

January 31, 2022

## Q3FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	2,382		2,201	
Sales (Rs. m)	1,769,442	1,958,915	1,750,012	1,916,919
% Chng.	1.1	2.2		
EBITDA (Rs. m)	204,041	227,885	203,804	221,894
% Chng.	0.1	2.7		
EPS (Rs.)	78.7	84.7	78.4	84.5
% Chng.	0.4	0.2		

### Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	1,360	1,580	1,769	1,959
EBITDA (Rs. bn)	156	179	204	228
Margin (%)	11.5	11.3	11.5	11.6
PAT (Rs. bn)	116	93	111	119
EPS (Rs.)	82.5	66.5	78.7	84.7
Gr. (%)	21.2	(19.4)	18.4	7.6
DPS (Rs.)	20.6	16.6	19.7	21.2
Yield (%)	1.1	0.9	1.0	1.1
RoE (%)	16.2	11.7	12.4	12.1
RoCE (%)	6.1	6.9	7.6	8.1
EV/Sales (x)	2.6	2.2	2.0	1.8
EV/EBITDA (x)	22.7	19.8	17.5	15.8
PE (x)	23.0	28.5	24.1	22.4
P/BV (x)	3.5	3.2	2.8	2.6

### Key Data

LART.BO | LT IN

52-W High / Low	Rs.2,079 / Rs.1,306
Sensex / Nifty	57,200 / 17,102
Market Cap	Rs.2,666bn/ \$ 35,525m
Shares Outstanding	1,405m
3M Avg. Daily Value	Rs.4813.82m

### Shareholding Pattern (%)

Promoter's	-
Foreign	22.02
Domestic Institution	33.19
Public & Others	44.79
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(0.1)	19.0	41.0
Relative	1.1	9.1	15.6

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## Robust order book and tender pipeline

### Quick Pointers

- Tender pipeline for Q4 remains strong at Rs3.92trn (up 48% YoY), of which domestic accounts for 77%.
- Refinanced Hyderabad metro bank rupee loan (Rs130bn) with NCD and commercial paper, resulting in interest cost saving of Rs1bn/quarter.

**Larsen & Toubro (LT) reported mixed quarterly performance where revenue and EBITDA margins were inline, while there was a miss on PAT due to lower other income and higher tax rate. EBITDA margin declined 57bps YoY to 11.5%, of which commodity inflation impact was ~30-50bps. Order inflow (OI) came in at Rs504bn (down 31% YoY; Q3FY21 had one large order for Mumbai Ahmedabad High Speed Rail), driven by order win in Hydrocarbon, Metros, Rural Water Supply, Minerals and Metal, Health Infrastructure and Power T&D. Order book (OB) stands strong at Rs3.4trn. Tender pipeline for Q4 is up 48% YoY at Rs 3.92trn largely from infra (Rs 3.15trn) and Hydrocarbon (Rs 522bn). During the quarter L&T, refinanced Hyderabad metro bank loan with NCD and CP and is in talk with government of Telangana for financial assistant, additionally it will be looking for equity partner to reduce the debt. Management maintained its revenue and order inflow guidance of low-to-mid teen growth for FY22, though it is cautious on order finalization.**

**We believe that L&T is well-placed to benefit from pickup in economic activity and private capex given its financial, technical & managerial capability for sustaining and gaining market share. We have cut our earnings estimate by 4% for FY22 factoring in lower margins and other income, while kept it unchanged for FY23/24. At CMP, the stock is currently trading at 28.5x/24.1x/22.4x FY22E/23E/24E. We roll over our TP to FY24E with 'Buy' rating and revise TP to Rs2,382 (Rs2,201 earlier).**

**Execution momentum continues:** Sales came in at ~Rs396bn (up 11% YoY; PLe ~Rs396.7bn) driven by revenue growth in segments such as IT&TS (up 30% YoY), Development project (up 20% YoY), Power (up 19% YoY), Infrastructure (up 17% YoY), Hydrocarbon (up 11% YoY), while it declined for Defence Engineering (down 23% YoY), Financial service (down 13% YoY) and Heavy Engineering (down 6% YoY). EBITDA came in at Rs45.3bn, up 5.9% YoY (PLe ~Rs46bn) with EBITDA margins contracting by 57bps YoY to 11.5%, mainly led by higher employee cost. PBT declined 3.4% YoY to Rs36bn, due to lower other income (down 46% YoY). Adj. PAT declined 9% YoY to Rs20.5bn (PLe ~ Rs25.4bn).

**OB provides multiyear revenue visibility:** Order inflows came in at Rs503.6bn in Q3FY22, driven by order win in Hydrocarbon, Metros, Rural Water Supply, Minerals and Metal, Health Infrastructure and Power T&D. OB stands strong at ~Rs3.4trn (2.2x TTM revenue), providing strong revenue visibility going forward. Total OB exports comprise of 24%, of which ME accounts for 71%.

**Exhibit 1: Execution momentum continues**

Y/e March (Rs mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY gr. (%)	QoQ gr. (%)	9MFY22	9MFY21	YoY gr. (%)
<b>Revenue</b>	<b>355,964</b>	<b>480,879</b>	<b>293,347</b>	<b>347,729</b>	<b>395,629</b>	<b>11.1</b>	<b>13.8</b>	<b>1,036,706</b>	<b>878,911</b>	<b>18.0</b>
Total Revenues	355,964	480,879	293,347	347,729	395,629	11.1	13.8	1,036,706	878,911	18.0
<b>Expenditure</b>	<b>313,165</b>	<b>416,990</b>	<b>261,632</b>	<b>307,780</b>	<b>350,325</b>	<b>11.9</b>	<b>13.8</b>	<b>919,738</b>	<b>786,560</b>	<b>16.9</b>
as % of sales	88.0	86.7	89.2	88.5	88.5			88.7	89.5	
Consumption of RM	210,812	311,855	154,405	197,431	238,360	13.1	20.7	590,195	478,244	23.4
as % of sales	59.2	64.9	52.6	56.8	60.2			56.9	54.4	
Employee Cost	61,676	63,539	68,795	72,520	76,315	23.7	5.2	217,630	184,019	18.3
as % of sales	17.3	13.2	23.5	20.9	19.3			21.0	20.9	
Other expenditure	40,678	41,595	38,432	37,830	35,651	(12.4)	(5.8)	111,913	124,297	(10.0)
as % of sales	11.4	8.6	13.1	10.9	9.0			10.8	14.1	
<b>EBITDA</b>	<b>42,800</b>	<b>63,889</b>	<b>31,715</b>	<b>39,949</b>	<b>45,304</b>	<b>5.9</b>	<b>13.4</b>	<b>116,968</b>	<b>92,352</b>	<b>26.7</b>
Depreciation	7,021	8,168	7,174	7,288	7,325	4.3	0.5	21,786	20,875	4.4
<b>EBIT</b>	<b>35,779</b>	<b>55,722</b>	<b>24,541</b>	<b>32,661</b>	<b>37,980</b>	<b>6.2</b>	<b>16.3</b>	<b>95,182</b>	<b>71,477</b>	<b>33.2</b>
Other Income	10,647	10,283	6,480	5,321	5,714	(46.3)	7.4	17,515	24,011	(27.1)
Interest	9,620	8,531	8,275	7,793	8,138	(15.4)	4.4	24,206	30,604	(20.9)
Exceptional Items	-	-	-	(969)	-			969	(35,560)	
<b>PBT</b>	<b>36,805</b>	<b>57,474</b>	<b>22,746</b>	<b>31,159</b>	<b>35,556</b>	<b>(3.4)</b>	<b>14.1</b>	<b>87,522</b>	<b>29,324</b>	<b>198.5</b>
Total Tax	10,408	20,867	7,184	8,845	10,587	1.7	19.7	26,617	19,241	38.3
<b>Adjusted PAT</b>	<b>26,398</b>	<b>36,607</b>	<b>15,562</b>	<b>22,313</b>	<b>24,969</b>	<b>(5.4)</b>	<b>11.9</b>	<b>60,905</b>	<b>10,083</b>	<b>504.0</b>
Minority Interest	(3,910)	(4,029)	(3,572)	(4,125)	(4,624)	-	-	(12,321)	(9,355)	-
<b>PAT after MI</b>	<b>22,488</b>	<b>32,578</b>	<b>11,990</b>	<b>18,188</b>	<b>20,345</b>	<b>(9.5)</b>	<b>11.9</b>	<b>48,584</b>	<b>729</b>	<b>6,569.0</b>
Share in profit/(loss) after tax of joint ventures/associates (net)	86	1,595	(245)	6	203			(36)	(1,451)	
<b>PAT From Continued Operation</b>	<b>22,574</b>	<b>34,173</b>	<b>11,744</b>	<b>18,195</b>	<b>20,547</b>	<b>(9.0)</b>	<b>12.9</b>	<b>48,548</b>	<b>(723)</b>	<b>NA</b>
<b>Adjusted PAT from continued operation</b>	<b>22,574</b>	<b>34,173</b>	<b>11,744</b>	<b>17,225</b>	<b>20,547</b>	<b>(9.0)</b>	<b>19.3</b>	<b>49,517</b>	<b>(36,283)</b>	<b>NA</b>
<b>Profit from discontinued operation</b>	<b>2,093</b>	<b>(1,245)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,624</b>	<b>-</b>
<b>PAT including DO</b>	<b>24,667</b>	<b>32,928</b>	<b>11,744</b>	<b>18,195</b>	<b>20,547</b>	<b>(16.7)</b>	<b>12.9</b>	<b>50,486</b>	<b>58,234</b>	<b>(13.3)</b>
<b>Adjusted EPS</b>	<b>17.6</b>	<b>23.5</b>	<b>8.4</b>	<b>13.0</b>	<b>14.6</b>	<b>(16.7)</b>	<b>12.9</b>	<b>36</b>	<b>59</b>	<b>(39.1)</b>
<b>Margins (%)</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>bps</b>	<b>bps</b>	<b>9MFY22</b>	<b>9MFY21</b>	<b>Bps</b>
EBIDTA	12.0	13.3	10.8	11.5	11.5	(57)	(4)	11.3	10.5	78
EBIT	10.1	11.6	8.4	9.4	9.6	(45)	21	9.2	8.1	105
EBT	10.3	12.0	7.8	9.0	9.0	(135)	3	8.4	3.3	511
PAT	6.9	6.8	4.0	5.2	5.2	(174)	(4)	4.9	6.6	(176)
Effective Tax rate	28.3	36.3	31.6	28.4	29.8	150	139	30.4	65.6	NA

Source: Company, PL

**Exhibit 2: Segmental performance**

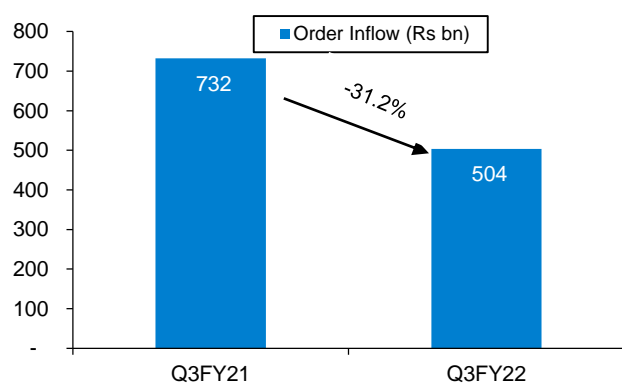
Y/e March (Rs mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY gr. (%)	QoQ gr. (%)	9MFY22	9MFY21	YoY gr. (%)
<b>Segmental Revenue</b>										
Infrastructure	159,732	264,367	105,435	141,564	186,190	16.6	31.5	433,189	355,250	21.9
Power	9,037	12,202	7,645	11,182	10,710	18.5	(4.2)	29,536	19,724	49.7
Heavy Engineering	8,034	10,819	6,298	6,877	7,552	(6.0)	9.8	20,727	19,365	7.0
Defence Engineering	10,240	11,408	6,901	8,460	7,933	(22.5)	(6.2)	23,293	22,693	2.6
Electrical & Automation (discontinued)	48	-	-	-	-	NA	NA	-	16,057	NA
Hydrocarbon	44,224	54,217	42,016	48,838	48,968	10.7	0.3	139,821	115,421	21.1
IT&Technology Services	65,301	68,454	72,413	79,033	85,066	30.3	7.6	236,512	187,733	26.0
Financial Services	34,007	33,767	30,614	29,757	29,706	(12.6)	(0.2)	90,077	100,268	(10.2)
Developmental Projects	8,138	11,138	11,263	11,699	9,756	19.9	(16.6)	32,718	25,077	30.5
Others	20,507	19,065	13,840	14,724	15,131	(26.2)	2.8	43,695	41,863	4.4
<b>Total</b>	<b>359,268</b>	<b>485,438</b>	<b>296,423</b>	<b>352,134</b>	<b>401,011</b>	<b>11.6</b>	<b>13.9</b>	<b>1,049,567</b>	<b>903,450</b>	<b>16.2</b>
Less: Revenue of discontinued operation	48	-	-	-	-	NA	NA	-	16,057	NA
Less: Inter- Segment revenue	3,256	4,559	3,075	4,405	5,382	65.3	22.2	12,862	8,482	51.6
<b>Total revenue from continuing operations</b>	<b>355,964</b>	<b>480,879</b>	<b>293,347</b>	<b>347,729</b>	<b>395,629</b>	<b>11.1</b>	<b>13.8</b>	<b>1,036,706</b>	<b>878,911</b>	<b>18.0</b>
<b>Segmental EBIT</b>										
Infrastructure	8,226	27,955	5,567	9,719	11,147	35.5	14.7	26,433	17,260	53.1
Power	88	949	110	221	371	322.2	68.1	702	163	331.1
Heavy Engineering	1,347	2,806	867	860	951	(29.4)	10.5	2,678	2,077	28.9
Defence Engineering	1,384	3,028	1,107	869	1,582	14.3	82.0	3,558	3,142	13.3
Electrical & Automation (discontinued)	(32)	-	-	-	-	NA	NA	-	844	NA
Hydrocarbon	4,932	6,583	3,593	3,595	4,258	(13.7)	18.4	11,445	9,100	25.8
IT&Technology Services	13,595	13,660	13,827	15,369	17,005	25.1	10.6	46,201	34,572	33.6
Financial Services	3,520	7,308	2,338	3,216	4,340	23.3	34.9	9,895	5,550	78.3
Developmental Projects	(760)	(652)	(907)	(354)	(480)	(36.8)	35.5	(1,742)	(1,314)	32.6
Others	6,553	2,333	1,777	2,635	1,735	(73.5)	(34.2)	6,147	8,896	(30.9)
<b>Total</b>	<b>38,853</b>	<b>63,972</b>	<b>28,280</b>	<b>36,129</b>	<b>40,908</b>	<b>5.3</b>	<b>13.2</b>	<b>105,317</b>	<b>80,290</b>	<b>31.2</b>
<b>EBIT Margins (%)</b>										
Infrastructure	5.2	10.6	5.3	6.9	6.0			6.1	4.9	
Power	1.0	7.8	1.4	2.0	3.5			2.4	0.8	
Heavy Engineering	16.8	25.9	13.8	12.5	12.6			12.9	10.7	
Defence Engineering	13.5	26.5	16.0	10.3	19.9			15.3	13.8	
Electrical&Automation (discontinued)	(66.7)	NA	NA	NA	NA			NA	5.3	
Hydrocarbon	11.2	12.1	8.6	7.4	8.7			8.2	7.9	
IT&Technology Services	20.8	20.0	19.1	19.4	20.0			19.5	18.4	
Financial Services	10.4	21.6	7.6	10.8	14.6			11.0	5.5	
Developmental Projects	(9.3)	(5.9)	(8.1)	(3.0)	(4.9)			(5.3)	(5.2)	
Others	32.0	12.2	12.8	17.9	11.5			14.1	21.3	
EBIT from continuing operations	10.3	12.0	7.8	9.0	9.0			8.7	3.2	

Source: Company, PL

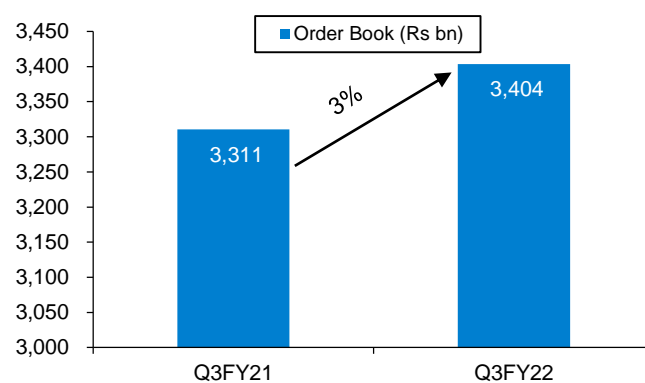
**Exhibit 3: SoTP Valuation**

	Earnings/Book (Rs mn)	Valuation basis	Target multiple (X)	Stake (%)	Value (Rs bn)	Fair Value (Rs)	Basis
L&T Core Business	86,777	P/E	22	100	1,909,097	1361	22x FY24 EPS
L&T Finance Holdings	179,821	Mcap		64	80,384	57	20% discount to Tgt MKt cap
L&T Infotech	1,313,062	Mcap		75	687,519	490	20% discount to Tgt MKt cap
L&T Technology Services	599,982	Mcap		75	314,864	224	20% discount to Tgt MKt cap
Mindtree	864,520	Mcap		60	363,098	259	20% discount to Tgt MKt cap
L&T Hydrocarbon	15,513	P/E	15	100	232,699	166	15x FY24 EPS
L&T IDPL	93,000	P/B	0.8	97	72,466	52	0.8x P/B
L&T's equity investment in BTG	17,000	P/B	0.8	51	6,936	5	0.8x equity investment
Other Business	40,000	P/B	0.8	100	32,000	23	0.8x book value
<b>Total subsidiaries</b>				<b>20% holding co. disc.</b>	<b>1,431,973</b>	<b>1021</b>	
<b>Grand total</b>						<b>2,382</b>	

Source: Company, PL

**Exhibit 4: Order inflow came in at Rs504bn**


Source: Company, PL

**Exhibit 5: OB remains strong at Rs3.4trn**


Source: Company, PL

## Conference call highlights

- Management indicated tender pipeline for Q4FY22 at Rs3.92trn vs Rs2.65trn (up 48% YoY), of which domestic pipeline stands at Rs3.03trn and International Rs890bn.
  - Infrastructure pipeline stands at Rs3.15trn of which International accounts of ~15%.
  - Hydrogen tender pipeline stands at Rs522bn, of which international accounts for 76%, mostly from ME.
- **Order inflow** came in at Rs504bn, mainly from order win in segment such as Infrastructure and Hydrocarbon.
  - Tendering activity continues to be strong, though order finalization is witnessing delayed.
  - Tendering to awarding ratio stood at 48% in 9MFY22 vs 61% in 9MFY21.
- **Order book:** OB continues to remain strong at Rs3.4trn providing multi-year revenue visibility.
  - Given strong order backlog, management indicated it will be cautious in selecting new order and protecting margin profile.
  - Fixed price contract stands at ~35%.
  - Of the domestic order book of Rs2.6 trn, Central Govt accounts for 10%, State- 29%, PSU 44% and Private 16%.
- Cash collection stood at Rs321bn vs Rs329bn in Q3FY21.
- NWC improved to 23.1% in Q3FY22 vs 26.2% in Q3FY21. Management targets for NMW of 22.3% for FY22, led by strong collection in Q4FY22.
- Company is evaluating and is at various stage of monetization process for its non-core asset such Power Plants, Road Assets, Hyderabad Metro, etc.
- **Guidance:** Given healthy 9MFY22 performance and tender pipeline, management maintained its guidance of low to mid teen revenue and order inflow growth, (though it is bit cautious on order finalization) and core business EBITDA margin of 10.3% for FY22.

### Segment Wise

- **Infra:** Revenue grew 16% YoY, though supply chain delay had some impact on execution. Margin improved to 7.1% vs 6.2% in Q3FY21. Order finalization is witnessing delay, though order announcement and tendering activity were strong, additionally government financing is witnessing pickup.
- **Power:** Revenue grew 19% led by strong opening OB. Margins expanded to 4.2% vs 2.0% in Q3FY21, led by certain job reaching valuation threshold level.

- **Heavy Engineering:** Revenue declined 7% YoY due to tapering of certain job. Margin declined to 15.6% vs 20.0% due to change in sale mix and adverse claim settlement in an international project.
- **Defence Engineering:** Revenue declined 23% YoY due to customer delays and supply chain disruption. Margin expanded to 23.6% vs 16.9% in Q3FY21, led by price variation claim and certain job reaching margin recognition level. Received multiple order in Q3FY22.
- **Hydrocarbon:** Revenue grew 11% driven by strong execution in onshore jobs. Margin declined to 9.6% vs 12.2% in Q3FY21 due to job mix and stage of completion of certain projects. During the quarter received high value international order.
- **Development Projects:** Revenue grew 20% YoY, led by higher PLF in NABHA power and higher ridership in Hyderabad Metro.
  - Hyderabad metro ridership improved to average of 2,18,000 in Q3FY22 vs 55,000 in Q1FY22 and 1,46,000 in Q2FY22. Metro reported a loss of Rs4.83bn.
  - During the quarter refinanced rupee term loan (Rs130bn) with NCD and Commercial paper, thereby reducing interest cost by 270bps (interest cost saving of ~Rs1bn/quarter).
  - L&T is in talks with Government of Telangana for financial support for Hyderabad metro and looking to attract equity and use it to reduce debt.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>1,359,790</b>	<b>1,579,503</b>	<b>1,769,442</b>	<b>1,958,915</b>
YoY gr. (%)	(6.5)	16.2	12.0	10.7
Cost of Goods Sold	437,101	500,189	619,305	685,620
Gross Profit	922,689	1,079,313	1,150,137	1,273,295
Margin (%)	67.9	68.3	65.0	65.0
Employee Cost	247,620	297,144	317,944	340,201
Other Expenses	129,836	142,155	141,555	156,713
<b>EBITDA</b>	<b>156,241</b>	<b>178,799</b>	<b>204,041</b>	<b>227,885</b>
YoY gr. (%)	(4.3)	14.4	14.1	11.7
Margin (%)	11.5	11.3	11.5	11.6
Depreciation and Amortization	29,042	29,847	33,222	36,597
<b>EBIT</b>	<b>127,199</b>	<b>148,952</b>	<b>170,819</b>	<b>191,287</b>
Margin (%)	9.4	9.4	9.7	9.8
Net Interest	39,134	32,380	38,928	48,973
Other Income	34,294	25,272	30,081	32,322
<b>Profit Before Tax</b>	<b>86,798</b>	<b>142,813</b>	<b>161,971</b>	<b>174,637</b>
Margin (%)	6.4	9.0	9.2	8.9
Total Tax	40,108	35,779	40,493	43,659
Effective tax rate (%)	46.2	25.1	25.0	25.0
<b>Profit after tax</b>	<b>46,690</b>	<b>107,034</b>	<b>121,478</b>	<b>130,977</b>
Minority interest	(68,996)	13,814	11,051	12,156
Share Profit from Associate	(144)	(158)	(166)	(183)
<b>Adjusted PAT</b>	<b>115,829</b>	<b>93,379</b>	<b>110,594</b>	<b>119,004</b>
YoY gr. (%)	21.3	(19.4)	18.4	7.6
Margin (%)	8.5	5.9	6.3	6.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>115,829</b>	<b>93,379</b>	<b>110,594</b>	<b>119,004</b>
YoY gr. (%)	21.3	(19.4)	18.4	7.6
Margin (%)	8.5	5.9	6.3	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	115,829	93,379	110,594	119,004
<b>Equity Shares O/s (m)</b>	<b>1,405</b>	<b>1,405</b>	<b>1,405</b>	<b>1,405</b>
<b>EPS (Rs)</b>	<b>82.5</b>	<b>66.5</b>	<b>78.7</b>	<b>84.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>490,074</b>	<b>515,074</b>	<b>540,074</b>	<b>565,074</b>
Tangibles	196,092	221,092	246,092	271,092
Intangibles	293,983	293,983	293,983	293,983
<b>Acc: Dep / Amortization</b>	<b>82,229</b>	<b>112,076</b>	<b>145,298</b>	<b>181,896</b>
Tangibles	82,229	112,076	145,298	181,896
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>407,846</b>	<b>402,998</b>	<b>394,776</b>	<b>383,179</b>
Tangibles	113,863	109,016	100,793	89,196
Intangibles	293,983	293,983	293,983	293,983
Capital Work In Progress	3,884	3,884	3,884	3,884
Goodwill	-	-	-	-
Non-Current Investments	664,873	775,006	905,494	1,035,662
Net Deferred tax assets	15,183	15,183	15,183	15,183
Other Non-Current Assets	59,497	71,078	79,625	88,151
<b>Current Assets</b>				
Investments	310,112	310,112	310,112	310,112
Inventories	58,205	69,238	77,565	85,870
Trade receivables	422,298	454,377	509,018	536,689
Cash & Bank Balance	162,415	176,130	156,406	150,777
Other Current Assets	547,977	552,826	566,221	587,674
<b>Total Assets</b>	<b>3,085,767</b>	<b>3,273,706</b>	<b>3,480,850</b>	<b>3,710,905</b>
<b>Equity</b>				
Equity Share Capital	2,809	2,809	2,809	2,809
Other Equity	755,876	839,566	933,396	1,034,622
<b>Total Networkth</b>	<b>758,685</b>	<b>842,375</b>	<b>936,205</b>	<b>1,037,431</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,068,633	841,439	841,439	841,439
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	277,658	519,852	534,852	549,852
Trade payables	455,046	519,289	581,734	644,027
Other current liabilities	420,413	445,420	481,288	532,825
<b>Total Equity &amp; Liabilities</b>	<b>3,085,767</b>	<b>3,273,706</b>	<b>3,480,850</b>	<b>3,710,905</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	230,263	142,813	161,971	174,637
Add. Depreciation	29,042	29,847	33,222	36,597
Add. Interest	39,134	32,380	38,928	48,973
Less Financial Other Income	34,294	25,272	30,081	32,322
Add. Other	(134,990)	-	-	-
Op. profit before WC changes	163,450	205,040	234,121	260,207
Net Changes-WC	99,702	(48,705)	(79,795)	(76,611)
Direct tax	(34,710)	(35,779)	(40,493)	(43,659)
<b>Net cash from Op. activities</b>	<b>228,441</b>	<b>120,557</b>	<b>113,834</b>	<b>139,937</b>
Capital expenditures	(27,956)	(66,117)	(81,982)	(81,842)
Interest / Dividend Income	14,790	-	-	-
Others	(41,122)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(54,288)</b>	<b>(66,117)</b>	<b>(81,982)</b>	<b>(81,842)</b>
Issue of share cap. / premium	159	-	-	-
Debt changes	(87,325)	15,000	15,000	15,000
Dividend paid	(36,509)	(23,345)	(27,648)	(29,751)
Interest paid	(31,844)	(32,380)	(38,928)	(48,973)
Others	2,757	-	-	-
<b>Net cash from Fin. activities</b>	<b>(152,762)</b>	<b>(40,725)</b>	<b>(51,576)</b>	<b>(63,724)</b>
<b>Net change in cash</b>	<b>21,391</b>	<b>13,715</b>	<b>(19,724)</b>	<b>(5,629)</b>
Free Cash Flow	210,364	95,557	88,834	114,937

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	82.5	66.5	78.7	84.7
CEPS	103.1	87.7	102.4	110.8
BVPS	540.2	599.7	666.6	738.6
FCF	149.8	68.0	63.2	81.8
DPS	20.6	16.6	19.7	21.2
<b>Return Ratio(%)</b>				
RoCE	6.1	6.9	7.6	8.1
ROIC	4.2	6.7	7.2	7.5
RoE	16.2	11.7	12.4	12.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.2	1.0	1.0	0.9
Net Working Capital (Days)	7	1	1	(4)
<b>Valuation(x)</b>				
PER	23.0	28.5	24.1	22.4
P/B	3.5	3.2	2.8	2.6
P/CEPS	103.1	87.7	102.4	110.8
EV/EBITDA	22.7	19.8	17.5	15.8
EV/Sales	2.6	2.2	2.0	1.8
Dividend Yield (%)	1.1	0.9	1.0	1.1

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>480,879</b>	<b>293,347</b>	<b>347,729</b>	<b>395,629</b>
YoY gr. (%)	8.7	38.0	12.0	11.1
Raw Material Expenses	311,855	154,405	197,431	238,360
Gross Profit	169,024	138,942	150,299	157,270
Margin (%)	35.1	47.4	43.2	39.8
<b>EBITDA</b>	<b>63,889</b>	<b>31,715</b>	<b>39,949</b>	<b>45,304</b>
YoY gr. (%)	24.8	95.7	19.8	5.9
Margin (%)	13.3	10.8	11.5	11.5
Depreciation / Depletion	8,168	7,174	7,288	7,325
<b>EBIT</b>	<b>55,722</b>	<b>24,541</b>	<b>32,661</b>	<b>37,980</b>
Margin (%)	11.6	8.4	9.4	9.6
Net Interest	8,531	8,275	7,793	8,138
Other Income	10,283	6,480	5,321	5,714
<b>Profit before Tax</b>	<b>57,474</b>	<b>22,926</b>	<b>31,159</b>	<b>35,798</b>
Margin (%)	12.0	7.8	9.0	9.0
Total Tax	20,867	7,184	8,845	10,587
Effective tax rate (%)	36.3	31.3	28.4	29.6
<b>Profit after Tax</b>	<b>36,607</b>	<b>15,742</b>	<b>22,313</b>	<b>25,211</b>
Minority interest	4,029	3,572	4,125	4,624
Share Profit from Associates	351	(245)	6	203
<b>Adjusted PAT</b>	<b>32,928</b>	<b>11,924</b>	<b>18,195</b>	<b>20,790</b>
YoY gr. (%)	3.0	293.4	(67.0)	(15.7)
Margin (%)	6.8	4.1	5.2	5.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>32,928</b>	<b>11,924</b>	<b>18,195</b>	<b>20,790</b>
YoY gr. (%)	3.0	293.4	(67.0)	(15.7)
Margin (%)	6.8	4.1	5.2	5.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>32,928</b>	<b>11,924</b>	<b>18,195</b>	<b>20,790</b>
Avg. Shares O/s (m)	1,404	1,404	1,404	1,404
<b>EPS (Rs)</b>	<b>23.5</b>	<b>8.5</b>	<b>13.0</b>	<b>14.8</b>

Source: Company Data, PL Research



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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-22	BUY	2,201	1,953
2	28-Oct-21	BUY	2,201	1,814
3	5-Oct-21	BUY	1,855	1,717
4	27-Jul-21	BUY	1,855	1,598
5	6-Jul-21	UR	-	1,505
6	15-May-21	BUY	1,604	1,416
7	7-Apr-21	BUY	1,526	1,401

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	UR	-	2,288
2	Apar Industries	BUY	790	780
3	Bharat Electronics	BUY	245	211
4	BHEL	Sell	34	63
5	Cummins India	Accumulate	1,051	952
6	Engineers India	BUY	129	71
7	GE T&D India	Hold	139	132
8	Kalpataru Power Transmission	BUY	508	381
9	KEC International	Accumulate	445	482
10	Larsen & Toubro	BUY	2,201	1,953
11	Siemens	Accumulate	2,310	2,321
12	Thermax	Accumulate	1,633	1,922
13	Triveni Turbine	UR	-	181
14	Voltamp Transformers	Accumulate	1,825	2,021

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

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

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