

Larsen & Toubro

Performance Highlights

Quarterly highlights - Standalone

Y/E March (₹ cr)	1QFY16	4QFY15	1QFY15	% chg (yoy)	% chg (qoq)
Net sales	10,710	18,968	10,338	3.6	(43.5)
EBITDA	975	2,490	1,087	(10.4)	(60.9)
Adj. PAT	701	1,875	722	(2.9)	(62.6)

Source: Company, Angel Research

Standalone numbers disappoint: For 1QFY2016, Larsen & Toubro (L&T) reported 3.6% yoy increase in its standalone top-line to ₹10,710cr, reflecting lower revenue booking across Infrastructure, MMH and HE segments. EBITDA margin for the quarter is down 142bp yoy to 9.1%, on account of surge in SGA and employee expenses. Reported PAT declined by 21.6% yoy to ₹701cr, owing to higher interest expenses.

Order Inflows for consolidated entity declined 21.0% yoy to ₹26,376cr. L&T's order backlog stands at ₹2,38,973cr, thereby giving revenue visibility for over the next 30 months.

Hydro-carbon turns-around: In 1QFY2016, the Hydrocarbon subsidiary reported a 41.7% yoy revenue growth to ₹2,207cr. For the first time in last few quarters, this vertical reported positive EBIT of ₹40cr vs loss of ₹942cr in 1QFY2015.

Key Positives: Turnaround in Hydrocarbon seg.; positive Management commentary on the award outlook front; net WC cycle almost maintained on qoq basis.

Key Negatives: Miss on order inflow and revenue guidance.

Outlook and valuation: L&T's diversified presence, and an anticipated recovery in the capex cycle coupled with the company's strong balance sheet comfort us that it is well positioned to benefit from revival in the award activity environment. With order backlog expected to grow, execution should pick-up gradually. We have valued the company using the sum-of-the-parts (SoTP) methodology, to capture the value of all its businesses and investments. Ascribing separate values to its parent business (on a P/E basis) and investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at FY2017E based target price of ₹2,013. We are of the view that L&T is a good proxy play for investors wanting to ride on the revival of the Indian infrastructure growth story. **Given 12.5% upside potential in the stock from current levels, we maintain Accumulate rating on the stock.**

Key financials (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	51,611	56,599	57,017	65,065	77,009
% chg		9.7	0.7	14.1	18.4
Net Profit	4,385	5,493	5,056	5,337	6,530
% chg		25.3	(8.0)	5.6	22.3
EBITDA (%)	10.6	11.8	11.4	11.5	11.7
EPS (₹)	53	59	54	57	70
P/E (x)	33.8	30.3	33.1	31.5	25.7
P/BV (x)	1.9	1.7	1.4	1.2	1.1
RoE (%)	14.2	15.6	13.3	13.7	15.1
RoCE (%)	17.5	18.7	16.3	16.8	18.2
EV/Sales (x)	3.0	3.1	3.1	2.7	2.3
EV/EBITDA (x)	28.6	26.3	27.4	23.9	19.9

Source: Company, Angel Research; Note: CMP as of July 31, 2015

ACCUMULATE

CMP	₹1,790
Target Price	₹2,013

Investment Period	12 Months
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Stock Info

Sector	Infrastructure
Market Cap (₹ cr)	166,524
Net debt (₹ cr)	11,421
Beta	1.3
52 Week High / Low	1,893/1,400
Avg. Daily Volume	175,895
Face Value (₹)	2
BSE Sensex	28,115
Nifty	8,533
Reuters Code	LART.BO
Bloomberg Code	LT@IN

Shareholding Pattern (%)

Promoters	-
MF / Banks / Indian Fls	39.5
FII / NRIs / OCBs	16.2
Indian Public / Others	44.3

Abs. (%)	3m	1yr	3yr
Sensex	2.3	10.3	62.9
LT	9.8	21.6	94.4

3-year price chart



Source: Company, Angel Research

Yellapu Santosh

022 – 3935 7800 Ext: 6811

santosh.yellapu@angelbroking.com

Exhibit 1: Quarterly Performance (Standalone)

Particulars (₹ cr)	1QFY16	4QFY15	% chg (qoq)	1QFY15	% chg (yoy)
Net Sales	10,710	18,968	(43.5)	10,338	3.6
Total Expenditure	9,736	16,478	(40.9)	9,250	5.2
Operating Expenses	8,213	14,804	(44.5)	7,947	3.3
Employee benefits Expense	991	1,019	(2.8)	901	10.0
Sales, Admin & Other Expenses	532	655	(18.8)	403	32.1
EBITDA	975	2,490	(60.9)	1,087	(10.4)
EBITDA %	9.1	13.1		10.5	
Depreciation	246	246	0.2	261	(5.6)
EBIT	728	2,244	(67.5)	826	(11.9)
Interest and Financial Charges	287	334	(14.1)	272	5.6
Other Income	553	570	(2.9)	488	13.4
PBT before Exceptional Items	995	2,480	(59.9)	1,043	(4.6)
Exceptional Items	0	(186)		(171)	
PBT after Exceptional Items	995	2,666	(62.7)	1,214	(18.1)
Tax	294	605	(51.5)	320	(8.4)
% of PBT	29.5	22.7		26.4	
PAT	701	2,061	(66.0)	894	(21.6)
Adj. PAT (for excep. Items)	701	1,875	(62.6)	722	(2.9)
Adj. PAT %	6.5	9.9		7.0	
Dil. EPS (after extra-ord. Items)	7.49	21.95	(65.9)	9.57	(21.7)

Source: Company, Angel Research

Standalone business
Revenue declines, reflecting weaker execution

For the quarter, L&T reported 3.6% yoy increase in its top-line to ₹10,710cr. On a qoq basis, reported revenue is down 43.5% (4Q is typically the best quarter). The revenue decline on qoq basis is owing to lower revenue booking across Infrastructure, MMH and HE segments.

Exhibit 2: Segment-wise Gross Revenue Split (Standalone)

Particulars (₹ cr)	1QFY16	4QFY15	% chg (qoq)	1QFY15	% chg (yoy)
Infrastructure	7,201	14,278	(49.6)	6,755	6.6
Power	1,091	1,425	(23.4)	936	16.6
Met. & Material Handling	528	925	(42.9)	903	(41.5)
Heavy Engineering	596	939	(36.6)	807	(26.2)
Electrical & Automation	869	1,316	(33.9)	770	12.9
Others	752	742	1.4	473	59.3
Less: Inter-segment Revenues	186	479	(61.1)	197	(5.3)
Gross Segmental Revenues	10,851	19,146	(43.3)	10,447	3.9

Source: Company, Angel Research

Exhibit 3: Segment-wise Unadj. EBIT & EBIT Margins (Standalone)

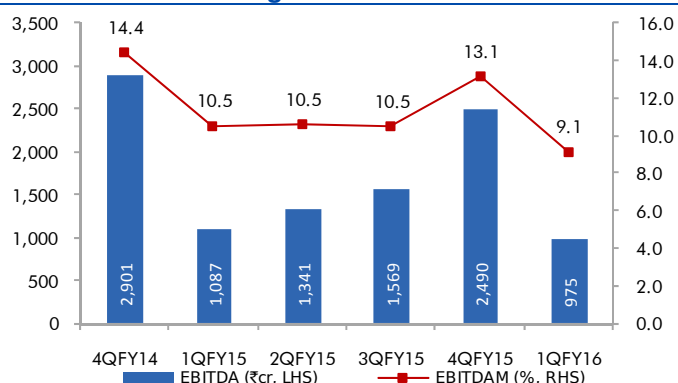
Particulars (₹ cr)	1QFY16	4QFY15	% chg (qoq)	1QFY15	% chg (yoy)
Infrastructure	744	1,957	(62.0)	649	14.6
EBIT Margin (%)	10.3	13.7		9.6	
Power	20	52	(60.8)	35	(41.8)
EBIT Margin (%)	1.9	3.6		3.7	
Metallurgical & Material Handling	(23)	61	(137.5)	88	(125.8)
EBIT Margin (%)	(4.3)	6.6		9.8	
Heavy Engineering	40	111	(63.8)	73	(45.2)
EBIT Margin (%)	6.7	11.8		9.1	
Electrical & Automation	97	196	(50.5)	64	52.9
EBIT Margin (%)	11.2	14.9		8.3	
Others	155	100	55.5	100	55.0
EBIT Margin (%)	20.6	13.4		21.2	
Net Segmental EBIT (unadj.)	1,034	2,476	(58.2)	1,009	2.4

Source: Company, Angel Research

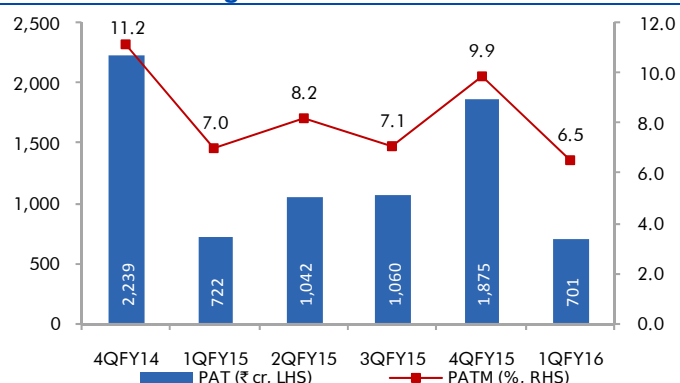
EBITDA margin under pressure

On the EBITDA front L&T reported a 142bp yoy decline in its EBITDA margin to 9.1% in 1QFY2016. Decline in yoy margin is mainly on account of (a) 10.0% increase in employee expenses (to ₹991cr), and (b) 32.1% increase in SGA expenses (to ₹532cr). A sharp yoy increase in SGA expenses is owing to higher provision for doubtful debts (₹50cr) and higher CSR expenses (₹25cr).

At the segment level, EBIT margin pressure was seen across Power (down 187bps to 1.9%) and HE segments (down 233bps to 6.7%); and with 4.3% loss margins at MMH segment.

Exhibit 4: EBITDA margin at 9.1%


Source: Company, Angel Research

Exhibit 5: PAT margin at 6.5%


Source: Company, Angel Research

PAT numbers report yoy decline

The reported PAT declined 21.6% yoy to ₹701cr on account of decline in EBITDA and higher interest expenses. PAT numbers, on a yoy basis, benefitted from 13.4% yoy increase in other income to ₹553cr (led by treasury gains). In 1QFY2015, L&T reported ₹171cr of exceptional items. On adjusting for the same, Adj. PAT of the company was in 1QFY2015 was at ₹722cr. On a like to like basis, the Adj. PAT for 1QFY2016 is down 2.9% yoy. In other words, Adj. PAT margins of the company declined from 7.0% a year ago to 6.5% in 1QFY2016.

Consolidated business

Revenue declines, reflecting weaker execution

L&T reported a 6.7% yoy growth and 27.7% qoq de-growth in its consolidated business' top-line to ₹20,252cr. Revenue growth on yoy basis was owing to stronger execution seen across Infra, Hydro-carbon (41.7% growth to ~₹2,207cr) and IT Services businesses (20.9% growth to ~₹2,116cr). Strong revenue growth across above mentioned segments was offset up to certain extent by lower order book and weak execution across MMH and HE segments.

Exhibit 6: Quarterly Performance (Consolidated)

Particulars (₹ cr)	1QFY16	4QFY15	% chg (qoq)	1QFY15	% chg (yoy)
Net Sales	20,252	28,023	(27.7)	18,975	6.7
Total Expenditure	17,962	24,416	(26.4)	16,464	9.1
Man. Cons. & Opex Exp.	14,497	20,837	(30.4)	13,329	8.8
Employee benefits Expense	2,084	2,029	2.7	1,751	19.0
Sales, Admin & Other Exp.	1,381	1,551	(11.0)	1,383	(0.2)
EBITDA	2,290	3,607	(36.5)	2,511	(8.8)
EBIDTA %	11.3	12.9		13.2	
Depreciation	622	588	5.9	807	(22.9)
EBIT	1,668	3,019	(44.8)	1,704	(2.1)
Interest & Fin. Charges	707	474	49.1	774	(8.7)
Other Income	257	283	(9.1)	277	(7.1)
PBT before Excep. Items	1,219	2,828	(56.9)	1,206	1.0
Exceptional Items	0	(98)		(249)	
PBT after Excep. Items	1,219	2,927	(58.4)	1,456	(16.3)
Tax	546	796	(31.4)	449	21.6
% of PBT	44.8	27.2		30.8	
PAT before Minority Int.	673	2,131	(68.4)	1,007	(33.2)
Extra-Ordinary Items	0	0		0	
Share in pro. of Asso. (net)	2	(2)		2	
Adj. of Minority Interests	(69)	(59)		(41)	
PAT after Minority Interest	606	2,070	(70.7)	967	(37.3)
Adj. PAT (for excep. Items)	606	1,971	(69.2)	718	(15.6)
Adj. PAT %	3.0	7.0		3.8	
Dil. EPS (after ex-ord. Item)	6.48	22.05	(70.6)	10.36	(37.5)

Source: Company, Angel Research

EBITDA margins under pressure

On the EBITDA margin front, L&T reported 192bp yoy decline in its EBITDA margin to 11.3% in 1QFY2016. Notably, 1QFY2015 EBITDA benefitted from divestment gains of a subsidiary. Decline in yoy EBITDA margins in 1QFY2016 also reflects lower revenue booking on declining order book across few segments, partly offset by recovery in Hydrocarbons segment.

Alternatively, decline in yoy margins is on account of 19.0% and 8.8% increase in Employee expenses and MCO expenses, respectively. Sharp yoy increase in Employee expenses is owing to pay revisions and enlarged base in Middle East operations. Increase in yoy MCO expenses is on account of shift in job mix and operationalization of Nabha Power plant. Further, if we look at segment details, then yoy margin compression was on account of poor performance across Power, MMH, and HE segments.

PAT margin reports yoy decline

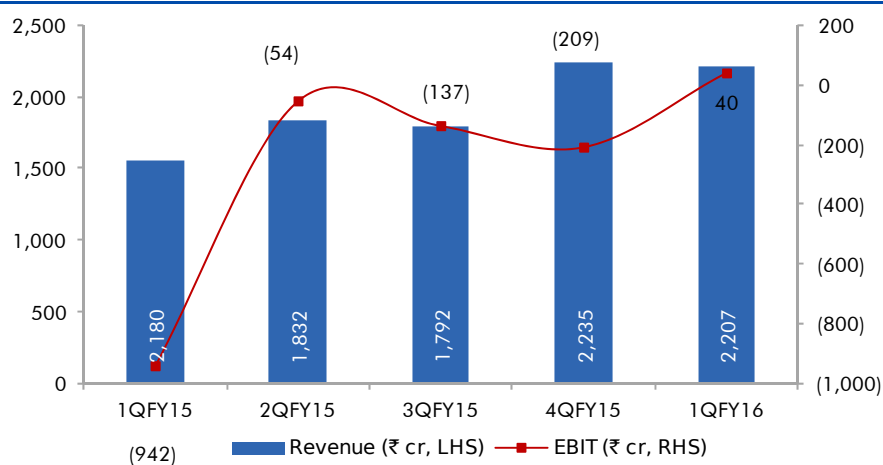
In addition to yoy EBITDA decline, higher tax expenses led to 37.3% yoy decline in reported PAT to ₹606cr. PAT de-growth on a yoy basis was restricted due to (1) 22.9% decline in depreciation expenses (to ₹622cr), and (2) 8.7% decline in interest expenses (to ₹707cr, owing to sale of Dhamra Port and re-financing of loans). Other income declined by 7.1% to ₹257cr (constitutes mainly treasury gains). In 1QFY2015, L&T reported ₹249cr of exceptional item. On adjusting for the same, Adj. PAT stands at ₹718cr. For 1QFY2016, Adj. PAT margins of the company stand at 3.0%, lower than 3.8% in 1QFY2015.

Hydrocarbon business recovers

After few quarters of consistent underperformance, the Hydrocarbon business showed signs of recovery. Muted EBITDA performance of the segment is owing to pending claims settlement and under-recovery in Middle East business.

Stronger execution across International Hydrocarbon projects led Hydrocarbon subsidiary report 41.7% yoy revenue growth to ~₹2,207cr. International business reported 40.5% yoy increase in revenues to ~₹1,110cr, owing to orders booked in FY2015.

Exhibit 7: Hydrocarbon - Quarterly Revenues & EBIT



Source: Company, Angel Research

During the quarter, the Hydrocarbon business reported a positive EBIT of ₹40cr vs a negative EBIT of ₹942cr in 1QFY2015. EBIT turnaround was restricted owing to pending claims settlement and under-recovery in Middle East projects, where L&T

has built a localized organization base in the last few quarters. The Management highlighted that another 3 of these legacy order works are to be executed in next 2-3 quarters' time.

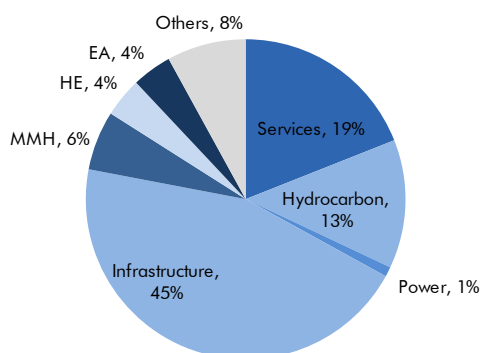
L&T InfoTech registers healthy performance

L&T InfoTech, the company's IT Services focused subsidiary, reported an impressive 20.9% yoy increase in revenues for the quarter to ₹2,116cr. Top-line growth was mainly driven by the BFSI segment in IT and Industrial products domain in Technology Services. On the profitability front, subsidiary's EBIT margins were up 131bp yoy to 18.2%.

Order Inflow growth disappoints

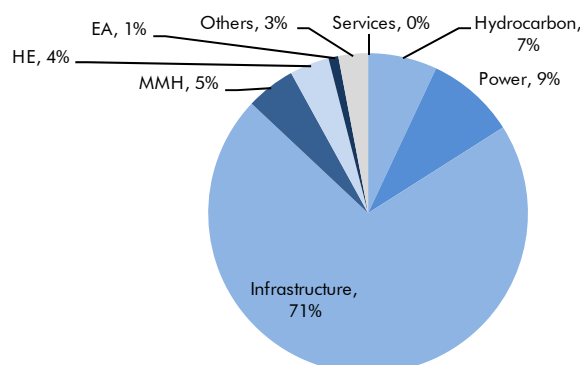
Consolidated Order Inflow for the quarter declined 21.0% yoy to ₹26,376cr (excluding Services business, order inflow reported 23.8% yoy decline). A major 69% of 1QFY2016 order inflows were from the domestic markets (reported 2.2% yoy increase). The Management has highlighted that the company missed a few large ticket Power & Hydrocarbon projects on the pricing front.

Exhibit 8: 1QFY16 Order Inflows mix (consol.)



Source: Company, Angel Research

Exhibit 9: 1QFY16 Order Book mix (consol.)



Source: Company, Angel Research

L&T's order book currently stands at ₹2,38,973cr, indicating a 22.3% yoy growth. As of 1QFY2016, L&T's order book is majorly dominated by Infra (71%), followed by Power (9%) and Hydrocarbon (7%) segments. MMH (5%), HE (4%) and Others (3%) constitute the remaining order book. International order book constitutes 26% of the total order book. The current order book gives revenue visibility for over the next 30 months.

In the backdrop of current bid pipeline of over ₹5,00,000cr (of this ₹2,40,000cr is from Infrastructure segment) as highlighted by Management, the company has maintained its order inflow growth guidance of 15% for FY2016.

Management guidance

- The Management has given a **15% order inflow growth guidance for FY2016**. Having reported 22% yoy growth in order inflows for FY2015, at the backdrop of revival in award activity, we are optimistic that L&T should comfortably surpass its order inflow growth guidance for FY2016.
- L&T's Management has given **15% revenue growth guidance for FY2016**. Given the sharp 22.3% yoy increase in its 1QFY2016 order book, coupled with zero slow moving orders, we are comforted that execution should not be a big challenge for the company, unless there are client side delays or other external issues such as delays resulting from land acquisition, getting clearances, etc.
- The Management has guided for **margin swing of 100bp in FY2016**. With just 3 international legacy projects (from Hydrocarbon space) left out, there exists strong case for continued turnaround of the Hydrocarbons vertical. Any delay in turnaround beyond next few quarters could act as risk to the Management's guidance.

Valuation

We recommend Accumulate with a target price of ₹2,013

We believe L&T has a strong case to beat its order inflow guidance and possibly attain its revenue growth guidance for FY2016. However, the only concern is sustenance of the Hydrocarbon vertical's turnaround, witnessed in 1QFY2016. On the whole, L&T with its diverse business profile (E&C, Power, Alternate Energy, Roads & Highways, Defense, Metros, Urban Infra) is well positioned to benefit from revival in the domestic infra capex cycle.

Exhibit 10: Derivation of SOTP-based target price for L&T (FY2017E)

Business Segment	Methodology	Remarks	₹ cr	₹/share	% to TP
L&T- Parent	P/E	22.0x FY2017E Earnings	143,204	1,515	75.3
Infrastructure Subsidiaries					
IDPL	P/BV	1.0x FY2017E BV	7,422	79	3.9
Key Subsidiaries - Services					
L&T InfoTech	P/E	15.0x FY2017E Earnings	16,574	175	8.7
L&T Finance	M-cap Basis	20% holding company discount	7,667	81	4.0
Realty Space					
L&T Realty (inc. Seawoods Realty)	P/BV	1.5x FY2017E BV	4,770	51	2.5
Hydro-Carbons Business					
Hydro-Carbons	P/BV	1.5x FY2017E BV	1,965	21	1.0
Key Subsidiaries - Manufacturing					
L&T Power-equipment JVs	P/BV	1.0x FY2017E BV	698	7	0.4
Other Associate Companies	P/BV	1.0x FY2017E BV	5,420	58	2.9
International Business					
International Subsidiaries	P/BV	1.5x FY2017E BV	2,322	25	1.2
Grand Total			108,360	2,013	100
Upside				12.5%	
CMP				1,790	

Source: Company, Angel Research

We have valued the company using sum-of-the-parts (SOTP) methodology, to capture the value of all its businesses and investments. Ascribing separate values to its parent business on a P/E basis and investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at a FY2017E based target price of ₹2,013. We are of the view that L&T is a proxy play for investors wanting to play on the revival in the Indian Infrastructure growth story. **Given the 12.5% upside potential in the stock from current levels, we maintain Accumulate rating on the stock.**

Investment arguments

- **Indian capex recovery is a matter of time:** Recent burst of policy measures would ease environment for capex. This, along with our economists calling for rate cuts, makes us believe that a strong recovery is on the cards. Considering that the award activity revival should further gain momentum, we sense that a full-fledged recovery will be seen only in FY2017, but we can expect early signs of improvement in L&T's execution and margin expansion from 2HFY2016 onwards.

The slowdown in order inflows from the Middle East markets coupled with revival in domestic capex cycle should lead to a shift in the order inflow mix more towards the domestic markets, going forward. On the back of shift in order book towards domestic markets, we expect uptick in execution. Accordingly, we have modeled a 16.2% top-line CAGR over FY2015-2017E.

Given that L&T is currently sitting on an order book which gives revenue visibility for over 30 months, this shift in order inflow mix should help the company in faster margin recovery. We expect EBITDA margins to expand by 32bp during FY2015-17 to 11.7%.

- **Best stock to play the Indian infrastructure theme:** We are of the view that L&T is very well positioned to benefit from gradual recovery in the domestic capex cycle, given its diverse range of sectoral exposure, strong balance sheet and better cash flow generating potential in comparison to its peers, which are struggling with higher leverage, and strained cash flows.

Company background

L&T, the largest Indian infrastructure conglomerate, is present across almost all the infrastructure segments and is at the forefront of the Indian infra growth story. Over the years, the company has diversified across various segments to encash the untapped infra opportunity, not only in India but in other geographies as well, and has an excellent track record of achieving the same. Currently, L&T manufactures and services its business in over 30 countries worldwide.

Profit & loss statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	51,611	56,599	57,017	65,065	77,009
% Chg		9.7	0.7	14.1	18.4
Total Expenditure	46,138	49,932	50,530	57,583	67,999
Raw Mat. & Contracting Exp.	40,205	43,346	44,397	50,361	59,451
Employee benefits Expense	3,861	4,662	4,151	4,880	5,622
Sales, Admin. & Other Expenses	2,072	1,923	1,982	2,342	2,926
EBITDA	5,473	6,667	6,488	7,483	9,010
% Chg		22	(3)	15	20
EBIDTA %	10.6	11.8	11.4	11.5	11.7
Depreciation	728	792	1,008	1,173	1,342
EBIT	4,745	5,875	5,480	6,310	7,668
% Chg		23.8	(6.7)	15.2	21.5
Interest and Financial Charges	955	1,076	1,419	1,546	1,630
Other Income	1,887	1,881	2,283	2,498	2,787
PBT	5,678	6,679	6,344	7,262	8,824
Exceptional Item	(176)	(589)	(357)	0	0
PBT after Exceptional Item	5,854	7,268	6,701	7,262	8,824
Tax Expenses	1,541	1,775	1,645	1,924	2,294
% of PBT	27.1	26.6	25.9	26.5	26.0
PAT before Extra-Ordinary Items	4,313	5,493	5,056	5,337	6,530
Extra-Ordinary Item	(72)	0	0	0	0
Rep. PAT	4,385	5,493	5,056	5,337	6,530
% Chg		25.3	(8.0)	5.6	22.3
PAT %	8.5	9.7	8.9	8.2	8.5
EPS (after Extra-ord. Items)	53	59	54	57	70
% Chg		11.6	(8.3)	5.1	22.3

Balance Sheet (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Sources of Funds					
Equity Capital	123	185	186	186	186
Reserves Total	29,020	33,476	36,899	40,847	45,111
Networth	29,143	33,662	37,085	41,032	45,297
Total Debt	8,834	11,459	12,937	14,000	14,500
Other Long-term Liabilities	788	393	470	557	569
Deferred Tax Liability	242	410	363	363	363
Total Liabilities	39,007	45,924	50,854	55,952	60,729
Application of Funds					
Gross Block	11,855	11,397	12,604	14,554	16,534
Accumulated Depreciation	3,550	3,836	4,844	6,016	7,359
Net Block	8,305	7,561	7,760	8,537	9,175
Capital WIP	597	676	222	250	250
Investments	16,103	19,215	23,053	26,103	28,413
Current Assets	47,419	50,853	55,869	57,596	60,451
Inventories	2,064	1,983	2,208	2,359	2,575
Sundry Debtors	22,613	21,539	23,051	23,876	24,475
Cash and Bank Balance	1,456	1,783	1,516	1,429	1,135
Loans, Advances & Deposits	9,413	10,067	10,533	12,088	13,279
Other Current Asset	11,873	15,481	18,562	17,845	18,987
Current Liabilities	33,417	32,381	36,050	36,534	37,560
Net Current Assets	14,002	18,472	19,820	21,062	22,891
Total Assets	39,007	45,924	50,854	55,952	60,729

Cash Flow Statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15P	FY16E	FY17E
Profit before tax	5,678	6,679	6,344	7,262	8,824
Depreciation	728	792	1,008	1,173	1,342
Change in Working Capital	(3,703)	(5,029)	(1,579)	(2,750)	(4,365)
Net Interest & Financial Charges	422	581	909	1,026	1,095
Direct taxes paid	(1,653)	(1,977)	(1,645)	(1,924)	(2,294)
Cash Flow from Operations	1,472	1,047	5,037	4,786	4,603
(Inc)/ Dec in Fixed Assets	(1,000)	(962)	(1,655)	(1,922)	(1,980)
(Inc)/ Dec in Investments	1,657	(252)	(2,345)	(984)	(191)
Cash Flow from Investing	657	(1,214)	(3,999)	(2,905)	(2,171)
Issue/ (Buy Back) of Equity	163	144	0	0	0
Inc./ (Dec.) in Loans	(1,515)	2,612	1,478	1,063	500
Dividend Paid (Incl. Tax)	(1,115)	(1,227)	(1,375)	(1,485)	(1,595)
Interest Expenses	(850)	(1,025)	(1,419)	(1,546)	(1,630)
Cash Flow from Financing	(3,316)	504	(1,316)	(1,968)	(2,725)
Inc/(Dec) in cash (inc. Dis. Opr)	(410)	337	(278)	(87)	(293)
Opening Cash balances	1,906	1,496	1,794	1,516	1,429
Closing Cash balances	1,496	1,794	1,516	1,429	1,135

Key Ratios (Standalone)

Y/E March	FY13	FY14	FY15P	FY16E	FY17E
Valuation Ratio (x)					
P/E (on FDEPS)	33.8	30.3	33.1	31.5	25.7
P/CEPS	29.9	26.5	27.7	25.8	21.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	3.0	3.1	3.1	2.7	2.3
EV/EBITDA	28.6	26.3	27.4	23.9	19.9
EV / Total Assets	4.0	3.8	3.5	3.2	3.0
Per Share Data (₹)					
EPS (fully diluted)	52.9	59.0	54.1	56.8	69.5
Cash EPS	59.9	67.5	64.6	69.3	83.8
DPS	12.0	12.3	13.3	14.4	15.4
Book Value	464	493	542	596	647
Returns (%)					
RoCE (Pre-tax)	17.5	18.7	16.3	16.8	18.2
Angel RoIC (Pre-tax)	17.5	17.2	15.5	16.0	17.5
RoE	14.2	15.6	13.3	13.7	15.1
Turnover ratios (x)					
Asset Turnover (Gross Block) (X)	4.4	4.9	4.8	4.8	5.0
Inventory / Sales (days)	15	13	13	13	12
Receivables (days)	160	142	143	132	115
Payables (days)	134	122	127	117	98
Leverage Ratios (x)					
D/E ratio (x)	0.3	0.3	0.3	0.3	0.3
Interest Coverage Ratio (x)	6.9	7.2	5.5	5.7	6.4

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

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Disclosure of Interest Statement

	L&T
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	Yes
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)