

Larsen & Toubro

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR1,598 **TP: INR1,835 (+15%)** **Buy**

Minor miss in core E&C EBITDA; order inflows disappoint

FY22 guidance maintained on all fronts; valuations remain comfortable

Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	LT IN
Equity Shares (m)	1,402
M.Cap.(INRb)/(USDb)	2243.9 / 30.2
52-Week Range (INR)	1647 / 826
1, 6, 12 Rel. Per (%)	5/8/38
12M Avg Val (INR M)	5493

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	1,360	1,568	1,774
EBITDA	156	183	214
PAT	69	91	113
EBITDA (%)	11.5	11.7	12.1
EPS (INR)	49.1	64.9	80.4
EPS Gr. (%)	-22.4	32.0	24.0
BV/Sh. (INR)	540	569	630

Ratios

Net D/E	1.5	1.5	1.4
RoE (%)	9.1	11.4	12.8
RoCE (%)	5.0	5.7	6.2
Payout (%)	43.7	30.0	30.0

Valuations

P/E (x)	32.5	24.6	19.9
P/BV (x)	3.0	2.8	2.5
EV/EBITDA (x)	19.2	16.7	14.5
Div Yield (%)	2.8	1.5	1.9
FCF Yield (%)	10.6	-1.0	-0.1

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	0.0	0.0	0.0
DII	32.5	33.2	36.0
FII	24.0	23.1	19.9
Others	43.5	43.7	44.0

FII Includes depository receipts

■ Larsen & Toubro (L&T)'s adj. PAT came in at INR11.7b, missing our estimates by 19%. However, the miss in core E&C EBITDA was lower at ~6%. The larger miss was reported on account of lower other income and higher tax rates, which is recoverable over the remainder of the year. Also, given that 1Q earnings typically contribute <15% to FY earnings, we refrain from reading too much into the current quarter's headline numbers. Notably, the company has maintained its full-year guidance for low to mid-teen growth in order inflows and revenue as well as core E&C margins to be maintained at FY21 levels.

■ **The balance sheet continued to improve**, with working capital as a percentage of sales at 22.9% (v/s 26.8% last year). The favorable settlement of pending receivables for a power project enabled an INR12b debt repayment for the same. Moreover, de-growth in the loan book of L&T Finance Holdings implies gross D/E improved to 1.4x (from 1.5x at FY21-end) and net D/E improved to 0.9x (from 1x at FY21-end). L&T continues to maintain excess cash liquidity.

■ **A key negative was weak order inflows** – overall order inflows grew 13%, while core E&C order inflows were up just 11% despite the weak base of last year. The bid pipeline continues to be strong at ~INR9.0t for the remainder of 9MFY22. This suggests improved prospects v/s the previous quarter on account of hydrocarbon prospects in the Middle East. However, the **faster conversion of prospects into final awarding is key for the stock's performance**, in our view.

■ We maintain our earnings estimate, but increase TP to INR1,835 (prior: INR1,700), driven by mark to market (MTM) of the CMPs of the listed subsidiaries. Adj. for the subsidiaries' valuation (~INR740/sh), the core E&C business trades at an FY22/FY23E PE multiple of 18.0x/15.7x v/s the historical one-year fwd avg. PE multiple of 22x. L&T remains the best play on the capex cycle in India. Maintain Buy.

Minor miss in core E&C operating performance

■ **Adj. PAT misses estimate by 19%**: Consolidated revenue grew 38% YoY to INR293b, in line with our estimate. EBITDA almost doubled YoY to INR31.7b, but came in 5% below our expectation. The EBITDA margin came in at 10.8% v/s our estimate of 11%. Lower other income and a higher tax rate restricted adj. PAT to INR11.7b (a 19% miss).

■ **Core E&C margins steady despite commodity price inflation**: Core E&C revenue grew 57% YoY to INR179b and was 5% below our expectation. Notably, 1QFY22 core E&C revenue came in 15% below 1QFY20 levels, suggesting the segment was impacted by the second COVID wave. E&C EBITDA margins came in at 7%, in line with our expectations. Interestingly, EBITDA margins are better v/s 1QFY20 levels, suggesting nil impact of the commodity price inflation thus far.

- **Working capital in check:** Working capital as a percentage of sales improved to 22.9% (v/s 26.8% last year). While the ratio was beneficial owing to the higher denominator, the management mentioned that collections in receivables were better v/s last year – a key positive.

Update on order book and inflows

- **Order book strong at INR3.2t:** The order book grew 6% YoY to INR3.2t, with the order book/revenue ratio at 3.2x. The international business forms 20% of the order book. In terms of clientele, the central/state government forms 9%/31%, PSUs 43%, and the private sector 16%.
- **Order inflows disappoint; ask rate requires large ticket size orders:** Overall order inflows grew 13% to INR266b, of which core E&C orders grew just 11% to INR151b (or 50% of 1QFY20 levels). L&T indicated the bid pipeline improved sequentially, with the overall pipeline for the remainder of the year at INR8.9t. The Infrastructure sector's prospects stand at INR6.4t, while the Hydrocarbon segment's prospects have improved to INR1.8t (70% of prospective business from the Middle East). The strong bid pipeline is encouraging, but faster conversion into final awarding holds the key to meeting the guidance for low to mid-teen growth in order inflows. Assuming the growth guidance for 12% order inflows in FY22, the ask rate for the remaining 9M stands at 12% – or 42%, if adjusted for a one-time high ticket size High Speed Rail (HSR) order. **Our order inflow growth assumption stands at 6% for FY22, implying an ask rate of 33%, adjusted for the HSR order.**

Valuation and view

- **Company fundamentals fairly strong; await macro tailwinds:** L&T has rightly prioritized its balance sheet strength over growth during the second COVID wave. While this wave brought on similar challenges as last year, construction activity was allowed to continue (unlike last year); hence, the impact was much lower than that seen in FY21. Labor availability no longer poses a challenge, with the current strength at 235k (v/s the peak requirement of 250k), which is fair given the monsoon season. We believe L&T is poised for strong earnings growth momentum, if and when order inflows gain momentum. The company has some more asset monetization opportunities to capitalize on, including the sale of Nabha Power, a stake sale in L&T IDPL, and the monetization of the Hyderabad Metro.
- **Maintain Buy, with higher TP of INR1,835/share:** We maintain our earnings estimate, but increase TP to INR1,835 (prior: INR1,700), driven by MTM of the CMPs of the listed subsidiaries (Holdco discount of 20%) and an unchanged target PE multiple of 20x on the core business. We estimate an FY21–24E EPS CAGR of 24%, driven by a 15% CAGR in the core E&C business and declining loss from the Hyderabad Metro. Adj. for the subsidiaries' valuation (~INR740/sh), the core E&C business trades at an FY22/FY23E PE multiple of 18.0x/15.7x v/s the historical one-year fwd avg. PE multiple of 22x. Should the stock revert to the historical average trading multiple of 22x, our TP would increase to ~INR1,950 on the stock. L&T remains the best play on the capex cycle in India. Maintain Buy.

Quarterly Performance

(INR b)

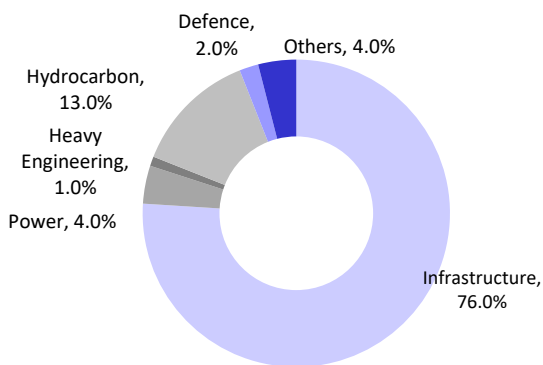
Y/E March	FY21				FY22E				FY21	FY22E	MOSL	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	% Var
Sales	213	310	356	481	293	334	389	552	1,360	1,568	303	-3.1%
Change (%)	-28.3	-12.2	-1.8	8.7	38.0	7.6	9.3	14.7	-6.5	15.3	42.4	
EBITDA	16.2	33.3	42.8	63.9	31.7	36.7	44.7	69.8	156.2	183.0	33.3	-4.8%
Change (%)	-47.2	-17.1	3.9	24.8	95.7	10.1	4.5	9.3	-4.3	17.1	105.5	
Margin (%)	7.6	10.7	12.0	13.3	10.8	11.0	11.5	12.7	11.5	11.7	11.0	
Depreciation	6.7	7.1	7.0	8.2	7.2	7.2	7.5	8.1	29.0	30.0	7.0	2.5%
Interest	10.6	10.4	9.6	8.5	8.3	9.0	9.0	11.2	39.1	37.5	9.0	-8.1%
Other Income	7.8	5.6	10.6	10.3	6.5	7.5	8.0	11.0	34.3	33.0	8.0	-19.0%
PBT	6.7	21.4	36.8	57.5	22.7	28.0	36.2	61.5	122.4	148.5	25.3	-10.1%
Tax	2.1	6.8	10.4	20.9	7.2	7.8	10.1	16.3	40.1	41.5	7.1	1.4%
Effective Tax Rate (%)	31.0	31.6	28.3	36.3	31.6	28.0	28.0	26.5	32.8	27.9	28.0	
Adjusted PAT (Before MI & AI)	4.6	14.6	26.4	36.6	15.6	20.2	26.1	45.2	82.3	107.0	18.2	-14.6%
Reported PAT	3.0	55.2	24.7	32.9	11.7	16.4	22.0	41.0	115.8	91.1	14.5	-19.1%
Change (%)	-79.4	118.4	4.9	3.0	287.4	-70.3	-10.9	24.5	21.3	-21.3	378.8	
Extraordinary Inc/(Exp) - incl. discontinued operations	1.8	44.1	2.1	-1.2	0.0	0.0	0.0	0.0	46.8	0.0	0.0	
Adjusted PAT	1.2	11.1	22.6	34.2	11.7	16.4	22.0	41.0	69.0	91.1	14.5	-19.1%
Change (%)	-91.2	-52.1	4.5	11.5	878.0	48.0	-2.6	20.0	-22.4	32.0	1108.7	

Exhibit 1: Result snapshot – core E&C and Services segments

In INR b	1QFY21	4QFY21	1QFY22	YoY	QoQ	FY21	FY22	YoY
Core E&C								
Order book	3,051	3,274	3,237	6%	-1%	3,274	3,565	9%
Order inflow	137	395	152	11%	-62%	1,327	1,372	3%
Net revenues	114	368	179	57%	-51%	935	1,083	16%
EBITDA	4	39	12	182%	-68%	81	90	11%
EBITDA margin	3.9	10.5	7.0	+310 bps	-350 bps	8.6	8.3	-30 bps
Adj. PAT	2	29	9	447%	-70%	57	67	18%
Services								
Order inflow	99	112	114	15%	3%	428	487	14%
Net revenues	99	112	114	16%	1%	425	485	14%
EBITDA	12	25	19	63%	-23%	76	93	24%
EBITDA margin	11.9	22.3	16.9	+500 bps	-540 bps	17.8	19.3	+150 bps
Adj. PAT	0	6	3	NA	-44%	12	24	95%

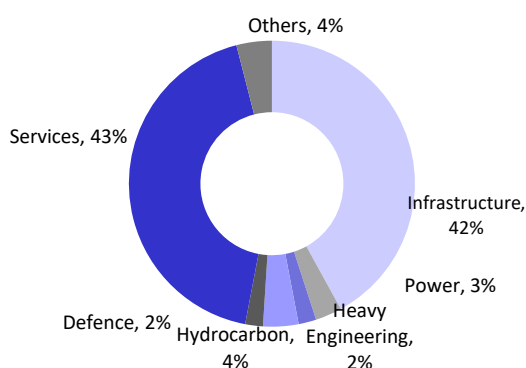
Source: MOFSL, Company

Exhibit 2: Order book breakup (INR3.2t; +6% YoY)



Source: MOFSL, Company

Exhibit 3: 1QFY22 order inflow (INR266b; +13% YoY)



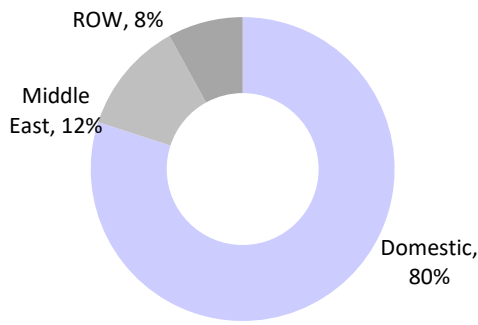
Source: MOFSL, Company

Exhibit 4: Segmental performance snapshot

Segmental analysis (INR m)	1QFY21	4QFY21	1QFY22	YoY	QoQ
Infrastructure					
Order book	21,96,720	24,55,500	24,60,120	12%	0%
OB/Rev	3.3	4.0	3.7		
Order inflow	1,12,808	3,14,340	1,11,720	-1%	-64%
Net revenues	63,900	2,62,400	1,04,100	63%	-60%
EBITDA	4,026	30,176	7,391	84%	-76%
EBITDA margin	6.3	11.5	7.1	80 bps	-440 bps
Power					
Order book	1,52,550	1,30,960	1,29,480	-15%	-1%
OB/Rev	7.1	4.1	3.6		
Order inflow	472	10,140	7,980	1591%	-21%
Net revenues	3,700	12,200	7,600	105%	-38%
EBITDA	37	1,037	190	414%	-82%
EBITDA margin	1.0	8.5	2.5	150 bps	-600 bps
Heavy Engineering					
Order book	30,510	32,740	32,370	6%	-1%
OB/Rev	1.2	1.1	1.0		
Order inflow	4,720	15,210	5,320	13%	-65%
Net revenues	3,800	10,000	5,500	45%	-45%
EBITDA	665	2,930	985	48%	-66%
EBITDA margin	17.5	29.3	17.9	40 bps	-1140 bps
Hydrocarbon					
Order book	4,27,140	4,58,360	4,20,810	-1%	-8%
OB/Rev	2.6	2.7	2.3		
Order inflow	11,800	35,490	10,640	-10%	-70%
Net revenues	30,600	54,100	41,900	37%	-23%
EBITDA	1,622	7,033	4,022	148%	-43%
EBITDA margin	5.3	13.0	9.6	430 bps	-340 bps
Defense					
Order book	91,530	65,480	64,740	-29%	-1%
OB/Rev	2.6	1.9	1.8		
Order inflow	2,360	5,070	5,320	125%	5%
Net revenues	4,700	11,400	6,900	47%	-39%
EBITDA	606	3,340	1,401	131%	-58%
EBITDA margin	12.9	29.3	20.3	740 bps	-900 bps
Others					
Order book	1,52,550	1,30,960	1,29,480	-15%	-1%
Order inflow	4,720	15,210	10,640	125%	-30%
Net revenues	7,100	18,300	13,300	87%	-27%
EBITDA	476	2,593	2,022	325%	-22%
EBITDA margin	6.7	14.2	15.2	850 bps	103 bps
IT and Tech Services					
Order inflow	60,735	66,635	72,503	19%	9%
Net revenues	60,300	67,600	72,200	20%	7%
EBITDA	12,460	16,560	16,710	34%	1%
EBITDA margin	20.7	24.5	23.1	248 bps	-135 bps
Financial Services					
Order inflow	32,842	33,767	30,614	-7%	-9%
Net revenues	32,840	33,770	30,610	-7%	-9%
EBITDA	-1,067	7,530	2,570	NA	-66%
EBITDA margin	-3.2	22.3	8.4	1165 bps	-1390 bps
Developmental projects					
Order inflow	5,543	11,138	11,263	103%	1%
Net revenues	5,500	11,100	11,300	105%	2%
EBITDA	390	940	-50	-113%	-105%
EBITDA margin	7.1	8.5	-0.4	-753 bps	-891 bps

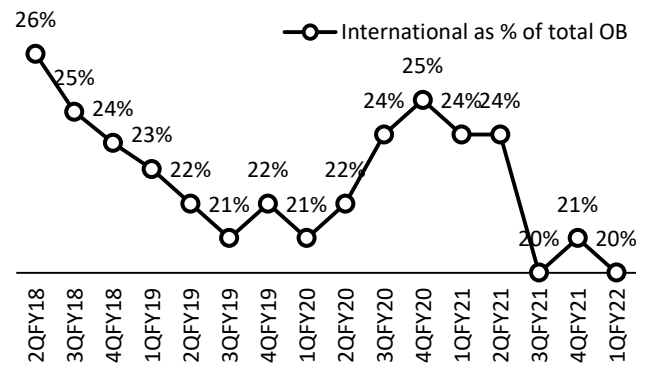
Source: MOFSL, Company

Exhibit 5: Middle East constitutes 12% of order book



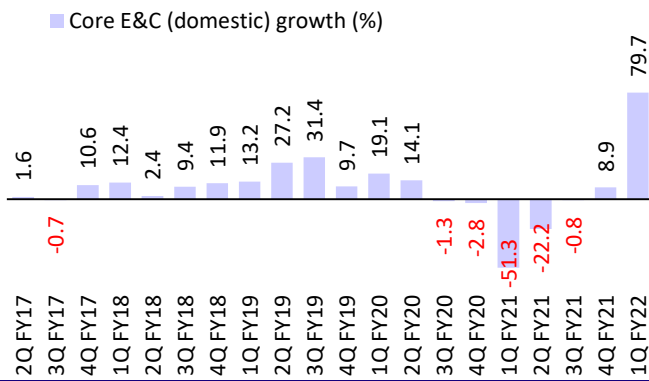
Source: MOFSL, Company

Exhibit 6: Share of international orders at 20%



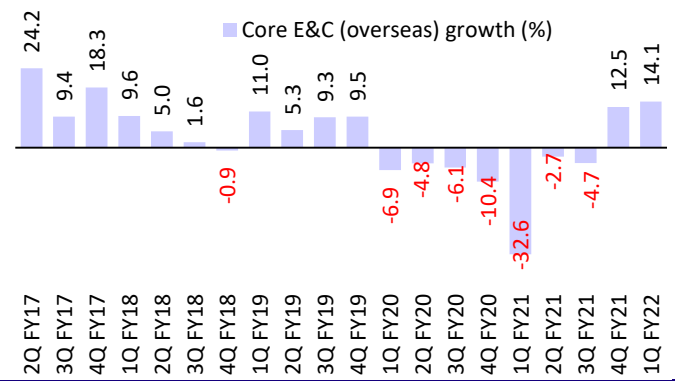
Source: MOFSL, Company

Exhibit 7: Core E&C domestic revenue forms 75% of overall core E&C revenue; up 80% YoY in 1QFY22 on low base



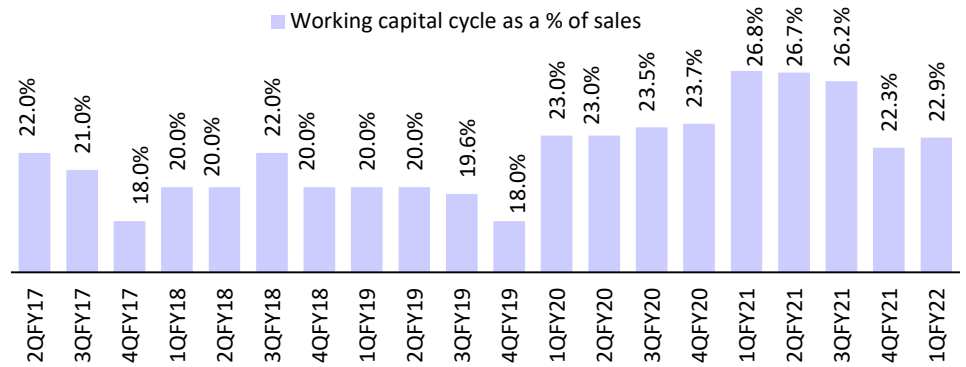
Source: MOFSL, Company

Exhibit 8: Core E&C overseas revenue up ~14% YoY in 1QFY22



Source: MOFSL, Company

Exhibit 9: Working capital as a percentage of sales, moderated YoY to 22.9% at 1QFY22 end



Source: MOFSL, Company

Key takeaways from management interaction

Order book and inflow outlook

- Prospects for the remaining 9MFY22 are strong at INR8.96t (higher than last quarter, adjusted for already won orders). Infra prospects stand at INR6.4t (+33% YoY), Hydrocarbon at INR1.8t (of which 70% is overseas), and Power T&D at INR1.2t (of which 60% is overseas). Compared with 4QFY21, prospects have improved for the Hydrocarbon segment and dipped a bit for the Infrastructure sector.
- Core order inflows of ~INR150b imply growth of 11%. Order inflows were weak in 1Q due to the pandemic.
- The order book as of 1QFY22 stood at INR3.2t, with an average execution period of 27 months.
- The international order book is 20% of the total, while domestic is 80%. The domestic order book is split by clientele: **central government at 9%, state governments at 31%, central PSUs at 43%, and the private sector at 16%**.

Segmental highlights

- **Infrastructure** – The order prospects pipeline remains healthy at INR6.4t (up 33% v/s June'20). The major portion of the orders is variable price contracts. A better mix and improved overhead recovery are aiding margins despite the rise in commodity prices.
- **Power** – The prospective order pipeline stands at INR1.07t, with 60% of prospects from outside of India (largely the Middle East and Africa).
- **Heavy Engineering** – It had multiple order wins in the Refinery and Oil & Gas verticals. Improved execution led to better margins.
- **Defense** – The management hopes that the government's various policy announcements might improve the outlook over the medium to long term. Margin contribution came from cost savings / contingency releases in certain jobs.
- **Hydrocarbon** – Order inflows were subdued in 1QFY22. The order prospects pipeline stands at INR1.8t, with 70% of prospects from outside of India. 1QFY22 margins were aided by cost savings and a one-time claim settlement of INR900m.
- **Development Projects** – Revenue was largely contributed by the Power Development Business. Consequent to strong power demand, Nabha operates at 90% PLF, whereas ridership in the metro is reflective of the ongoing pandemic.

Balance sheet

- The working capital cycle improved to 22.9% v/s 26.8% last year, largely a function of the base. However, collections were also better YoY.
- The management aims to maintain FY22 working capital as a percentage of sales at FY21 levels (22.3%).
- At the group level, the objective is to reduce the debt level sequentially.

Margin outlook

- It endeavors to maintain the core business margin at FY21 levels.

Other key takeaways

- **Hyderabad Metro** – Metro services were partially impacted in 1QFY22 due to the lockdowns. Ridership stood at ~55k passengers per day in 1QFY22, while it

has improved to 120–130k passengers per day in July. The company provided INR5b as cash support in 1QFY22. Efforts are underway to refinance debt, monetizing the asset, and requesting claims from the government.

- **Labor availability** – It was operating with ~170k laborers in April and May, which rose to ~235k in June. The peak requirement is for ~250k laborers; hence, labor availability does not appear to pose a challenge. International execution is near normal at pre-COVID levels (intermittent supply-side constraints persist, but are not material).
- **High-Speed Rail update** – The deadline is of four years starting Jan’21. Meaningful revenue bookings would happen in FY23E.
- **Asset monetization** – The management seeks to divest Nabha Power and the Purvanchal power plant as well as the remaining 51% stake in L&T IDPL. It is also looking for an investor for the Hyderabad Metro as well as acquiring claims from the government. It further seeks to refinance the debt.
- External debt for the development project declined by (a) INR12b in the power project, as favorable receivables were realized from the client, and (b) INR6b in the Hyderabad Metro – but this was replaced by debt from the standalone entity.
- **The next five-year plan would be finalized by end-CY21.**

Forecast consolidated revenue/EBITDA CAGR of 13%/16% over FY21–24

Exhibit 10: Expect core E&C revenue CAGR of 12% over FY21–24

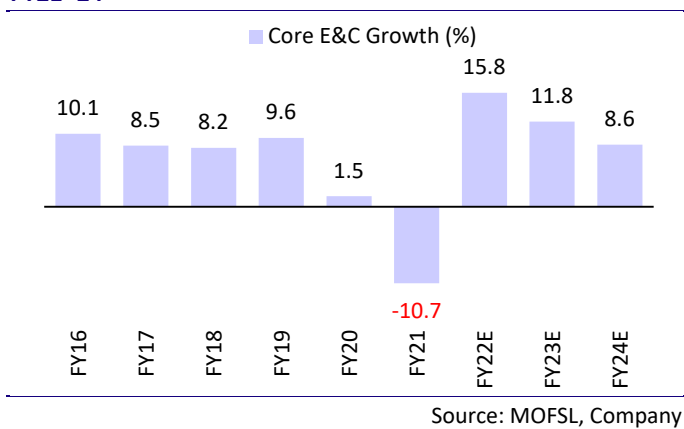


Exhibit 11: Expect EBITDA margin to stabilize ~8.4% over FY22–24

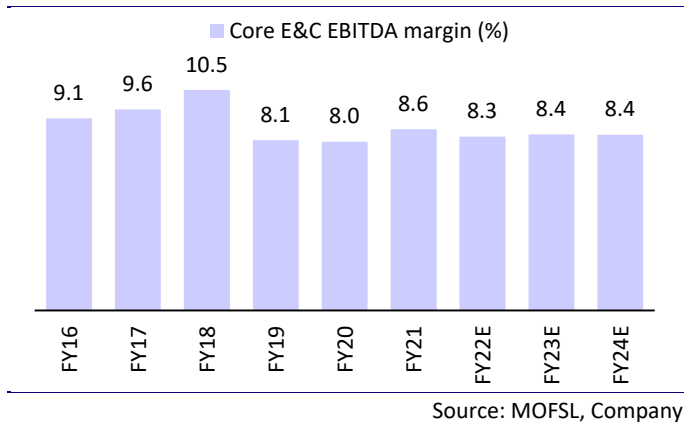


Exhibit 12: Expect ~15% revenue CAGR in Services over FY21–24

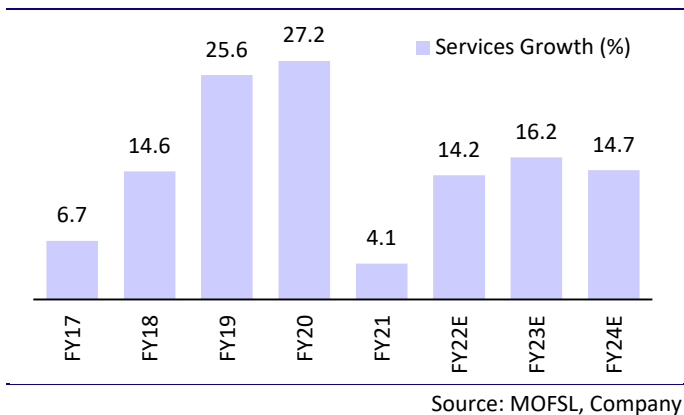


Exhibit 13: Expect EBITDA margin for Services biz to rebound to ~19-20% over FY22-FY24

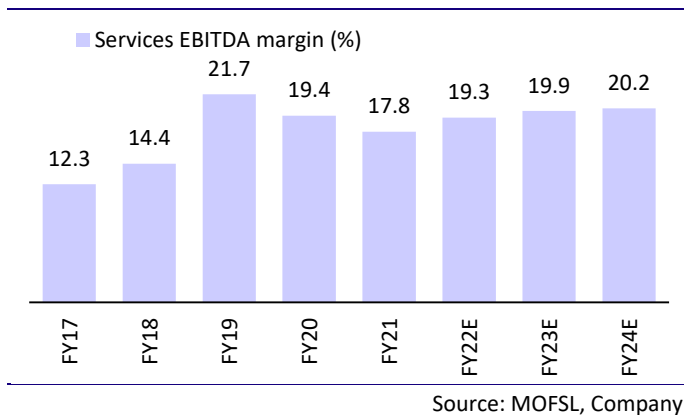
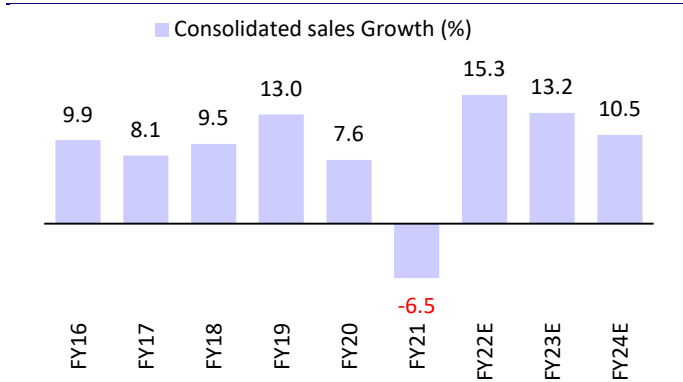
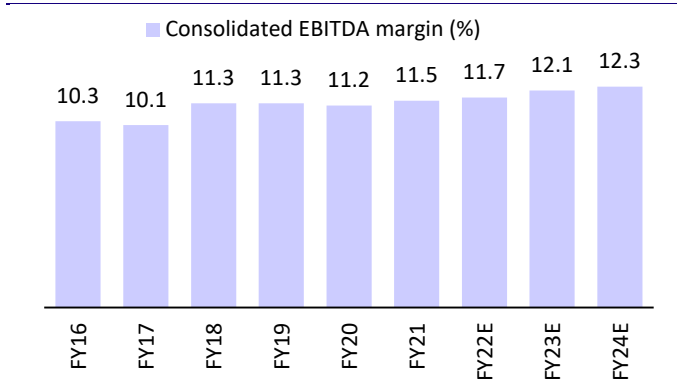


Exhibit 14: Expect consolidated revenue CAGR of 13% over FY21–24

Source: MOFSL, Company

Exhibit 15: Expect consolidated EBITDA to expand 80bp over FY21–24

Source: MOFSL, Company

Valuation and view

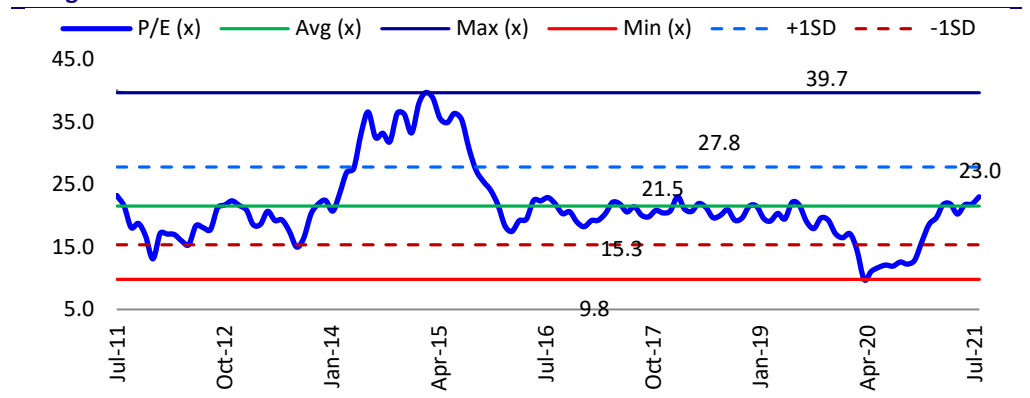
- Company fundamentals fairly strong; await macro tailwinds:** L&T has rightly prioritized its balance sheet strength over growth during the second COVID wave. While this wave brought on similar challenges as last year, construction activity was allowed to continue (unlike last year); hence, the impact was much lower than that seen in FY21. Labor availability no longer poses a challenge, with the current strength at 235k (v/s the peak requirement of 250k), which is fair given the monsoon season. We believe L&T is poised for strong earnings growth momentum, if and when order inflows gain momentum. The company has some more asset monetization opportunities to capitalize on, including the sale of Nabha Power, a stake sale in L&T IDPL, and the monetization of the Hyderabad Metro.
- Maintain Buy, with higher TP of INR1,835/share:** We maintain our earnings estimate, but increase TP to INR1,835 (prior: INR1,700), driven by MTM of the CMPs of the listed subsidiaries (Holdco discount of 20%) and an unchanged target PE multiple of 20x on the core business. We estimate an FY21–24E EPS CAGR of 24%, driven by a 15% CAGR in the core E&C business and declining loss from the Hyderabad Metro. Adj. for the subsidiaries' valuation (~INR740/sh), the core E&C business trades at an FY22/FY23E PE multiple of 18.0x/15.7x v/s the historical one-year fwd avg. PE multiple of 22x. Should the stock revert to the historical average trading multiple of 22x, our TP would increase to ~INR1,950 on the stock. L&T remains the best play on the capex cycle in India. Maintain Buy.

Exhibit 16: Our SoTP-based TP stands at INR1,835/share

Business segment	Mar'23E (INR)	Remarks
Core E&C	1,097	❖ 20x Core E&C EPS v/s long-term average of 22x
LTI, LTTS, and MTCL	626	❖ 20% discount to current m-cap
Finance holdings	79	❖ 20% discount to current m-cap
Development projects	35	❖ P/Inv. based approach
Total	1,835	

Source: MOFSL, Company

Exhibit 17: L&T trading slightly above long-term average P/E; catch-up in valuations largely owing to subsidiaries



Source: MOFSL, Company

Financials and valuations

Income Statement							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	1,197	1,352	1,455	1,360	1,568	1,774	1,961
Change (%)	9.5	13.0	7.6	-6.5	15.3	13.2	10.5
EBITDA	136	153	163	156	183	214	241
Change (%)	21.9	13.0	6.5	-4.3	17.1	16.8	12.6
Margin (%)	11.3	11.3	11.2	11.5	11.7	12.1	12.3
Depreciation	19	19	25	29	30	31	32
EBIT	116	134	139	127	153	183	208
Net Interest	15	18	28	39	37	37	37
Other Income	14	18	24	34	33	35	36
PBT	115	134	134	122	149	180	208
Tax	32	41	33	40	41	48	55
Rate (%)	27.8	30.3	24.3	32.8	27.9	26.8	26.3
Reported Profit (Before MI and AI)	84	102	108	129	107	132	153
Less: Minority Interest	6	13	13	13	17	20	23
Add: Profits of Associates	-4	-0	1	0	1	1	1
EO Adjustments	1	9	7	47	0	0	0
Adjusted PAT	72	80	89	69	91	113	131
Change (%)	22.4	11.0	10.6	-22.4	32.0	24.0	15.9
Cons. Profit (Reported)	74	89	95	116	91	113	131
Balance Sheet							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	3	3	3	3	3	3	3
Reserves	546	621	664	756	796	882	979
Net Worth	549	624	667	759	799	885	982
Loans	1,075	1,256	1,410	1,326	1,426	1,536	1,657
Deferred Tax Liability	-21	-31	-24	-15	-15	-15	-15
Minority Interest	52	68	95	121	137	157	180
Capital Employed	1,655	1,916	2,149	2,190	2,348	2,563	2,804
Gross Fixed Assets	220	262	535	571	591	611	631
Less: Depreciation	58	74	99	128	158	189	221
Add: Capital WIP	158	163	33	5	5	5	5
Net Fixed Assets	320	351	470	448	438	427	415
Investments	153	211	200	396	396	396	396
Inventory	48	64	57	58	67	76	84
Debtors	331	370	407	422	487	551	609
Cash and Bank Balance	80	117	151	162	194	275	375
Loans and Advances	24	25	22	11	13	15	16
Other Current Assets	575	615	688	647	746	844	933
Current Assets	1,923	2,195	2,353	2,241	2,546	2,908	3,285
Current Liab. and Prov.	741	841	875	896	1,033	1,169	1,292
Net Current Assets	1,182	1,354	1,478	1,346	1,513	1,740	1,993
Capital Deployed	1,655	1,916	2,149	2,190	2,348	2,563	2,804

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Adjusted EPS	51.7	57.3	63.4	49.1	64.9	80.4	93.3
Growth (%)	22.4	10.9	10.5	-22.4	32.0	24.0	15.9
Cons. EPS (fully diluted)	51.7	63.5	68.0	82.5	64.9	80.4	93.3
Growth (%)	22.4	22.8	7.1	21.2	-21.3	24.0	15.9
Cash EPS	65.5	77.2	85.6	103.1	86.2	102.7	116.3
Book Value	391.7	444.7	475.3	540.2	569.0	630.0	699.1
DPS	15.9	18.0	18.0	36.0	19.5	24.1	28.0
Payout (incl. Div. Tax.)	30.8	28.4	26.5	43.7	30.0	30.0	30.0
Valuation (x)							
P/E	25.8	27.9	25.2	32.5	24.6	19.9	17.1
Cash P/E	20.4	16.9	15.2	12.6	15.1	12.7	11.2
EV/EBITDA	21.1	19.3	18.9	19.2	16.7	14.5	12.9
EV/Sales	2.5	2.2	2.1	2.2	2.0	1.7	1.6
Price/Book Value	3.7	3.6	3.4	3.0	2.8	2.5	2.3
Dividend Yield (%)	1.2	1.4	1.4	2.8	1.5	1.9	2.1
Profitability Ratios (%)							
RoE	13.2	12.9	13.3	9.1	11.4	12.8	13.3
RoCE	5.7	5.5	5.7	5.0	5.7	6.2	6.4
Turnover Ratios							
Debtors (Days)	101.0	100.0	102.2	113.4	113.4	113.4	113.4
Inventory (Days)	14.8	17.3	14.4	15.6	15.6	15.6	15.6
Asset Turnover (x)	0.7	0.7	0.7	0.6	0.7	0.7	0.7
Leverage Ratio							
Current Ratio (x)	2.6	2.6	2.7	2.5	2.5	2.5	2.5
Net Debt/Equity (x)	1.8	1.8	1.9	1.5	1.5	1.4	1.3

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
PBT before EO Items	115	143	143	230	149	180	208
Add: Depreciation	19	21	25	29	30	31	32
Others	(11)	(12)	(1)	(121)	1	1	1
Less: Direct Taxes Paid	(34)	(46)	(40)	(35)	(41)	(48)	(55)
(Inc.)/Dec. in WC	(34)	(24)	(78)	54	(37)	(37)	(33)
CF from Operations	56	82	48	157	101	127	153
(Inc.)/Dec. in FA	(185)	(173)	(33)	37	(119)	(129)	(140)
Free Cash Flow	(129)	(91)	15	194	(18)	(2)	13
(Pur.)/Sale of Investments	54	(35)	(64)	(54)	-	-	-
CF from Investments	54	(35)	(64)	(54)	-	-	-
(Inc.)/Dec. in Net Worth	0	0	0	0	-	-	-
(Inc.)/Dec. in Debt	128	179	141	(87)	100	110	121
Others	(5)	11	(13)	(5)	-	-	-
Dividend Paid	(24)	(26)	(46)	(37)	(51)	(27)	(34)
CF from Fin. Activity	99	163	83	(128)	49	83	87
Inc./Dec. in Cash	25	37	34	11	31	81	100
Add: Opening Balance	56	80	117	151	162	194	275
Closing Balance	80	117	151	162	194	275	375

(INR b)

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.