

January 31, 2024

## Q3FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	4,071		3,437	
Sales (Rs. m)	24,84,424	27,82,281	24,31,588	26,75,964
% Chng.	2.2	4.0		
EBITDA (Rs. m)	3,02,892	3,50,858	2,93,407	3,30,422
% Chng.	3.2	6.2		
EPS (Rs.)	119.4	143.0	113.8	132.3
% Chng.	5.0	8.1		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,833	2,201	2,484	2,782
EBITDA (Rs. bn)	208	237	303	351
Margin (%)	11.3	10.8	12.2	12.6
PAT (Rs. bn)	104	126	168	201
EPS (Rs.)	73.8	89.5	119.4	143.0
Gr. (%)	20.6	21.2	33.5	19.8
DPS (Rs.)	24.0	24.2	34.6	44.3
Yield (%)	0.7	0.7	1.0	1.3
RoE (%)	12.1	13.2	15.5	16.2
RoCE (%)	8.3	9.3	11.4	12.4
EV/Sales (x)	3.0	2.5	2.2	2.0
EV/EBITDA (x)	26.5	23.2	18.2	15.7
PE (x)	47.1	38.9	29.1	24.3
P/BV (x)	5.5	4.8	4.2	3.7

### Key Data

LART.BO | LT IN

52-W High / Low	Rs.3,739 / Rs.2,068
Sensex / Nifty	71,752 / 21,726
Market Cap	Rs.4,783bn/ \$ 57,598m
Shares Outstanding	1,375m
3M Avg. Daily Value	Rs.6046.81m

### Shareholding Pattern (%)

Promoter's	-
Foreign	25.49
Domestic Institution	37.47
Public & Others	37.04
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.3)	30.1	64.2
Relative	(0.6)	20.6	36.3

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## Decent performance; margin revival on the cards

### Quick Pointers:

- Near term order prospects stand at Rs6.3trn, up ~29% YoY with sharp improvement in Hydrocarbon prospects at Rs1.7trn (vs Rs0.6trn in Q3FY23).
- Revenue and order inflow growth guidance for FY24 revised upwards to high teens and 20%+ respectively (vs 15% and 12% previously).

**We revise our FY24/25/26E EPS estimates by -7.6%/+5.0%/+8.1% factoring in impact of legacy jobs on FY24 profitability and robust order book & tender prospects FY25 onwards. Larsen & Toubro (LT) reported consolidated revenue growth of 18.8% YoY, while EBITDA margin contracted by 49bps YoY due to job mix and execution of legacy projects. NWC to sales improved to 16.6% (vs 19.0% in 9MFY23) owing to better collections, with FY24 guidance revised to 16.6% +/- 30bps (vs 16-18%). Management has revised its order inflow/revenue growth guidance for FY24 to 20%+/high teens respectively (vs 12%/15%) given strong order inflows YTD and robust order prospects. Opportunities lie in healthy domestic infrastructure pipeline and growing GCC capex on hydrocarbon & infrastructure (led by Saudi Vision 2030). Management also revised its core margin guidance to 8.25-8.5% (from 8.5%-9%), factoring in execution of low-margin legacy jobs and newer projects still in ramp-up stage which may not cross the margin recognition threshold.**

**We believe L&T is well-placed to benefit in long run with 1) strong tender prospects, 2) significant traction in hydrocarbon, 3) renewable energy orders from international markets like Saudi Arabia, and 4) expected uptick in domestic private capex. The stock is currently trading at a P/E of 29.1x/24.3x FY25/26E. We roll forward to Dec-25 and maintain 'Buy' rating with a revised TP of Rs4,071 (Rs3,437 earlier), valuing the core business at a P/E of 26x Dec-25E (24x Sep-25E earlier) owing to strong outlook on order book and margins.**

**Core business drives healthy topline growth:** Consolidated revenue rose 18.8% YoY to Rs551.3bn (PLe: Rs554.0bn), driven by strong growth in core segments of Infrastructure Projects (+27.3% YoY to Rs282.7bn), Energy Projects (+24.0% YoY to Rs78.7bn), and Hi-Tech Manufacturing (+17.3% YoY to Rs21.8bn). EBITDA grew 13.5% YoY to Rs57.6bn (PLe: Rs63.1bn). EBITDA margin contracted by 49bps YoY to 10.4% (PLe: 11.4%) due to job mix and execution of legacy projects, despite employee costs & other expenses falling 195bps & 152bps YoY as a % of revenue respectively. Adj. PAT rose 20.0% YoY to Rs29.5bn (PLe: Rs32.8bn), aided by a lower effective tax rate (24.7% vs 29.3% in Q3FY23). Net Working Capital improved to 16.6% of sales (vs 19.0% in 9MFY23) due to better collections.

**Strong order book of Rs4.7trn with robust export order inflows:** Consolidated order inflows came in at Rs759.9bn during the quarter (+25.2% YoY) driven by substantial order wins in exports business (Rs505.6bn, +230.6% YoY) mainly from Middle East. Infrastructure Projects export orders came in at Rs272.3bn (vs Rs29.3bn in Q3FY23), and Energy Projects export orders came in at Rs123.5bn (vs Rs12.7bn in Q3FY23). Order book stands at Rs4.7trn (2.2x TTM revenue).

**Exhibit 1: Healthy execution in core business and lower effective tax rate drives 20.0% YoY growth in Adj. PAT**

Y/e March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY gr. (%)	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
<b>Revenue</b>	<b>4,63,897</b>	<b>5,83,352</b>	<b>4,78,824</b>	<b>5,10,240</b>	<b>5,51,278</b>	<b>18.8</b>	<b>8.0</b>	<b>15,40,342</b>	<b>12,50,055</b>	<b>23.2</b>
<b>Total Revenues</b>	<b>4,63,897</b>	<b>5,83,352</b>	<b>4,78,824</b>	<b>5,10,240</b>	<b>5,51,278</b>	<b>18.8</b>	<b>8.0</b>	<b>15,40,342</b>	<b>12,50,055</b>	<b>23.2</b>
<b>Expenditure</b>	<b>4,13,167</b>	<b>5,15,022</b>	<b>4,30,137</b>	<b>4,53,921</b>	<b>4,93,688</b>	<b>19.5</b>	<b>8.8</b>	<b>13,77,746</b>	<b>11,10,852</b>	<b>24.0</b>
<i>as % of sales</i>	<i>89.1</i>	<i>88.3</i>	<i>89.8</i>	<i>89.0</i>	<i>89.6</i>			<i>89.4</i>	<i>88.9</i>	
Consumption of RM	2,78,072	3,79,659	2,93,157	3,11,115	3,52,294	26.7	13.2	9,56,566	7,26,229	31.7
<i>as % of sales</i>	<i>59.9</i>	<i>65.1</i>	<i>61.2</i>	<i>61.0</i>	<i>63.9</i>	<i>396</i>		<i>62.1</i>	<i>58.1</i>	
Employee Cost	95,325	99,811	98,894	1,02,989	1,02,533	7.6	(0.4)	3,04,415	2,72,330	11.8
<i>as % of sales</i>	<i>20.5</i>	<i>17.1</i>	<i>20.7</i>	<i>20.2</i>	<i>18.6</i>	<i>(195)</i>		<i>19.8</i>	<i>21.8</i>	
Other expenditure	39,770	35,552	38,087	39,817	38,861	(2.3)	(2.4)	1,16,765	1,12,294	4.0
<i>as % of sales</i>	<i>8.6</i>	<i>6.1</i>	<i>8.0</i>	<i>7.8</i>	<i>7.0</i>	<i>(152)</i>		<i>7.6</i>	<i>9.0</i>	
<b>EBITDA</b>	<b>50,730</b>	<b>68,330</b>	<b>48,686</b>	<b>56,320</b>	<b>57,590</b>	<b>13.5</b>	<b>2.3</b>	<b>1,62,596</b>	<b>1,39,203</b>	<b>16.8</b>
Depreciation	8,252	8,535	8,305	9,099	9,208	11.6	1.2	26,611	26,488	0.5
<b>EBIT</b>	<b>42,479</b>	<b>59,795</b>	<b>40,382</b>	<b>47,221</b>	<b>48,382</b>	<b>13.9</b>	<b>2.5</b>	<b>1,35,985</b>	<b>1,12,715</b>	<b>20.6</b>
Other Income	7,550	7,409	11,456	11,330	8,378	11.0	(26.1)	31,163	21,883	42.4
Interest	8,025	8,130	8,514	8,640	9,042	12.7	4.6	26,195	23,942	9.4
Exceptional Items	(1,360)	-	-	-	-			-	(1,360)	
<b>PBT</b>	<b>43,364</b>	<b>59,074</b>	<b>43,324</b>	<b>49,911</b>	<b>47,718</b>	<b>10.0</b>	<b>(4.4)</b>	<b>1,40,953</b>	<b>1,12,017</b>	<b>25.8</b>
Total Tax	12,705	14,606	12,163	11,355	11,773	(7.3)	3.7	35,291	30,235	16.7
<b>PAT before Minority interest</b>	<b>30,659</b>	<b>44,467</b>	<b>31,161</b>	<b>38,556</b>	<b>35,945</b>	<b>17.2</b>	<b>(6.8)</b>	<b>1,05,662</b>	<b>81,781</b>	<b>29.2</b>
Minority Interest	(5,055)	(4,718)	(6,026)	(6,229)	(6,455)	27.7	3.6	(18,709)	(15,881)	-
<b>PAT after MI</b>	<b>25,604</b>	<b>39,749</b>	<b>25,135</b>	<b>32,327</b>	<b>29,490</b>	<b>15.2</b>	<b>(8.8)</b>	<b>86,952</b>	<b>65,901</b>	<b>31.9</b>
Share of JV/associates (net)	(75)	118	(205)	(101)	(17)			(323)	(1,061)	
<b>PAT From Continued Operation</b>	<b>25,529</b>	<b>39,868</b>	<b>24,930</b>	<b>32,226</b>	<b>29,474</b>	<b>15.5</b>	<b>(8.5)</b>	<b>86,630</b>	<b>64,840</b>	<b>33.6</b>
<b>Adjusted PAT from continued operation</b>	<b>24,568</b>	<b>39,868</b>	<b>24,930</b>	<b>32,226</b>	<b>29,474</b>	<b>20.0</b>	<b>(8.5)</b>	<b>86,630</b>	<b>63,847</b>	<b>35.7</b>
<b>Adjusted EPS</b>	<b>17.9</b>	<b>29.0</b>	<b>18.1</b>	<b>23.4</b>	<b>21.4</b>	<b>20.0</b>	<b>(8.5)</b>	<b>63.0</b>	<b>46.5</b>	<b>35.6</b>
<b>Margins (%)</b>	<b>Q3FY23</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>bps</b>	<b>bps</b>	<b>9MFY24</b>	<b>9MFY23</b>	<b>bps</b>
Gross	40.1	34.9	38.8	39.0	36.1	(396)	(293)	37.9	41.9	(401)
EBIDTA	10.9	11.7	10.2	11.0	10.4	(49)	(59)	10.6	11.1	(58)
EBIT	9.2	10.3	8.4	9.3	8.8	(38)	(48)	8.8	9.0	(19)
EBT	9.3	10.1	9.0	9.8	8.7	(69)	(113)	9.2	9.0	19
PAT	5.5	6.8	5.2	6.3	5.3	(16)	(97)	6.8	6.9	(14)
Effective Tax rate	29.3	24.7	28.1	22.8	24.7	(463)	192	25.0	27.0	(195)

Source: Company, PL

**Exhibit 2: Strong growth across core segments; execution of legacy orders impacts Infrastructure Projects margin**

Y/e March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY gr. (%)	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
<b>Segment Revenue</b>										
Infrastructure Projects	2,22,057	3,15,488	2,23,956	2,49,768	2,82,664	27.3	13.2	7,56,388	5,62,744	34.4
Energy Projects	63,462	79,292	66,904	67,943	78,703	24.0	15.8	2,13,550	1,70,271	25.4
Hi-Tech Manufacturing	18,631	23,208	19,683	20,411	21,847	17.3	7.0	61,941	48,401	28.0
IT & Technology Services	1,06,051	1,10,143	1,09,607	1,12,470	1,13,260	6.8	0.7	3,35,336	3,06,673	9.3
Financial Services	33,486	31,163	30,196	30,841	34,067	1.7	10.5	95,104	94,586	0.5
Development Projects	11,067	12,321	12,964	18,531	12,199	10.2	(34.2)	43,694	37,967	15.1
Others	15,360	18,855	23,472	18,880	17,418	13.4	(7.7)	59,770	44,929	33.0
<b>Total</b>	<b>4,70,112</b>	<b>5,90,470</b>	<b>4,86,782</b>	<b>5,18,843</b>	<b>5,60,157</b>	<b>19.2</b>	<b>8.0</b>	<b>15,65,783</b>	<b>12,65,570</b>	<b>23.7</b>
Less: Inter-segment revenue	6,214	7,118	7,959	8,603	8,879	42.9	3.2	25,441	15,515	64.0
<b>Net segment revenue</b>	<b>4,63,897</b>	<b>5,83,352</b>	<b>4,78,824</b>	<b>5,10,240</b>	<b>5,51,278</b>	<b>18.8</b>	<b>8.0</b>	<b>15,40,342</b>	<b>12,50,055</b>	<b>23.2</b>
<b>Segment EBIT</b>										
Infrastructure Projects	13,042	20,830	8,502	10,356	12,054	(7.6)	16.4	30,911	30,572	1.1
Energy Projects	4,966	7,712	5,571	5,877	6,952	40.0	18.3	18,400	12,955	42.0
Hi-Tech Manufacturing	2,480	3,753	2,544	2,338	2,948	18.8	26.1	7,830	6,200	26.3
IT & Technology Services	17,053	18,391	19,174	19,012	19,708	15.6	3.7	57,895	53,653	7.9
Financial Services	6,304	6,596	7,140	7,964	8,240	30.7	3.5	23,344	15,992	46.0
Development Projects	(56)	4,300	1,230	6,341	1,184	NA	(81.3)	8,755	(382)	NA
Others	2,645	3,562	3,826	2,982	3,453	30.6	15.8	10,261	7,576	35.4
<b>Total</b>	<b>46,434</b>	<b>65,143</b>	<b>47,988</b>	<b>54,869</b>	<b>54,539</b>	<b>17.5</b>	<b>(0.6)</b>	<b>1,57,396</b>	<b>1,26,565</b>	<b>24.4</b>
<b>Segment EBIT margins.</b>										
Infrastructure Projects	5.9	6.6	3.8	4.1	4.3			4.1	5.4	
Energy Projects	7.8	9.7	8.3	8.7	8.8			8.6	7.6	
Hi-Tech Manufacturing	13.3	16.2	12.9	11.5	13.5			12.6	12.8	
IT & Technology Services	16.1	16.7	17.5	16.9	17.4			17.3	17.5	
Financial Services	18.8	21.2	23.6	25.8	24.2			24.5	16.9	
Development Projects	-0.5	34.9	9.5	34.2	9.7			20.0	-1.0	
Others	17.2	18.9	16.3	15.8	19.8			17.2	16.9	

Source: Company, PL

**Exhibit 3: SoTP Valuation – Core business is ~68% of SoTP**

Particulars	Earnings / Book (Rs mn)	Valuation basis	Target multiple (x)	Stake (%)	Value (Rs bn)	Fair Value (Rs)	Basis
L&T Core Business	1,48,879	P/E	26	100	38,70,854	2,755	26x TTM-Dec 2025 EPS
L&T Power development	22,897	P/B	1	100	22,897	16	1x equity investment
L&T Hyderabad Metro	37,590	P/B	2.5	100	93,975	67	2.5x equity investment
Other Business	15,133	P/B	2	100	30,267	22	2x equity investment
<b>Total</b>						<b>2,860</b>	
<b>Subsidiaries</b>							
L&T Finance Holdings	4,53,834	Target Mcap		66	3,00,211	214	Target MKt cap
LTI Mindtree	17,56,982	Target Mcap		69	12,07,047	859	Target MKt cap
L&T Technology Services	5,11,749	Target Mcap		75	3,83,658	273	Target MKt cap
<b>Total Subsidiaries</b>				<b>10% holding co. disc.</b>	<b>16,07,279</b>	<b>1,211</b>	
<b>Grand Total</b>						<b>4,071</b>	

Source: Company, PL

## Conference Call Highlights

- **Order prospects for the near term stand at Rs6.3trn** vs Rs4.9trn in Q3FY23, comprising of infrastructure (Rs4.1trn vs Rs3.9trn in Q3FY23), Hydrocarbon (Rs1.7trn vs Rs0.6trn in Q3FY23), Power (Rs0.3trn vs Rs0.2trn in Q3FY23) and Hi-Tech Manufacturing (Rs0.16trn).
- **Project and Manufacturing segment revenue grew 26% YoY to Rs393bn**, with EBITDA margin of 7.6% vs 8.5% in Q3FY23 (down due to job mix and cost pressures in legacy projects). Order inflow was up 32% YoY to Rs602bn with 67% share of international orders (vs 12% in Q3FY23). Orders came from offshore hydrocarbon, renewable EPC, water utilities, airports, health, residential spaces, power transmission, and ferrous metals.
- **Order book (OB) stands at Rs4.7trn** with domestic share of 61% (Rs2.9trn) and international share of 35% (Rs1.8trn). 18% of the order book is funded by bilateral and multilateral agencies. Deleted orders in Q3FY24 were ~Rs27bn.
  - **International OB** comprises of Middle East (92%), Africa (2%) and RoW (6%). Opportunities are being driven by an upswing in GCC capex in infrastructure and hydrocarbon, largely led by the Saudi 2030 vision.
  - **Domestic order book** comprises of Central Govt (12%), State Govts (33%), PSUs (35%) and private players (22%).
- **EBITDA margin fell 50bps YoY** due to job mix and cost pressures in legacy projects in the Projects & Manufacturing portfolio. Legacy orders are depleting quickly; FY25 revenue will largely come from newer orders booked since FY22.
- **NWC to sales ratio saw a ~240bps YoY improvement to 16.6%**, led by better customer collections. Group level collections (ex-financial services) in Q3FY24 stood at Rs494bn vs Rs434bn in Q3FY23, up ~14% YoY.
- **Guidance:** Revised FY24 order inflow and revenue growth guidance upwards to 20%+ and high teens respectively (vs 12% and 15%) due to robust order inflows and tender prospects. Project & Manufacturing FY24 margin guidance revised down to 8.25-8.50% (from 8.5-9%) due to execution of low-margin legacy jobs and newer projects still in the ramp up stage which may not cross the margin recognition threshold until FY25. NWC to sales guidance improved to 16.6% +/- 30bps (vs 16-18%) due to strong customer collections.
- **Infrastructure Projects:** Strong momentum in Middle East drove order inflows of Rs432bn. Healthy near-term order prospects of Rs4.1trn (domestic: Rs3.22trn; international: Rs0.88trn) vs Rs3.89trn in Q3FY23, comprise of Transportation – 26%, Minerals & Metals – 17%, Buildings & Factories – 19%, Water – 16%, Power T&D – 4%, and Heavy Civil Infra – 16%. There may be possible order deferments due to upcoming elections. EBITDA margin was subdued at 5.5% vs 7.0% in Q3FY23 due to execution of legacy jobs.
- **Energy Projects (Hydrocarbon & Power):** Mega hydrocarbon order in Middle East and FGD order in power business drove order inflow of Rs132.8bn. YTD order inflow of Rs582bn in hydrocarbon business is a record high. Order prospects stand at Rs2.01trn (Hydrocarbon: Rs1.7trn & Power: Rs0.3trn). Strong execution in international projects drove hydrocarbon revenue growth,

while lower revenues in power were reflective of a depleting order book. EBITDA margin expanded to 9.7% vs 8.7% in Q3FY24, aided by favorable customer claim in power segment.

- **Hi-Tech Manufacturing (Defence & Heavy Engineering):** Order inflow of Rs20.4bn was led by receipt of a multiple Defence orders, while deferrals impacted Heavy Engineering order inflow. Order prospects stand at Rs163bn. Strong execution momentum continued in Defence, while Heavy Engineering revenue growth was impacted by subdued progress in nuclear jobs. EBITDA margin declined to 16.7% vs 17.5% in Q3FY23 due job mix in Defence, despite customer claims aiding margin improvement in Heavy Engineering.
- **Development Projects (Hyderabad Metro & Nabha Power):** Improved ridership in Hyderabad Metro and higher PLF in Nabha Power drove revenue growth of 10% YoY. EBITDA margin jumped to 16.2% vs 6.8% in Q3FY23 owing to improved metro performance and consolidation of Nabha profits. Hyderabad Metro average ridership/day in Q3FY24 stood at 4.44 lakh vs 3.94 lakh in Q3FY23. Metro reported loss of Rs2.54bn in Q3FY24 vs Rs3.32bn loss in Q3FY23, and loss of Rs3.49bn in 9MFY24 vs Rs9.86bn loss in 9MFY23.
- **IT & Technology Services (LTMindtree & LTTS):** Modest revenue growth of 5% is in-line with subdued global macro conditions impacting IT spends. LTMindtree revenue growth was led by Manufacturing & Resources, and LTTS revenue growth was led by Telecom & Hi-Tech and Medical Devices. Improved utilization levels drove margin improvement in LTMindtree. Deal pipeline is healthy with good visibility across offerings.
- **L&T Finance Holdings:** Completed merger of L&T Finance Ltd, L&T Infra Credit Ltd and and L&T Mutual Fund Trustee Ltd. with L&T Finance Holdings Ltd. to create a 'Single Lending Entity'. This will create internal synergies, superior governance and newer growth avenues. Q3 revolved around strong retail disbursements, lower credit cost, better asset quality and run down of wholesale book. Highest ever quarterly retail disbursements of Rs149bn. Retail portfolio is 91% of overall book of Rs818bn – well ahead of Lakshya 2026 targets. Balance sheet is strong on the back of adequate Provision Coverage Ratio (PCR) and in-built macro prudential buffers. Sufficient capital available (CRAR: 24.93%) to pursue growth in medium term.
- **Others:** Revenue growth and margin improvement was mainly due to higher handover of residential flats in Realty business. Realty 9MFY24 revenue was Rs19bn and order inflow was Rs21bn (Q3 order inflow came in at Rs5.25bn).
- **New Business Initiatives:** Manufactured first electrolyzer of 1MW in Hazira factory, and emerged as successful bidder for 63MW electrolyzer manufacturing under PLI scheme. Data center pilot project went live with 1.4MW capacity in Mumbai. Aggregate capacity target of 60MW in data centers over next couple of years. Also incorporated L&T Semiconductor Technologies Ltd in November 2023 for semiconductor chip design.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>18,33,407</b>	<b>22,01,320</b>	<b>24,84,424</b>	<b>27,82,281</b>
YoY gr. (%)	17.1	20.1	12.9	12.0
Cost of Goods Sold	6,49,436	7,39,644	7,95,016	8,76,418
Gross Profit	11,83,971	14,61,676	16,89,408	19,05,862
Margin (%)	64.6	66.4	68.0	68.5
Employee Cost	3,72,141	4,19,031	4,72,248	5,22,778
Other Expenses	2,00,208	2,39,944	2,73,287	3,06,051
<b>EBITDA</b>	<b>2,07,533</b>	<b>2,36,962</b>	<b>3,02,892</b>	<b>3,50,858</b>
YoY gr. (%)	13.9	14.2	27.8	15.8
Margin (%)	11.3	10.8	12.2	12.6
Depreciation and Amortization	35,023	36,809	41,183	44,933
<b>EBIT</b>	<b>1,72,510</b>	<b>2,00,154</b>	<b>2,61,710</b>	<b>3,05,925</b>
Margin (%)	9.4	9.1	10.5	11.0
Net Interest	32,072	35,404	32,809	31,983
Other Income	29,292	38,523	36,024	39,787
<b>Profit Before Tax</b>	<b>1,71,090</b>	<b>2,03,273</b>	<b>2,64,925</b>	<b>3,13,728</b>
Margin (%)	9.3	9.2	10.7	11.3
Total Tax	44,842	52,444	70,205	83,138
Effective tax rate (%)	26.2	25.8	26.5	26.5
<b>Profit after tax</b>	<b>1,26,249</b>	<b>1,50,828</b>	<b>1,94,720</b>	<b>2,30,590</b>
Minority interest	20,599	24,101	25,788	28,367
Share Profit from Associate	943	1,037	1,140	1,254
<b>Adjusted PAT</b>	<b>1,03,704</b>	<b>1,25,691</b>	<b>1,67,792</b>	<b>2,00,969</b>
YoY gr. (%)	20.6	21.2	33.5	19.8
Margin (%)	5.7	5.7	6.8	7.2
Extra Ord. Income / (Exp)	1,003	-	-	-
<b>Reported PAT</b>	<b>1,04,707</b>	<b>1,25,691</b>	<b>1,67,792</b>	<b>2,00,969</b>
YoY gr. (%)	20.8	20.0	33.5	19.8
Margin (%)	5.7	5.7	6.8	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,04,707	1,25,691	1,67,792	2,00,969
<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>73.8</b>	<b>89.5</b>	<b>119.4</b>	<b>143.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>5,05,162</b>	<b>5,30,162</b>	<b>5,55,162</b>	<b>5,80,162</b>
Tangibles	2,24,552	2,49,552	2,74,552	2,99,552
Intangibles	2,80,610	2,80,610	2,80,610	2,80,610
<b>Acc: Dep / Amortization</b>	<b>1,11,189</b>	<b>1,47,998</b>	<b>1,89,181</b>	<b>2,34,114</b>
Tangibles	1,11,189	1,47,998	1,89,181	2,34,114
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>3,93,973</b>	<b>3,82,164</b>	<b>3,65,981</b>	<b>3,46,048</b>
Tangibles	1,13,363	1,01,554	85,371	65,438
Intangibles	2,80,610	2,80,610	2,80,610	2,80,610
Capital Work In Progress	29,491	29,491	29,491	29,491
Goodwill	-	-	-	-
Non-Current Investments	5,58,278	7,21,530	9,25,979	11,61,722
Net Deferred tax assets	33,544	33,544	33,544	33,544
Other Non-Current Assets	59,890	66,040	74,533	83,468
<b>Current Assets</b>				
Investments	3,55,734	3,85,734	3,95,734	4,35,308
Inventories	68,288	84,434	95,293	1,06,718
Trade receivables	4,47,315	5,24,698	5,92,178	6,63,174
Cash & Bank Balance	2,25,196	2,09,226	1,87,935	1,80,444
Other Current Assets	6,69,092	7,04,422	7,50,296	7,79,039
<b>Total Assets</b>	<b>32,63,675</b>	<b>36,00,834</b>	<b>39,24,243</b>	<b>43,55,778</b>
<b>Equity</b>				
Equity Share Capital	2,810	2,810	2,810	2,810
Other Equity	8,90,449	10,07,340	11,53,401	13,21,691
<b>Total Networkth</b>	<b>8,93,259</b>	<b>10,10,150</b>	<b>11,56,211</b>	<b>13,24,501</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	8,76,171	8,76,171	8,76,171	8,76,171
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	3,08,963	3,23,963	3,38,963	3,53,963
Trade payables	4,97,841	5,97,070	6,73,857	7,54,646
Other current liabilities	5,78,572	6,84,611	7,70,171	9,37,629
<b>Total Equity &amp; Liabilities</b>	<b>32,63,675</b>	<b>36,00,834</b>	<b>39,24,243</b>	<b>43,55,778</b>

Source: Company Data, PL Research



**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,69,730	2,03,273	2,64,925	3,13,728
Add. Depreciation	35,023	36,809	41,183	44,933
Add. Interest	32,072	35,404	32,809	31,983
Less Financial Other Income	29,292	38,523	36,024	39,787
Add. Other	(11,575)	-	-	-
Op. profit before WC changes	2,25,250	2,75,486	3,38,917	3,90,645
Net Changes-WC	53,791	(2,874)	7,788	1,849
Direct tax	(51,272)	(52,444)	(70,205)	(83,138)
<b>Net cash from Op. activities</b>	<b>2,27,770</b>	<b>2,20,168</b>	<b>2,76,499</b>	<b>3,09,355</b>
Capital expenditures	(68,298)	(25,000)	(25,000)	(25,000)
Interest / Dividend Income	17,664	-	-	-
Others	(32,484)	(1,56,798)	(2,06,321)	(2,12,563)
<b>Net Cash from Invt. activities</b>	<b>(83,117)</b>	<b>(1,81,798)</b>	<b>(2,31,321)</b>	<b>(2,37,563)</b>
Issue of share cap. / premium	103	-	-	-
Debt changes	(44,967)	15,000	15,000	15,000
Dividend paid	(30,914)	(33,937)	(48,660)	(62,300)
Interest paid	(4,233)	(35,404)	(32,809)	(31,983)
Others	(33,077)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,13,088)</b>	<b>(54,340)</b>	<b>(66,468)</b>	<b>(79,284)</b>
<b>Net change in cash</b>	<b>31,565</b>	<b>(15,970)</b>	<b>(21,290)</b>	<b>(7,491)</b>
Free Cash Flow	1,86,332	1,95,168	2,51,499	2,84,355

Source: Company Data, PL Research

**Key Financial Metrics**

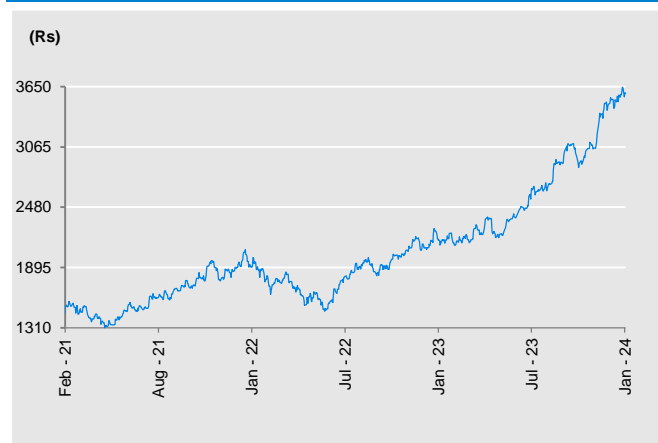
Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	73.8	89.5	119.4	143.0
CEPS	98.7	115.7	148.7	175.0
BVPS	635.7	718.9	822.9	942.7
FCF	132.6	138.9	179.0	202.4
DPS	24.0	24.2	34.6	44.3
<b>Return Ratio(%)</b>				
RoCE	8.3	9.3	11.4	12.4
ROIC	8.6	9.6	11.3	12.2
RoE	12.1	13.2	15.5	16.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.7	0.6	0.5	0.5
Net Working Capital (Days)	4	2	2	2
<b>Valuation(x)</b>				
PER	47.1	38.9	29.1	24.3
P/B	5.5	4.8	4.2	3.7
P/CEPS	94.6	110.8	142.4	167.6
EV/EBITDA	26.5	23.2	18.2	15.7
EV/Sales	3.0	2.5	2.2	2.0
Dividend Yield (%)	0.7	0.7	1.0	1.3

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
<b>Net Revenue</b>	<b>5,83,352</b>	<b>4,78,824</b>	<b>5,10,240</b>	<b>5,51,278</b>
YoY gr. (%)	10.4	33.6	19.3	18.8
Raw Material Expenses	3,79,659	2,93,157	3,11,115	3,52,294
Gross Profit	2,03,693	1,85,667	1,99,126	1,98,984
Margin (%)	34.9	38.8	39.0	36.1
<b>EBITDA</b>	<b>68,329</b>	<b>48,686</b>	<b>56,320</b>	<b>57,590</b>
YoY gr. (%)	4.9	23.2	15.1	13.5
Margin (%)	11.7	10.2	11.0	10.4
Depreciation / Depletion	8,535	8,305	9,099	9,208
<b>EBIT</b>	<b>59,794</b>	<b>40,382</b>	<b>47,221</b>	<b>48,382</b>
Margin (%)	10.3	8.4	9.3	8.8
Net Interest	8,130	8,514	8,640	9,042
Other Income	7,409	11,456	11,330	8,378
<b>Profit before Tax</b>	<b>59,074</b>	<b>43,324</b>	<b>49,911</b>	<b>47,718</b>
Margin (%)	10.1	9.0	9.8	8.7
Total Tax	14,606	12,163	11,355	11,773
Effective tax rate (%)	24.7	28.1	22.8	24.7
<b>Profit after Tax</b>	<b>44,467</b>	<b>31,161</b>	<b>38,556</b>	<b>35,945</b>
Minority interest	4,718	6,026	6,229	6,455
Share Profit from Associates	118	(205)	(101)	(17)
<b>Adjusted PAT</b>	<b>39,868</b>	<b>24,930</b>	<b>32,226</b>	<b>29,474</b>
YoY gr. (%)	10.1	46.5	44.6	20.0
Margin (%)	6.8	5.2	6.3	5.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>39,868</b>	<b>24,930</b>	<b>32,226</b>	<b>29,474</b>
YoY gr. (%)	10.1	46.5	44.6	15.5
Margin (%)	6.8	5.2	6.3	5.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>39,868</b>	<b>24,930</b>	<b>32,226</b>	<b>29,474</b>
Avg. Shares O/s (m)	1,405	1,405	1,405	1,375
<b>EPS (Rs)</b>	<b>28.4</b>	<b>17.7</b>	<b>22.9</b>	<b>21.4</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-24	BUY	3,437	3,501
2	01-Nov-23	BUY	3,437	2,929
3	05-Oct-23	BUY	3,302	3,096
4	12-Sep-23	BUY	3,302	2,944
5	26-Jul-23	BUY	2,955	2,560
6	06-Jul-23	BUY	2,615	2,489
7	11-May-23	BUY	2,615	2,364
8	11-Apr-23	BUY	2,479	2,310

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,984	4,753
2	Apar Industries	Accumulate	6,890	6,069
3	Bharat Electronics	Accumulate	143	184
4	BHEL	UR	-	195
5	Carborundum Universal	BUY	1,408	1,132
6	Cummins India	Hold	1,811	2,005
7	Engineers India	BUY	166	199
8	GE T&D India	UR	-	585
9	Grindwell Norton	BUY	2,604	2,283
10	Harsha Engineers International	Accumulate	415	395
11	Hindustan Aeronautics	BUY	2,266	2,996
12	Kalpataru Projects International	BUY	740	737
13	KEC International	Hold	645	612
14	Larsen & Toubro	BUY	3,437	3,501
15	Praj Industries	Accumulate	611	540
16	Siemens	Accumulate	4,359	4,020
17	Thermax	Hold	2,771	3,200
18	Triveni Turbine	Accumulate	450	407
19	Voltamp Transformers	Hold	7,619	7,910

**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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