

October 31, 2024

## Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	4,088		4,130	
Sales (Rs. m)	28,64,310	32,34,474	28,68,029	32,36,755
% Chng.	(0.1)	(0.1)		
EBITDA (Rs. m)	3,44,216	3,97,589	3,45,330	3,98,270
% Chng.	(0.3)	(0.2)		
EPS (Rs.)	146.7	174.0	149.2	175.8
% Chng.	(1.7)	(1.0)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	2,211	2,554	2,864	3,234
EBITDA (Rs. bn)	235	282	344	398
Margin (%)	10.6	11.0	12.0	12.3
PAT (Rs. bn)	130	157	202	239
EPS (Rs.)	94.3	114.0	146.7	174.0
Gr. (%)	25.5	20.9	28.7	18.6
DPS (Rs.)	28.0	33.1	45.5	43.5
Yield (%)	0.8	1.0	1.3	1.3
RoE (%)	14.8	16.7	18.3	18.4
RoCE (%)	9.7	11.6	13.3	14.2
EV/Sales (x)	2.4	2.1	1.8	1.6
EV/EBITDA (x)	22.7	18.7	15.3	13.2
PE (x)	36.1	29.9	23.2	19.6
P/BV (x)	5.4	4.6	3.9	3.3

### Key Data

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52-W High / Low	Rs.3,949 / Rs.2,856
Sensex / Nifty	79,942 / 59,749
Market Cap	Rs.4,686bn / \$ 55,733m
Shares Outstanding	1,375m
3M Avg. Daily Value	Rs.8405.11m

### Shareholding Pattern (%)

Promoter's	-
Foreign	21.72
Domestic Institution	40.44
Public & Others	37.84
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(7.3)	(5.2)	16.5
Relative	(2.2)	(11.6)	(6.6)

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## Healthy Q2; strong intake aids growth visibility

### Quick Pointers:

- Order prospects for H2FY25 stand at Rs8.08trn, down ~8% YoY primarily due to lower Energy prospects at Rs2.49trn vs (Rs3.46trn YoY).
- Management maintained FY25 guidance of 10%/15% order inflow/revenue growth, 8-8.25% P&M EBITDA margin, and 15% NWC to sales.

**Larsen & Toubro (L&T) reported consol. revenue growth of 20.9% YoY, while EBITDA margin fell 70bps YoY to 10.3% with absence of one-time Hyderabad Metro TOD monetization gain (Rs5.1bn in Q2FY24) causing a ~90bps impact.. NWC to sales rose to 12.2% (vs 16.7% in Q2FY24) owing to lower gross working capital and strong collections. Although public state capex has slightly moderated, significant private capex investments are lined up, which will help drive strong domestic order intake in H2FY25. L&T has also re-entered bidding for BTG orders in thermal power projects, and is confident of securing ~4GW order from NTPC. Meanwhile, the company continues to make in-roads in new verticals of renewable energy (carved out a separate business vertical to streamline operations), electrolyzers (ramping up manufacturing capacity to 1GW in the long-term), data centers (commissioning 14MW projects and planning further expansions), and semiconductors (acquired a power semiconductor startup and inaugurated a new development center). International execution has been robust, while domestic execution should pick up in H2.**

**We believe L&T is well-placed to benefit in the long-run owing to 1) strong international prospects led by Middle East, 2) healthy domestic pipeline on the back of public-driven capex and uptick in private capex, and 3) improving profitability in development projects, and 4) penetration in newer areas such as green energy, electrolyzers, semiconductors, data centers, etc. The stock is currently trading at a P/E of 29.9x/23.2x/19.6x on FY25/26/27E earnings. We maintain 'Buy' rating with an SoTP-derived TP of Rs4,088 (Rs4,130 earlier), valuing the core business at a P/E of 26x FY26E (same as earlier).**

**Robust execution in international business drives growth:** Consol. revenue rose 20.6% YoY (adj: +21.9%) to Rs615.5bn (PL: Rs591.5bn) driven by strong execution in international business (+46.4% YoY to Rs320.6bn), particularly in Infrastructure and Energy. Domestic revenue grew 1.3% YoY (adj: +3.1%) to Rs295.0bn. P&M revenue rose 27.6% YoY to Rs445.0bn. EBITDA grew 13.0% YoY (adj: +24.3%) to Rs63.6bn (PL: Rs65.4bn). EBITDA margin fell 70bps YoY (adj: +20bps) to 10.3% (PL: 11.1%). P&M EBITDA/EBIT margins came in at 7.6%/6.3% (vs 7.4%/6.0% in Q2FY24) aided by better execution. PAT rose 5.4% YoY (adj: +25.3%) to Rs34.0bn (PL: Rs35.9bn) on the back of strong execution, partly offset by lower other income (-2.8% YoY to Rs11.0bn) and higher D&A expenses (+12.5% YoY to Rs10.2bn). NOTE: Adjusted comparisons reflect exclusion of one-time TOD monetization gain of Rs5.1bn in Hyderabad Metro in Q2FY24.

### Strong order book of Rs5.1trn with robust inflows in international Infrastructure:

Consol. order inflows came in at Rs800.5bn in Q2FY25, down 10.2% YoY due to a high base of international Hydrocarbon orders in Q2FY24. International Infrastructure orders rose 361% YoY to Rs312bn. Order book stands at Rs5.1trn (2.1x TTM revenue), up 13.2% YoY, with 60%/40% domestic/export mix.

**Exhibit 1: Strong execution drives healthy improvement in profitability, despite lower other income and higher D&A expenses**

Y/e March (Rs mn)	Q2FY25	Q2FY24*	YoY gr.	Q2FY25E	% Var.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
<b>Revenue</b>	<b>615,546</b>	<b>505,120</b>	<b>21.9%</b>	<b>591,459</b>	<b>4.1%</b>	<b>551,198</b>	<b>11.7%</b>	<b>1,166,744</b>	<b>983,944</b>	<b>18.6%</b>
Gross Profit	220,971	194,006	13.9%	225,937	-2.2%	209,438	5.5%	430,409	379,361	13.5%
Margin (%)	35.9	38.4	(251)	38.2	(230)	38.0	(210)	36.9	38.6	(167)
Employee Cost	114,557	102,989	11.2%	114,743	-0.2%	110,435	3.7%	224,992	201,883	11.4%
as % of sales	18.6	20.4	(178)	19.4	(79)	20.0	(142)	19.3	20.5	(123)
Other expenditure	27,244	25,732	5.9%	30,756	-11.4%	28,545	-4.6%	55,788	49,031	13.8%
as % of sales	4.4	5.1	(67)	5.2	(77)	5.2	(75)	4.8	5.0	(20)
Finance cost of fin. serv. business	15,550	14,085	10.4%	15,000	3.7%	14,305	8.7%	29,855	28,562	4.5%
as % of sales	2.5	2.8	(26)	2.5	(1)	2.6	(7)	2.6	2.9	(34)
<b>EBITDA</b>	<b>63,620</b>	<b>51,200</b>	<b>24.3%</b>	<b>65,438</b>	<b>-2.8%</b>	<b>56,153</b>	<b>13.3%</b>	<b>119,773</b>	<b>99,886</b>	<b>19.9%</b>
Margin (%)	10.3	10.1	20	11.1	(73)	10.2	15	10.3	10.2	11
Depreciation	10,238	9,099	12.5%	10,279	-0.4%	9,979	2.6%	20,218	17,404	16.2%
<b>EBIT</b>	<b>53,382</b>	<b>42,101</b>	<b>26.8%</b>	<b>55,160</b>	<b>-3.2%</b>	<b>46,174</b>	<b>15.6%</b>	<b>99,556</b>	<b>82,483</b>	<b>20.7%</b>
Margin (%)	8.7	8.3	34	9.3	(65)	8.4	30	8.5	8.4	15
Other Income	11,013	11,330	-2.8%	9,800	12.4%	9,206	19.6%	20,219	22,785	-11.3%
Interest	8,844	8,640	2.4%	8,600	2.8%	8,614	2.7%	17,457	17,154	1.8%
<b>PBT (ex. Extra-ordinaries)</b>	<b>55,551</b>	<b>44,791</b>	<b>24.0%</b>	<b>56,360</b>	<b>-1.4%</b>	<b>46,767</b>	<b>18.8%</b>	<b>102,317</b>	<b>88,114</b>	<b>16.1%</b>
Margin (%)	9.0	8.9	16	9.5	(50)	8.5	54	8.8	9.0	(19)
Extraordinary Items	-	5,120	-	-	-	-	-	-	5,120	-
<b>PBT</b>	<b>55,551</b>	<b>49,911</b>	<b>11.3%</b>	<b>56,360</b>	<b>-1.4%</b>	<b>46,767</b>	<b>18.8%</b>	<b>102,317</b>	<b>93,234</b>	<b>9.7%</b>
Total Tax	14,423	11,355	27.0%	13,808	4.5%	12,365	16.6%	26,788	23,518	13.9%
Effective Tax Rate (%)	26.0	22.8	321	24.5	146	26.4	(48)	26.2	25.2	96
<b>PAT before MI &amp; JV</b>	<b>41,128</b>	<b>38,556</b>	<b>6.7%</b>	<b>42,552</b>	<b>-3.3%</b>	<b>34,401</b>	<b>19.6%</b>	<b>75,529</b>	<b>69,717</b>	<b>8.3%</b>
<b>Reported PAT</b>	<b>33,953</b>	<b>32,226</b>	<b>5.4%</b>	<b>35,902</b>	<b>-5.4%</b>	<b>27,857</b>	<b>21.9%</b>	<b>61,810</b>	<b>57,156</b>	<b>8.1%</b>
<b>Adj. PAT</b>	<b>33,953</b>	<b>27,106</b>	<b>25.3%</b>	<b>35,902</b>	<b>-5.4%</b>	<b>27,857</b>	<b>21.9%</b>	<b>61,810</b>	<b>52,036</b>	<b>18.8%</b>
<b>Adj. EPS</b>	<b>24.7</b>	<b>19.7</b>	<b>25.3%</b>	<b>26.5</b>	<b>-6.7%</b>	<b>20.3</b>	<b>21.9%</b>	<b>45.0</b>	<b>37.8</b>	<b>18.8%</b>

Source: Company, PL

\*One-time gain of Rs5.1bn from TOD monetization in Hyderabad Metro in Q2FY24 has been classified under exceptional income

**Exhibit 2: Strong execution in international Infrastructure and Energy projects drives healthy revenue growth**

Segment Performance	Q2FY25	Q2FY24*	YoY gr.	Q1FY25	QoQ gr.	H1FY25	H1FY24*	YoY gr.
<b>Revenue (Rs mn)</b>								
Infrastructure Projects	323,523	249,768	29.5%	271,795	19.0%	595,318	473,724	25.7%
Energy Projects	88,798	67,943	30.7%	85,004	4.5%	173,802	134,847	28.9%
Hi-Tech Manufacturing	21,759	20,411	6.6%	19,197	13.3%	40,957	40,094	2.2%
IT & Technology Services	119,606	112,470	6.3%	115,567	3.5%	235,173	222,076	5.9%
Financial Services	38,366	30,841	24.4%	36,640	4.7%	75,006	61,037	22.9%
Development Projects*	13,829	13,411	3.1%	13,273	4.2%	27,102	26,375	2.8%
Others	17,925	18,880	-5.1%	14,975	19.7%	32,900	42,352	-22.3%
<b>Total</b>	<b>623,807</b>	<b>513,723</b>	<b>21.4%</b>	<b>556,451</b>	<b>12.1%</b>	<b>1,180,258</b>	<b>1,000,506</b>	<b>18.0%</b>
Less: Inter-segment revenue	8,261	8,603	-4.0%	5,253	57.3%	13,514	16,562	-18.4%
<b>Net Revenue</b>	<b>615,546</b>	<b>505,120</b>	<b>21.9%</b>	<b>551,198</b>	<b>11.7%</b>	<b>1,166,744</b>	<b>983,944</b>	<b>18.6%</b>
<b>EBIT (Rs mn)</b>								
Infrastructure Projects	15,502	10,356	49.7%	12,001	29.2%	27,503	18,857	45.8%
Energy Projects	7,091	5,877	20.7%	6,692	6.0%	13,783	11,448	20.4%
Hi-Tech Manufacturing	2,097	2,338	-10.3%	2,669	-21.4%	4,766	4,882	-2.4%
IT & Technology Services	20,798	19,012	9.4%	19,115	8.8%	39,913	38,187	4.5%
Financial Services	9,395	7,964	18.0%	9,223	1.9%	18,619	15,104	23.3%
Development Projects*	1,358	1,221	11.3%	1,473	-7.8%	2,831	2,451	15.5%
Others	3,837	2,982	28.7%	2,907	32.0%	6,745	6,808	-0.9%
<b>Total</b>	<b>60,079</b>	<b>49,749</b>	<b>20.8%</b>	<b>54,079</b>	<b>11.1%</b>	<b>114,158</b>	<b>97,737</b>	<b>16.8%</b>
<b>EBIT Margin (%)</b>								
			<b>YoY bps</b>		<b>QoQ bps</b>			<b>YoY bps</b>
Infrastructure Projects	4.8	4.1	65	4.4	38	4.6	4.0	64
Energy Projects	8.0	8.7	-66	7.9	11	7.9	8.5	-56
Hi-Tech Manufacturing	9.6	11.5	-182	13.9	-427	11.6	12.2	-54
IT & Technology Services	17.4	16.9	48	16.5	85	17.0	17.2	-22
Financial Services	24.5	25.8	-133	25.2	-68	24.8	24.7	8
Development Projects*	9.8	9.1	72	11.1	-128	10.4	9.3	115
Others	21.4	15.8	561	19.4	199	20.5	16.1	443

Source: Company, PL;

\*One-time gain of Rs5.1bn from TOD monetization in Hyderabad Metro in Q2FY24 has been excluded from Development Projects revenue and EBIT

**Exhibit 3: SoTP Valuation – Core business accounts for ~66% of SoTP**

Particulars	Earnings/Book (Rs mn)	Valuation Basis	Target Multiple (x)	Stake (%)	Value (Rs bn)	Fair Value (Rs)	Basis
L&T Core Business	143,435	P/E	26	100	3,729,317	2,712	26x FY26 EPS
L&T Power development	22,897	P/B	1	100	22,897	17	1x equity investment
L&T Hyderabad Metro	74,130	P/B	1.5	100	111,195	81	1.5x equity investment
Other Businesses	46,262	P/B	1	100	46,262	34	1x equity investment
<b>Total</b>						<b>2,843</b>	
<b>Subsidiaries</b>							
L&T Finance	483,739	Target Mcap		66	318,590	232	Target Mcap
LTI Mindtree	1,892,218	Target Mcap		69	1,298,062	944	Target Mcap
L&T Technology Services	538,539	Target Mcap		74	397,119	289	Target Mcap
<b>Total Subsidiaries</b>				<b>15% holding co. disc.</b>	<b>1,711,705</b>	<b>1,245</b>	
<b>Grand Total</b>						<b>4,088</b>	

Source: Company, PL

## Conference Call Highlights

- **Maintained FY25 guidance** of ~10% order inflow growth, ~15% revenue growth, P&M EBITDA margin of 8-8.25%, and ~15% NWC to sales ratio.
- **Order prospects for H2FY25** stand at Rs8.08trn vs Rs8.78trn YoY, comprising of Infrastructure (Rs5.42trn vs Rs5.06trn YoY), Hydrocarbon (Rs2.25trn vs Rs2.91trn YoY), CarbonLite Solutions (Rs0.24trn vs Rs0.55trn YoY), and Hi-Tech Manufacturing (Rs0.16trn vs Rs0.23trn YoY). Domestic/International prospect pipeline stands at Rs4.6trn/Rs3.48trn.
- **Project & Manufacturing** net revenue grew 27.6% YoY to Rs445bn in Q2FY25 led by strong execution in Infrastructure, Hydrocarbon, and Precision Engineering. EBITDA margin came in at 7.6% vs 7.4% in Q2FY24. Order inflow was down 14% YoY to Rs630bn given high base last year included 2 ultra-mega international Hydrocarbon orders. International orders accounted for 62% of inflow (vs 68% in Q2FY24). Orders came from renewables, T&D, roads & runways, urban transit systems, nuclear power, hydel & tunnel, minerals & metals, factories, precision engineering and the offshore vertical of Hydrocarbon business. Order book has a good mix of high quality jobs, so expect FY26 margins to start on a good trajectory.
- **Order book (OB) stands at Rs5.10trn** with domestic share of 60% (Rs3.05trn) and international share of 40% (Rs2.05trn). ~17% of the order book is funded by bilateral & multilateral agencies. No orders were deleted in Q2FY25. Slow-moving orders constitute 0.5% of the order book.
  - **International OB** comprises of Middle East (85%) and RoW (15%). Middle East remains focused on investments in oil & gas, infrastructure, industrialisation and energy transition.
  - **Domestic OB** comprises of Central Govt (14%), State Govts (28%), PSUs (36%) and private players (21%).
- **NWC to sales ratio** saw a ~450bps/170bps YoY/QoQ improvement to 12.2% on the back of lower gross working capital requirements and strong collections. Group level collections (ex-financial services) in Q2FY25 came in at Rs621bn vs Rs463bn in Q2FY24.
- **Infrastructure Projects:** Robust execution of a large international order book drove revenue growth. Q2FY25 order inflow came in at Rs495bn (vs Rs280bn in Q2FY24) led by a 4.6x YoY rise in international orders to Rs312bn. Orders primarily came from renewables, T&D, minerals & metals, B&F, transport, and heavy civil infra. Order prospects for H2FY25 Rs5.42trn (domestic: Rs4.14trn; international: Rs1.28trn) vs Rs5.06trn YoY, comprise of Transportation Infra – 28%, Minerals & Metals – 8%, Buildings & Factories – 15%, Water & Effluent Treatment – 17%, Power T&D – 7%, Renewables – 8%, and Heavy Civil Infra – 18%. EBITDA margin improved to 6.0% (vs 5.4% in Q2FY24) aided by improved job progress.
- L&T carved out a separate business vertical for renewable energy out of the Power T&D business to capitalize on growth opportunities in renewables in a more focused way as the global shift to clean energy and decarbonization gains momentum.

- **Energy Projects (Hydrocarbon & Carbon Lite Solutions):** High base of ultra mega Hydrocarbon orders from Middle East in Q2FY24 led to 81% YoY decline in order intake to Rs77.6bn Order prospects stand at Rs2.25trn in Hydrocarbon (vs Rs2.91trn YoY) and Rs0.24trn in Carbon Lite (vs Rs0.55trn YoY). Order book consists of Rs1.13trn in Hydrocarbon and Rs46bn in Power. Strong execution in international projects drove Hydrocarbon revenue growth, while lower order book in Carbon Lite led to moderation in revenue. EBITDA margin fell to 8.8% vs 9.5% in Q2FY24, reflecting early stages of execution in Hydrocarbon, while CarbonLite margin improved due to a favorable job mix.
- **L&T has re-entered Thermal power projects** as it has been able to negotiate better terms for Boiler Turbine Generator (BTG) orders, where previously it stayed away due to unfavourable cash flows and significant project delays. NTPC's tenders for 6.4GW across 3 thermal projects will be finalized in Q3FY25 with L1 bidder winning 2 tenders and L2 getting the 3<sup>rd</sup>. L&T is confident of securing L1 position to win ~4GW orders.
- **Hi-Tech Manufacturing (Precision & Heavy Engineering):** Order inflow of Rs39.2bn grew 63.7% YoY led by receipt of a significant international nuclear order from ITER in Heavy Engineering. Order prospects stand at Rs158bn (vs ~Rs230bn YoY). Strong execution momentum continued in Precision Engineering, while Heavy Engineering revenue was impacted jobs in early stages. EBITDA margin fell to 12.8% (vs 14.9% in Q2FY24) owing to additional cost provisions in certain jobs in Heavy Engineering.
- **Government's indigenization efforts** will benefit defence PSUs and private companies like L&T; but need to factor in stretched ordering timelines as multiple programs need to pass development tests and get various government clearances.
- **Development Projects (Hyderabad Metro & Nabha Power):** Stable performance in Nabha Power. EBITDA margin fell to 15.8% (vs 38.7% in Q2FY24) due to absence of one-time gain of Rs5.12bn from TOD monetization in Hyderabad Metro. Average ridership/day in Hyderabad Metro in Q2FY25 stood at 4.68 lakh vs 4.62 lakh in Q2FY24 and 4.32 lakh in Q1FY25. Metro reported loss of Rs2.07bn (vs Rs2.4bn profit in Q2FY24). Q2FY25 is reflective of a steady state quarter. Aiming to complete another tranche of TOD monetization in H2FY25.
- **Electrolyzer Manufacturing:** Signed technology license agreement for 4MW electrolyzer design with McPhy in Sep'24 (previously signed agreement for 0.5MW electrolyzer in Mar'23). First automated robotic line for stack assembly with 150MW capacity has been commissioned at Hazira in Sep'24. The company will further ramp up capacity to 500MW in near to medium term and to 1GW in medium to long-term.
- **Green Energy Projects:** Several tenders have come up in India, while there is strong traction in supply of green ammonia/hydrogen in South Korea and Japan. L&T will only take on development projects where offtake agreement is secured upfront.

- **Data Centers:** 2MW data center in Panvel will be commissioned in Q3FY25. 12MW data center in Chennai is expected to be commissioned shortly; L&T plans to expand this to 30MW in near term . It is also planning expansions in Navi Mumbai and Bangalore in near to medium term
- **Realty:** On track to achieve revenue goal of Rs50bn by FY26, and optimistic of meeting order inflow goal of Rs80bn in FY26. Out of the company's 84mn sq. ft. portfolio, ~60mn is yet to be monetized (~20mn commercial; ~40mn residential of which ~10mn is under construction and ~30mn is under planning stage).



## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>22,11,129</b>	<b>25,54,092</b>	<b>28,64,310</b>	<b>32,34,474</b>
YoY gr. (%)	20.6	15.5	12.1	12.9
Cost of Goods Sold	8,07,731	8,76,054	9,56,679	10,73,846
Gross Profit	14,03,398	16,78,038	19,07,630	21,60,629
Margin (%)	63.5	65.7	66.6	66.8
Employee Cost	4,11,710	4,63,997	5,13,645	5,67,578
Other Expenses	2,44,865	2,83,504	3,13,642	3,59,027
<b>EBITDA</b>	<b>2,34,937</b>	<b>2,81,797</b>	<b>3,44,216</b>	<b>3,97,589</b>
YoY gr. (%)	13.2	19.9	22.2	15.5
Margin (%)	10.6	11.0	12.0	12.3
Depreciation and Amortization	36,823	39,377	42,089	46,049
<b>EBIT</b>	<b>1,98,113</b>	<b>2,42,421</b>	<b>3,02,127</b>	<b>3,51,540</b>
Margin (%)	9.0	9.5	10.5	10.9
Net Interest	35,459	33,507	29,845	30,228
Other Income	41,580	40,865	42,392	48,517
<b>Profit Before Tax</b>	<b>2,05,171</b>	<b>2,49,780</b>	<b>3,14,673</b>	<b>3,69,830</b>
Margin (%)	9.3	9.8	11.0	11.4
Total Tax	49,474	66,192	83,388	98,005
Effective tax rate (%)	24.1	26.5	26.5	26.5
<b>Profit after tax</b>	<b>1,55,697</b>	<b>1,83,588</b>	<b>2,31,285</b>	<b>2,71,825</b>
Minority interest	24,880	26,621	29,284	32,212
Share Profit from Associate	226	249	274	301
<b>Adjusted PAT</b>	<b>1,29,655</b>	<b>1,56,718</b>	<b>2,01,728</b>	<b>2,39,312</b>
YoY gr. (%)	25.5	20.9	28.7	18.6
Margin (%)	5.9	6.1	7.0	7.4
Extra Ord. Income / (Exp)	936	-	-	-
<b>Reported PAT</b>	<b>1,30,591</b>	<b>1,56,718</b>	<b>2,01,728</b>	<b>2,39,312</b>
YoY gr. (%)	24.7	20.0	28.7	18.6
Margin (%)	5.9	6.1	7.0	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,30,591	1,56,718	2,01,728	2,39,312
<b>Equity Shares O/s (m)</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>
<b>EPS (Rs)</b>	<b>94.3</b>	<b>114.0</b>	<b>146.7</b>	<b>174.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>5,35,084</b>	<b>5,70,084</b>	<b>5,95,084</b>	<b>6,25,084</b>
Tangibles	2,58,856	2,93,856	3,18,856	3,48,856
Intangibles	2,76,228	2,76,228	2,76,228	2,76,228
<b>Acc: Dep / Amortization</b>	<b>1,25,880</b>	<b>1,65,256</b>	<b>2,07,345</b>	<b>2,53,394</b>
Tangibles	1,25,880	1,65,256	2,07,345	2,53,394
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>4,09,204</b>	<b>4,04,827</b>	<b>3,87,738</b>	<b>3,71,689</b>
Tangibles	1,32,976	1,28,600	1,11,511	95,462
Intangibles	2,76,228	2,76,228	2,76,228	2,76,228
Capital Work In Progress	28,970	28,970	28,970	28,970
Goodwill	-	-	-	-
Non-Current Investments	6,74,639	7,23,359	8,18,933	9,43,538
Net Deferred tax assets	33,301	33,301	33,301	33,301
Other Non-Current Assets	64,023	71,515	80,201	87,331
<b>Current Assets</b>				
Investments	3,49,576	3,59,576	3,95,534	3,95,534
Inventories	66,202	90,968	1,02,017	1,15,200
Trade receivables	4,87,710	5,59,801	6,27,794	7,08,926
Cash & Bank Balance	1,53,584	1,98,724	2,07,161	2,35,830
Other Current Assets	7,18,877	7,66,228	8,30,650	9,21,825
<b>Total Assets</b>	<b>33,57,635</b>	<b>37,22,448</b>	<b>40,60,453</b>	<b>44,46,036</b>
<b>Equity</b>				
Equity Share Capital	2,749	2,749	2,749	2,749
Other Equity	8,60,843	10,05,931	11,91,768	14,01,057
<b>Total Networth</b>	<b>8,63,592</b>	<b>10,08,681</b>	<b>11,94,517</b>	<b>14,03,807</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	8,62,055	8,62,055	8,62,055	5,65,070
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	2,78,343	2,93,343	3,08,343	6,20,328
Trade payables	5,32,929	6,50,769	7,21,963	8,06,403
Other current liabilities	6,92,113	7,78,998	8,44,971	9,21,825
<b>Total Equity &amp; Liabilities</b>	<b>33,57,635</b>	<b>37,22,448</b>	<b>40,60,453</b>	<b>44,46,036</b>

Source: Company Data, PL Research



**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,04,235	2,49,780	3,14,673	3,69,830
Add. Depreciation	36,823	39,377	42,089	46,049
Add. Interest	35,459	33,507	29,845	30,228
Less Financial Other Income	41,580	40,865	42,392	48,517
Add. Other	(27,203)	-	-	-
Op. profit before WC changes	2,49,314	3,22,663	3,86,607	4,46,106
Net Changes-WC	(13,851)	(48,587)	(1,42,792)	(1,48,256)
Direct tax	(52,801)	(66,192)	(83,388)	(98,005)
<b>Net cash from Op. activities</b>	<b>1,82,663</b>	<b>2,07,884</b>	<b>1,60,427</b>	<b>1,99,846</b>
Capital expenditures	(90,999)	(35,000)	(25,000)	(30,000)
Interest / Dividend Income	26,342	-	-	-
Others	86,287	(70,738)	(66,697)	(63,413)
<b>Net Cash from Invt. activities</b>	<b>21,630</b>	<b>(1,05,738)</b>	<b>(91,697)</b>	<b>(93,413)</b>
Issue of share cap. / premium	97	-	-	-
Debt changes	(41,024)	15,000	15,000	15,000
Dividend paid	(42,170)	(38,500)	(45,448)	(62,536)
Interest paid	(36,055)	(33,507)	(29,845)	(30,228)
Others	(12,025)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,31,176)</b>	<b>(57,006)</b>	<b>(60,293)</b>	<b>(77,763)</b>
<b>Net change in cash</b>	<b>73,117</b>	<b>45,140</b>	<b>8,437</b>	<b>28,669</b>
Free Cash Flow	1,37,498	1,72,884	1,35,427	1,69,846

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	94.3	114.0	146.7	174.0
CEPS	121.1	142.6	177.3	207.5
BVPS	628.1	733.6	868.7	1,021.0
FCF	100.0	125.7	98.5	123.5
DPS	28.0	33.1	45.5	43.5
<b>Return Ratio(%)</b>				
RoCE	9.7	11.6	13.3	14.2
ROIC	9.8	11.7	13.4	14.0
RoE	14.8	16.7	18.3	18.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.7	0.6	0.5	0.4
Net Working Capital (Days)	3	-	1	2
<b>Valuation(x)</b>				
PER	36.1	29.9	23.2	19.6
P/B	5.4	4.6	3.9	3.3
P/CEPS	121.1	142.6	177.3	207.5
EV/EBITDA	22.7	18.7	15.3	13.2
EV/Sales	2.4	2.1	1.8	1.6
Dividend Yield (%)	0.8	1.0	1.3	1.3

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

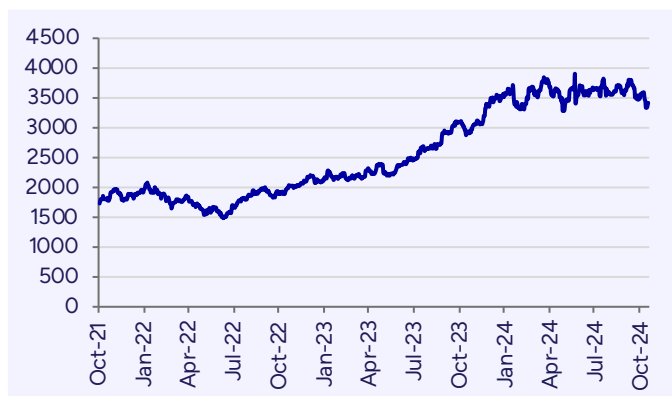
Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Net Revenue</b>	<b>5,51,278</b>	<b>6,70,787</b>	<b>5,51,198</b>	<b>6,15,546</b>
YoY gr. (%)	18.8	15.0	15.1	21.9
Raw Material Expenses	3,52,294	4,46,263	3,41,760	3,94,575
Gross Profit	1,98,984	2,24,524	2,09,438	2,20,971
Margin (%)	36.1	33.5	38.0	35.9
<b>EBITDA</b>	<b>57,590</b>	<b>72,340</b>	<b>56,153</b>	<b>63,620</b>
YoY gr. (%)	13.5	5.9	15.3	24.3
Margin (%)	10.4	10.8	10.2	10.3
Depreciation / Depletion	9,208	10,212	9,979	10,238
<b>EBIT</b>	<b>48,382</b>	<b>62,128</b>	<b>46,174</b>	<b>53,382</b>
Margin (%)	8.8	9.3	8.4	8.7
Net Interest	9,042	9,263	8,614	8,844
Other Income	8,378	10,417	9,206	11,013
<b>Profit before Tax</b>	<b>47,718</b>	<b>64,218</b>	<b>46,767</b>	<b>55,551</b>
Margin (%)	8.7	9.6	8.5	9.0
Total Tax	11,773	14,183	12,365	14,423
Effective tax rate (%)	24.7	22.1	26.4	26.0
<b>Profit after Tax</b>	<b>35,945</b>	<b>50,035</b>	<b>34,401</b>	<b>41,128</b>
Minority interest	6,455	6,171	6,590	7,036
Share Profit from Associates	(17)	96	46	(140)
<b>Adjusted PAT</b>	<b>29,474</b>	<b>43,232</b>	<b>27,857</b>	<b>33,953</b>
YoY gr. (%)	20.0	8.4	11.7	20.1
Margin (%)	5.3	6.4	5.1	5.5
Extra Ord. Income / (Exp)	-	729	-	-
<b>Reported PAT</b>	<b>29,474</b>	<b>43,961</b>	<b>27,857</b>	<b>33,953</b>
YoY gr. (%)	15.5	10.3	11.7	5.4
Margin (%)	5.3	6.6	5.1	5.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>29,474</b>	<b>43,961</b>	<b>27,857</b>	<b>33,953</b>
Avg. Shares O/s (m)	1,375	1,375	1,375	1,375
<b>EPS (Rs)</b>	<b>21.4</b>	<b>31.4</b>	<b>20.3</b>	<b>24.7</b>

Source: Company Data, PL Research



**Price Chart**

**Recommendation History**



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	BUY	4,130	3,494
2	25-Jul-24	BUY	4,130	3,519
3	08-Jul-24	BUY	4,047	3,627
4	09-May-24	BUY	4,047	3,487
5	12-Apr-24	BUY	4,071	3,753
6	31-Jan-24	BUY	4,071	3,480
7	09-Jan-24	BUY	3,437	3,501
8	01-Nov-23	BUY	3,437	2,929

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,833	7,930
2	Apar Industries	BUY	10,399	9,514
3	BEML	Accumulate	4,484	3,664
4	Bharat Electronics	BUY	341	270
5	BHEL	Accumulate	260	230
6	Carborundum Universal	Hold	1,650	1,469
7	Cummins India	Accumulate	4,081	3,624
8	Engineers India	BUY	250	188
9	GE T&D India	Hold	1,601	1,661
10	Grindwell Norton	Accumulate	2,749	2,441
11	Harsha Engineers International	Hold	566	502
12	Hindustan Aeronautics	Hold	4,515	4,257
13	Kalpataru Projects International	Accumulate	1,413	1,348
14	KEC International	Hold	880	1,032
15	Larsen & Toubro	BUY	4,130	3,494
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,374	7,247
18	Thermax	Reduce	4,186	5,193
19	Triveni Turbine	BUY	719	671
20	Voltamp Transformers	BUY	14,326	10,516

**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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