad below estimate. OPM for ex-services & concessions business stood at 8.9% (versus 7%/12.8% in Q1FY2021/Q4FY2021). A rise in OPM is attributable to higher recovery of overheads. Overall, operating profit grew by 95.7% y-o-y (down 50.4% q-o-q) to Rs. 3,171 crore, marginally below our estimate. Higher revenues were also aided by a lower base and improvement in OPM y-o-y led to consolidated net profit of Rs. 1,174 crore (+287% y-o-y, -64.3% q-o-q). The management retained its guidance for low to mid-teens growth in order intake and revenues for FY2022. OPM and working capital requirement (as a % of sales) are expected to remain same as FY2021 in FY2022. Order prospects as on June 2021 were healthy at Rs. 8.96 lakh crore but lower than Rs. 9.08 lakh crore at the start of FY2022. Lower prospects were led by order booking in Q1FY2022 and a drop in Infrastructure order prospects (while order prospects in the hydrocarbon segment improved with a recovery in crude oil prices). The order inflow at the group level was up 13% y-o-y (-48% q-o-q) at Rs. 26,557 crore while excluding the services and concessions businesses, it was up 11% y-o-y (-62% q-o-q) at Rs. 15,137 crore. The steep decline in order inflows is attributable to 40% and 60% q-o-q decline in project tendering and awarding in Q1FY2022 due to COVID-led deferrals. However, the company's order book is at a record level at Rs. 3.23 lakh crore translating to 2.2x its TTM consolidated revenues. On the asset divestment front, it is looking at sale for its two power assets and IDPL road assets (51% stake) for which discussions with prospective clients are undergoing and the company is hopeful of positive development in current year. It has also been mulling for equity partner, refinancing of loan and is undertaking discussions with state government to restructure Hyderabad Metro. It infused Rs. 500 crore out of Rs. 2,000 crore set up for Hyderabad Metro in Q1FY2022 as the asset continued to be affected by COVID-19, leading to low ridership. However, the company has seen daily ridership rising to 120,000-130,000 per day in July from an average 55,000 per day in Q1FY2022. We believe L&T's should see improvement in execution along with stable margins in FY2022 as the domestic economy evolves out of the second wave of COVID-19 while major developed economies have started to see strong recovery. L&T continued to preserve strong cash balance of Rs. 45,100 crore (Rs. 47,300 crore as on FY2021). For the long term, L&T remains at the forefront to reap benefits from the AtmaNirbhar Bharat Scheme with its diversified businesses across sectors such as defence, infrastructure, heavy engineering and IT. The company remains the best proxy for domestic capex and its improving business environment. L&T is trading at a P/E of 17x/14x its FY2023E/FY2024E, which remains lower to its long-term average and provides comfort on valuation. Hence, we maintain our Buy rating on the stock with a revised SOTP-based price target (PT) of Rs. 1,900.

Key positives

- Strong y-o-y growth in core EPC and manufacturing along with better OPM
- Order prospects and order backlog remained healthy.

Key negatives

- Financial services & Hyderabad Metro affected disproportionately by second wave of COVID-19.
- Asset divestment and Hyderabad metro restructuring still in discussion stages

Our Call

Maintain Buy with a revised PT of Rs. 1,900: L&T's resilient operational performance amid second wave of COVID-19 and retaining guidance related to execution, order intake and working capital requirement for FY2022 are key positives emerging out of Q1FY2022 results. International outlook looks promising especially for GCC countries with a pick-up in oil prices and faster recovery from covid-19 pandemic. On the longer term, L&T remains at the forefront to reap benefits from the AtmaNirbhar Bharat Scheme with its diversified businesses across sectors such as defence, infrastructure, heavy engineering, and IT. The company remains the best proxy for domestic capex and its improving business environment. L&T is trading at a P/E of 17x/14x its FY2023E/FY2024E, which remains lower to its long-term average and provides comfort on valuation. Hence, we maintain our Buy rating on the stock with a revised SOTP-based price target (PT) of Rs. 1,900.

Key Risks

Slowdown in the domestic macro-economic environment or weakness in international capital investment can negatively affect business outlook and earnings growth.

Valuation (Consolidated) Rs cr

Particulars	FY21	FY22E	FY23E	FY24E
Revenue	1,35,979	1,54,336	1,76,715	2,03,222
OPM (%)	11.5	11.6	11.7	11.8
Adjusted PAT	11,583	9,283	11,821	15,340
% YoY growth	*21.3%*	*-19.9%*	*27.3%*	*29.8%*
Adjusted EPS (Rs.)	82.6	66.2	84.3	101.6
P/E (x)	17.1	21.4	16.8	13.9
P/B (x)	2.6	2.7	2.5	2.2
EV/EBITDA (x)	14.4	11.9	9.5	7.6
RoNW (%)	11.5	12.4	15.3	16.7
RoCE (%)	7.2	8.1	9.5	10.8

Source: Company; Sharekhan estimates

Strong performance despite challenges: Larsen and Toubro (L&T) reported marginally lower-than-expected execution in Q1FY2022 while OPM broadly remained in-line with estimate. Consolidated revenue grew by 38% y-o-y to Rs. 29,335 crore, where revenues excluding services and concessions businesses (ex-E&A revenues) grew by 69% y-o-y (but 9.2% versus pre-COVID levels of Q1FY2020). Its financial services (Rs. 3061 crore, -7% y-o-y, -9% q-o-q) and Hyderabad metro project was disproportionately affected by the second wave of COVID during Q1FY2022. Consolidated OPM at 10.8% (up 319 bps y-o-y, down 247 bps q-o-q) was a tad below estimate. OPM for ex-services & concessions business stood at 8.9% (versus 7%/12.8% in Q1FY2021/ Q4FY2021). A rise in OPM is attributable to higher recovery of overheads. Overall, operating profit grew by 95.7% y-o-y (down 50.4% q-o-q) to Rs. 3,171 crore, marginally below our estimate. Higher revenues were also aided by a lower base and improvement in OPM y-o-y led to consolidated net profit of Rs. 1,174 crore (+287% y-o-y, -64.3% q-o-q). The management retained its guidance for low to mid-teens growth in order intake and revenues for FY2022. OPM and working capital requirement (as a % of sales) are expected to remain same as FY2021 in FY2022.

Healthy orders pipeline prospects along with Strong order book: The order book is at record level of Rs. 3.23 lakh crore (domestic orders' share - 80%, international orders - 20%). Within international orders, 60% are from Middle East and the remaining from Africa and South-East Asia. Of the total order book of Rs. 2.58 lakh crore of domestic orders, Central share is 9%, state 31%, public 43% and private 16%. The average execution cycle for L&T stands at 27 months. In Q1, ordering was impacted by subdued tendering and award activity. LT saw decline in tender and awards by 20% and 25% respectively. Order prospects seen at Rs. 8.96 lakh crore for 9MFY2022 versus Rs. 9.06 lakh crore seen at the beginning of FY2022. L&T bagged orders worth Rs 26,557 crore at the Group level during the quarter ended June 30, 2021 registering a growth of 13% over the corresponding period of the previous year. During the quarter, orders were received in various segments like Metros, Rural Water Supply, Minerals and Metal, Residential, Power Transmission and Distribution, Power and Hydrocarbon Offshore sectors. International orders at Rs 9,045 crore during the quarter comprised 34% of the total order inflows.

Outlook remains bright despite hiccups: L&T would focus on growth in FY2022 versus FY2021. It expects low to mid-teens growth in revenue and order inflows for FY2022. Margins are expected to remain flat y-o-y. Net working capital is likely to stay at same level as seen in FY2021. The company expects to revert to an 18% RoE . Thus, a recovery is delayed but not derailed. Expect domestic recovery from Q2FY2022. Large project wins and execution would be key focus areas. Over the next two years, companies would be deleveraging and strengthening their balance sheets. The private capex to revive as inflation steadies on account of attractive monetary policy and growth in global markets. Logistics, services, supply chain and health infrastructure are seeing investments. The company hopes the share of private capex to increase to 25-30% from 18% over the next two years.

Key result highlights from earnings call

- **Order book:** The order book is at a record level of Rs. 3.23 lakh crore (domestic orders - 80%, international orders - 20%). Within international orders, 60% are from the Middle East and the remaining from Africa and South East Asia. Of the total order book of Rs. 2.58 lakh crore of domestic orders, Central share is 9%, state 31%, public 43% and private 16%. The average execution cycle for LT stands at 27 months.
- **Ordering momentum:** In Q1, ordering was impacted by subdued tendering and awarding activity. L&T saw a decline in tender and awards by 20% and 25%, respectively.
- **Order prospects:** Order prospects seen at Rs. 8.96 lakh crore for 9MFY2022 versus Rs. 9.06 lakh crore seen at the beginning of FY2022.
- **Order inflows:** The company bagged orders worth Rs 26,557 crore at the Group level during the quarter ended June 30, 2021 registering a growth of 13% over corresponding period of the previous year. During the quarter, orders were received in various segments like Metros, Rural Water Supply, Minerals and Metal, Residential, Power Transmission and Distribution, Power and Hydrocarbon Offshore sectors. International orders at Rs 9,045 crore comprised 34% of the total order inflows.
- **Guidance:** Seeing near-term challenges, the management guided for low to mid-teens revenue and order inflows for FY22. Current order book stands strong at INR3.3t (+6% YoY), with order book/revenue ratio of

3.5x. Order pipeline is Rs. 8.96 lakh crore. Order pipeline for hydrocarbon projects increased from Rs. 1.4-1.8 trillion q-o-q. Other opportunities include water, building and factories, transport & infra etc.

- **Net working capital:** The net working capital stood at 22.9% of sales in Q1FY2022 as against 26.8% in Q1 FY2021. The management mentioned that customer collections improved and at group level collections stood at Rs. 27,600 crore in Q1 FY22 vs Rs 25,200 cr in Q1 FY21.
- **Margins:** Maintained margin guidance at 10.5%. For 60% of the projects commodity prices will be passed on. For 40% of projects, the company has bid, taking into consideration commodity price volatility.
- **Labour:** Current labour availability is 2,35,000-2,40,000. Peak labour requirement is around 250000 people. Labour situation is improved and is likely to improve. Labour is not a constraint at international sites.
- **Restructuring** Looking to divest power assets. Has reserved Rs. 2,000 crore in cash for the Hyderabad Metro asset in FY22E in current situation. For Q1FY22, the loss stood at Rs. 500 crore.
- **Private capex cycle:** currently private sector order book at 18%. Private sector balance sheet to de-lever and will increase capex. Share can move from 18% to 25%.
- **Slow moving orders:** Slow moving orders in AP have gone down from Rs. 2,000 crore to Rs. 1,200 crore partly due to provisions.
- **Big ticket orders:** The high-speed rail project is a big-ticket order that L&T received in FY21. It is likely to reflect in the topline next year. In the coastal project, 32% of execution is completed and margin recognition has begun as threshold for the same is at 25%.
- **RoE:** The company reported trailing 12-month RoE of 17.2% in Q1 FY22 vs 12.7% in Q1 FY21. The management mentioned that they will be pursuing to perform on these return ratios rigourously.

Quarterly performance - Consolidated Rs cr

Particulars	Q1FY22	Q1FY21	Y-o-Y %	Q4FY21	Q-o-Q %
Net Sales	**29,335**	**21,260**	**38.0%**	**48,088**	**-39.0%**
Total Expenditure	26,163	19,640	33.2%	41,699	-37.3%
Operating profits	**3,171**	**1,620**	**95.7%**	**6,389**	**-50.4%**
Other Income	648	777	-16.6%	1,028	-37.0%
Interest	827	1,056	-21.6%	853	-3.0%
Depreciation	717	672	6.7%	817	-12.2%
PBT	2,275	846	168.9%	5,747	-60.4%
Exceptional items	-	(176)		-	
PBT	2,275	846	168.9%	5,747	-60.4%
Tax	718	208	245.4%	2,087	-65.6%
PAT	**1,174**	**303**	**287.4%**	**3,293**	**-64.3%**
Adj. PAT	**1,174**	**120**	**880.3%**	**3,417**	**-65.6%**
EPS	**8.4**	**0.9**	**880.3%**	**24.3**	**-65.6%**
Margins (%)			**BPS**		**BPS**
OPM	10.8	7.6	319	13.3	(247)
PATM	4.0	0.6	344	7.1	(310)
Tax Rate	31.6	24.6	700	36.3	(472)

Source: Company; Sharekhan Research

Segmental Performance

Particulars	Q4FY21	Q4FY20	YoY/bps	Comment
Infra	**10,409**	**6,386**	**63.00%**	Infrastructure segment performance was impacted mainly due to the pandemic-induced delay in tendering activities and finalization of orders. The segment order book was at Rs. 244,621 crore on June 30, 2021, with the share of international orders in the order book at 20%. The order pipeline in this segment stood at Rs 6.4 trillion (up 33% y-o-y).
PBIT margin (%)	7.1	6.3	80	
Power	**759**	**380**	**100.00%**	The segment registered substantial growth compared to the corresponding quarter of the previous year on receipt of an order for the Flue Gas Desulphurisation (FGD) project. The order book of the segment was at Rs. 12,907 crore on June 30, 2021, with the international order book constituting 5% of the total order book.
PBIT margin (%)	2.5	1	150	
Heavy Engg.	**548**	**378**	**45.00%**	The segment recorded a 19% y-o-y growth with a spurt of orders in Refinery and Oil & Gas segments. International orders constituted 52% of the total order inflow of the segment during the quarter. Order book of the segment was at Rs 4,373 crore on June 30, 2021, with export orders constituting 32% of the total order book.
PBIT margin (%)	17.9	17.5	40	
Defence Engg.	**689**	**472**	**46.00%**	The segment recorded 46% y-o-y growth on the back of strong execution of projects in the Weapons & Engineering System business. International revenues constituted 25% of the total customer revenues of the segment during the quarter. The order book of the segment was at Rs 7,687 crore on June 30, 2021, with export orders constituting 9%.
PBIT margin (%)	20.3	12.9	740	
Hydrocarbon	**4,190**	**3,058**	**37.00%**	The segment recorded 37% y-o-y growth with peaking of execution activities in the onshore vertical segment. International revenues constituted 36% of the total customer revenue of the segment for the quarter. The segment order book was at Rs 40,825 crore on June 30, 2021, with the international order book constituting 36%.
PBIT margin (%)	9.6	5.3	430	
IT & Tech	**7,222**	**6,018**	**20.00%**	The segment recorded q-o-q growth of 7% and y-o-y growth of 20%, reflecting a surge in demand for technology led offerings in the sector. Export billing constituted 93% of the total customer revenues of the segment for the quarter.
PBIT margin (%)	23.1	20.7	240	
Developmental proj.	**1,126**	**563**	**100.00%**	The segment recorded y-o-y growth of more than 100%, mainly due to higher PLF witnessed in the Rajpura thermal power plant. Unlike in previous year, where the Hyderabad Metro services were completely shut, the services remained partially operational in the current year albeit with restrictive timings due to localized lockdown, affecting the ridership. The profits in the segment continue to be adversely impacted due to the severe under-utilization of the Metro services.
PBIT margin (%)	-0.4	7	0	
Others	**1,329**	**715**	**86.00%**	The customer recorded a y-o-y growth of 86% with higher handover of residential flats in the Realty business, better progress of projects in Smart World and Communication and higher demand in Construction Equipment and Rubber Processing Machinery business. Export sales constituted 8% of the total customer revenues of the segment during the quarter, majorly pertaining to the Industrial valves business.
PBIT margin (%)	15.2	6.7	850	

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector view – Continued government focus on infrastructure spending to provide growth opportunities

To make India a $5 trillion economy by FY2025 and to continue growing at an escalated trajectory until 2030, it is estimated that the government would need to spend $4.5 trillion on infrastructure. To achieve the desired goal, the government drew up National Infrastructure Pipeline (NIP) through bottoms-up approach, wherein all projects costing more than Rs. 100 crore per project under construction, proposed greenfield and brownfield projects and those at conceptualisation stage were captured. Consequently, the total capital expenditure in infrastructure sectors in India during FY2020-FY2025 is projected at ~Rs. 111 lakh crore. During the same period, sectors such as energy (24%), roads (18%), urban (17%) and railways (12%) amount to ~71% of the projected infrastructure investments in India. The huge outlay towards infrastructure is expected to provide healthy growth opportunities for companies in this space.

■ Company outlook – Expect improvement in revenue run-rate along with healthy order intake prospects

The management expects domestic recovery with a focus on growth in both revenues and order inflows for FY2022. Hence, the management guides for low to mid-teens growth in order intake and revenues for FY2022. The OPM and working capital requirement (as a % of sales) are expected to remain same as FY2021 as in FY2022. Despite a second wave of COVID-19, the order prospects have stayed healthy for FY2022 with management indicating Rs. 8.96 lakh crore worth of order prospects. On the asset divestment front, for Hyderabad metro the company is evaluating various options while divestment of power assets to move towards the closure. Thus, we expect L&T to bounce back owing to multiple levers such as a strong business model, a diversified order book, and a healthy balance sheet.

■ Valuation – Maintain Buy with a revised PT of Rs. 1,900

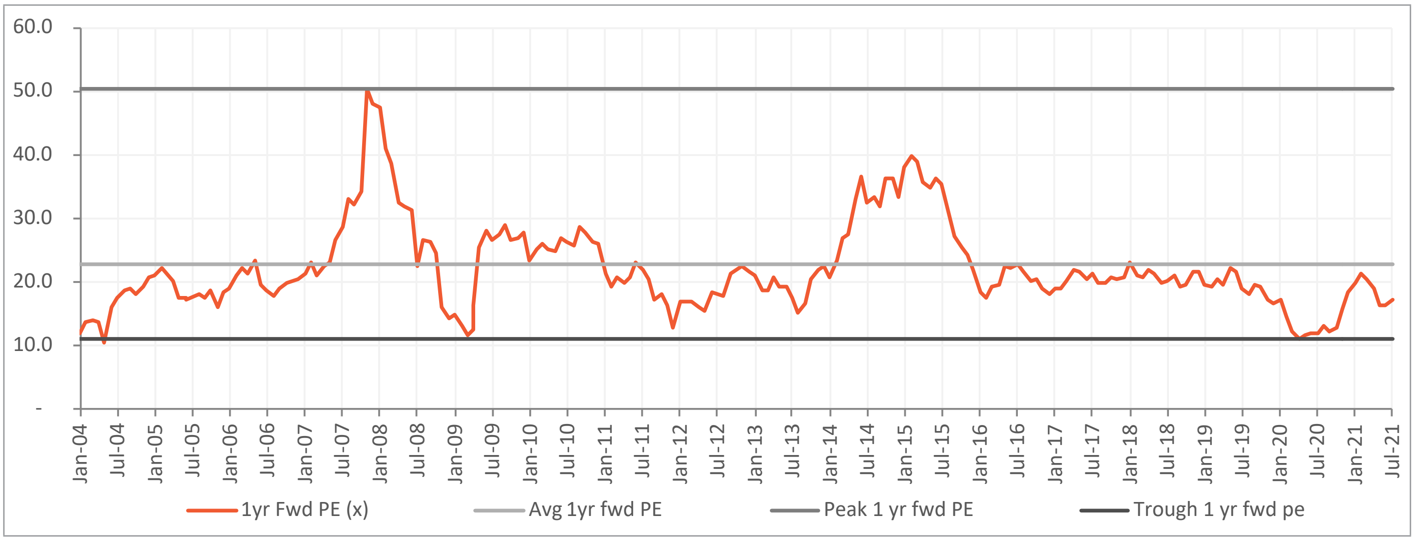
L&T's resilient operational performance amid second wave of COVID-19 and retaining guidance related to execution, order intake and working capital requirement for FY2022 are key positives emerging out of Q1FY2022 results. International outlook looks promising especially for GCC countries with a pick-up in oil prices and faster recovery from covid-19 pandemic. On the longer term, L&T remains at the forefront to reap benefits from the AtmaNirbhar Bharat Scheme with its diversified businesses across sectors such as defence, infrastructure, heavy engineering, and IT. The company remains the best proxy for domestic capex and its improving business environment. L&T is trading at a P/E of 17x/14x its FY2023E/FY2024E, which remains lower to its long-term average and provides comfort on valuation. Hence, we maintain our Buy rating on the stock with a revised SOTP-based price target (PT) of Rs. 1,900.

SOTP Valuation

Particulars	Remarks	Value (Rs cr)	Per share (Rs)
L&T's core business (standalone)	**At 16.5x FY2023 estimates**	**1,53,620**	**1,096**
Subsidiaries			
L&T Infotech (LTI)	Based on our target price	46,723	333
L&T Finance Holdings (L&TFH)	Based on our target price	13,904	99
L&T Technology Services Ltd (LTTS)	Based on our target price	18,128	129
Mindtree	Based on current market cap at 20% discount	20,484	146
Development projects (including IDPL)	At 1x Book Value	8,400	60
Hydrocarbon subsidiary	At 1x Book Value	1,000	7
Other subsidiaries	At 1x Book Value	3,613	26
Associates & Other	At 1x Book Value	477	3
Total subsidiary valuation		**1,12,730**	**804**
Fair value		**2,66,350**	**1,900**

Source: Company; Sharekhan Research

One-year forward P/E (x) band



Source: Sharekhan Research

About company

L&T is an Indian multinational engaged in technology, engineering, construction, manufacturing, and financial services and is one of the largest players in India's private sector. A strong customer-focused approach and constant quest for top-class quality have enabled the company to attain and sustain a leadership position in major lines of businesses over eight decades. The company operates in over 30 countries worldwide.

Investment theme

Capex in the economy continues to be driven by the public sector mainly in the areas of power (renewable and T&D), transportation (roads, railways, and metro projects) and defence (mainly towards indigenisation); and L&T remains the key beneficiary. With India expected to invest significantly in infrastructure creation over the next few years and with re-election of the governments providing thrust on domestic manufacturing through 'Make in India' project, companies focusing on the domestic market are in a sweet spot compared to export-centric companies. Continued emphasis on infrastructure spending with focus on rail, road, and renewable is expected to benefit L&T.

Key Risks

Slower-than-expected project execution in domestic and international markets due to various reasons such as pending approvals and clearances from government agencies and land acquisition could affect revenue. Further, weakness in domestic investment could impact growth and award of large projects, thus posing a downside risk. Moreover, unexpected political changes in some of the developed countries, trade barriers, and conflict in the Middle East are some of the risks that can affect the company's performance.

Additional Data

Key management personnel

A.M Naik	Group Chairman
S.N Subrahmanyam	Chief Executive office and Managing Director
R. Shankar Raman	Chief Financial Officer
Shailendra Roy	Sr. Executive V.P- Power, Heavy Engineering and Nuclear
D.K. Sen	Sr. Executive V.P- Infrastructure
M.V. Satish	Sr. Executive V.P- Building, Minerals and Metals
J.D. Patil	Sr. Executive V.P- Defence

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	L&T EMPLOYEES TRUST	13.90
2	Life Insurance Corp of India	13.25
3	HDFC Asset Management Co Ltd	4.42
4	SBI Funds Management Pvt Ltd	4.02
5	Republic of Singapore	2.36
6	General Insurance Corp of India	1.84
7	ICICI Pru AMC	1.74
8	Kotak Mahindra AMC	1.33
9	ICICI Prudential Life Insurance Co	1.30
10	Reliance Capital Trustee Co Ltd	1.21

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-61150000; email id: compliance@sharekhan.com;

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