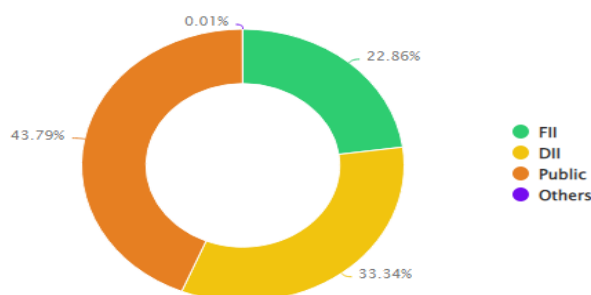


VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	1982.95/1214.00
M.Cap (Rs. in Cr.)	262135.98
EPS (Rs.)	61.81
P/E Ratio (times)	30.19
P/B Ratio (times)	342
Dividend Yield (%)	1.93
Stock Exchange	NSE

SHAREHOLDING PATTERN



P/E CHART

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Revenue	135979.03	158495.88	182624.11
Ebitda	15624.10	18812.33	22707.32
Ebit	12719.89	16128.17	19862.27
NetIncome	15138.95	9759.86	12452.20
EPS	107.71	68.04	87.25
BVPS	540.16	586.20	645.92
RoE	21.23%	12.20%	14.28%

Investment Rationale:

- Larsen & Toubro (L&T) is an Indian technology, engineering, construction, manufacturing and financial services conglomerate, with global operations.
- The consolidated order book of the group as end of Sep 30, 2021 was at Rs 330541 crore (up from 323721 crore on June 30, 2021). The order book was near record level with international orders at 23% of the total order book. Average execution cycle is 27-28 months. Of the order book about 74% is infrastructure and 15% is from hydrocarbon and balance from others. Of the order book about 10% is from central government, 33% from state government, 42% from PSUs and 15% from private sector. Of the order book about 31% are funded by bilateral/multilateral funding agencies.
- Strong prospects pipeline for H2FY22 for Projects & Manufacturing (PAM) – PAM stood at Rs 6.83 trillion as end of Sep 2021 (compared to 6.13 trillion as end of Sep 2020 and Rs 8.96 trillion as end of Q1FY22) and of which domestic were Rs 4.66 trillion and international was Rs 2.16 trillion. The prospects pipeline of infra segment is Rs 5.29 trillion comprising 1.08 trillion of international and balance from domestic. The infra prospects pipeline is evenly spread across B&F, Heavy Civil, transportation, water and Power T&D.
- Government's focus on key sectors of Water, Power T&D, Metro/RRTS, Railways, Roads and Expressways augurs well even though private sector falls short. Large part of the orders in the water and power T&D are from states but that in metro, roads, expressways are largely from central sector.
- According to the management, the global economic outlook remains fairly strong, aided by government macroeconomic and central bank's monetary policy support.
- Recently, L&T and Renew Power signed an agreement to tap \$2 billion green hydrogen business opportunities in two years in India and the neighbouring countries. The company will separately be also pursuing other aspects of green hydrogen like electrolyzes and grid stationary batteries.
- L&T posted decent performance on operational front while infrastructure segment saw some green shoots with improvement on margin, productivity and job mix. The stable working capital to sales, reduced debt, better cash flow situation have provided further liquidity comfort on balance sheet front in these challenging times.

Risk

- Economy slowdown
- Capital intensity of operations

Valuation

The company will maintain leadership in the E&C segment in India, and is positioned to benefit from the large infrastructure spending in India, over the medium term. Moreover, the company's focus continues to be on efficient execution of its large order book, working capital reduction, cost optimization through use of digital technologies aimed at operational efficiencies and driving an agile Balance Sheet. The Company is optimistic of its growth aspirations in the medium term as the economic outlook improves. Thus, it is expected that the stock will see a price target of Rs.2181 in 8 to 10 months' time frame on a target P/Ex of 25x and FY23 EPS of Rs.87.25.

QUERIES & FEEDBACK

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Disclosure:

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