



MSEARCH

RESULT UPDATE

LARSEN & TOUBRO LTD

May-21

Industry: CAPITAL GOODS

Target Rs: 1575

Recommendation: Accumulate

Accumulation Range: 1310-1370

Key Data

Date	25.5.21
BSE Code	500510
NSE Code	LT
52 Week High (Rs)	1593
52 Week Low (Rs)	792
Market Cap (Rs Cr)	203808
Face Value	2
CMP	Rs 1451

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding March 2021

Promoters	0%
Public	100%

Promoters/ Management

Mr. Anil Naik	Chairman
Mr. Shekharipuram	CEO
Mr. Ramamurthi Raman	Ex Director
Mr. M V Satish	Ex Director
Mr. S V Desai	Ex Director

Key Ratios

P/E	17.39
ROE	19%
P/Bv	3.26

Price Chart



Research Team

Prashanth Tapse

022-61507123

prashanth.tapse@mehtagroup.in

Q4FY21 Result Update:

Large & diversified order book provides healthy revenue visibility:

The order inflow for Q4FY21 came at Rs 50,651 Cr as awarding was deferred. FY21 order inflows is a result of strong ordering momentum witnessed in 2nd half. Orders were received majorly across all its segments like Factories, Hydrel and Tunnel, Metros, Special bridges, Nuclear power, Rural water, Renewable energy, Hydrocarbon offshore and Minerals and metal sector. International orders came at Rs 18,439 Cr during the quarter which is 36% of the total order inflow, with receipt of biggest Solar PV plant order and Transmission line orders. L&T's order backlog is at record high of Rs 3,27,354 Cr up 8% YoY with international orders constituting 21% of order backlog.

Strong sequential recovery continues:

L&T's revenue despite productivity challenges picked up in Q4FY21. Better utilisation and productivity aids revenue growth by 35% on QoQ basis and 9% on YoY basis. On operational front Ebitda margins improved by 130bps largely reflective of cost control initiatives. Margin improvement was also aided by improved utilization, onshore-offshore mix from IT & Transportation projects. Sequential improvement in operational PAT was observed followed by robust free cash flows the quarter.

Increasing cash collections:

Strong cash collection kept working capital in check. Improving payment from the government and improved business activities supported the working capital. Net debt/equity levels remained stable strengthening the balance sheet. Cash flow from operations improved to Rs 15700 Cr during FY21. We believe the situation should improve in the coming quarters as L&T has bagged large and high quality orders, which would generate huge revenue growth and bring in operational efficiency.

Mview:

We continue to remain positive on L&T after reporting results in line with street estimates with order flow higher than any of its average quarterly indicating business visibility and also expected to improve post normalisation of the situations. Sequentially, the company's performance was strong, reflecting the impact of unlocking the economy prior to the second wave on project execution. The second wave of the Covid-19 pandemic is expected to temporarily slow down growth momentum, especially during the first quarter of FY22E. L&T management believes that the lockdowns would slow the growth momentum in the economy temporarily. However, the company said that beyond the lockdowns, the economy will recover back to near-normalized activity. Meanwhile, we expect L&T's margins going forward Q1-Q2 may get impacted due to increased commodity prices, which would push-up input costs. The price of cement, steel and crude-linked products have increased in the recent months. Hence based on all the above factors we recommend investors to "ACCUMULATE" L&T (Range Rs 1310-1370) with a revised price target of Rs 1575/- for 6-12 months.

About the Company:

Larsen & Toubro Ltd (L&T) is an Indian multinational engaged in EPC Projects, HI-Tech Manufacturing and Services. A strong, customer-focused approach and the constant quest for top-class quality have enabled L&T to attain and sustain leadership in its major lines of business for eight decades. Its manufacturing footprint extends across eight countries in addition to India. L&T has several international offices and a supply chain that extends around the globe.

FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ	FY21	FY20	YoY
Revenue from operations	48088	44245	8.69%	35596	35%	135979	145452	-7%
Expenses								
Cost of raw materials	5212	4683	11%	4148	26%	15571	15549	0%
Cost of inventories	738	417		643		1557	1489	
Stores, spares & tools	9240	8467	9%	510	1712%	2024	2184	-7%
Sub contracting charges	11733	11470	2%	6302	86%	22316	26454	-16%
Construction material	434	224	94%	6212	-93%	24558	30136	
other expenses	14775	14088	5%	13500	9%	54328	53132	2%
Total expenses	42132	39349	7%	31315	35%	120354	128944	-7%
EBITDA	5956	4896	22%	4281	39%	15625	16508	-5%
EBITDA %	12.39%	11.07%		12.03%		11.49%	11.35%	
depreciation	817	711	15%	702	16%	2904	2463	18%
other income	1028	660	56%	1065	-3%	3429	2361	45%
finance cost	853	821	4%	962	-11%	3913	2797	40%
PBT	5314	4024	32%	3682	44%	12237	13609	-10%
tax	2087	966		1041		4011	3263	
PAT	3227	3058	5.53%	2641	22%	8226	10346	-20%
PAT %	6.71%	6.91%		7.42%		6.05%	7.11%	
EPS	23.45	22.78		16.08		82.49	68.04	

TECHNICAL TREND





MSEARCH

Disclosures: The following Disclosures are being made in compliance with the (herein after referred to as the Regulations). Mehta Equities Ltd. (MEL) is a SEBI Registered Research Analyst having registration no. INH000000552. MEL, the Research firm as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MEL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE), Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) & ICEX for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Neither MEL nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own 1% or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014 but MEL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MEL and its associate company(ies), their directors and Research Analyst and their relatives may; from time to time, have a long or short position in, and buy or sell the securities or derivatives thereof of companies mentioned herein. MEL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. To enhance transparency, MEL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MEL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MEL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions: This report has been prepared by MEL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MEL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose only and clients has to initiate decision to buy or sell or hold, considering their own risk before investing, MEL will not treat recipients as customers by virtue of their receiving this report. MEL may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and must not alone be taken as the basis for an investment decision.

Analyst Certification: The views expressed in this research report accurately reflect the personal views of the analyst(s) and investment committee(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analyst fulfils all the qualification required as per SEBI Research Analyst Regulations 2014.

Disclosure of Interest Statement: Analyst ownership of the stock: No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research.

Msearch's Recommendation (Absolute Performance)

Buy : > 20% within the next 12 Months

Accumulate : 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

BSE: - Membership Clearing No. 122 - SEBI Regn. No. INB010683856, NSE: - Membership Clearing No. 13512- SEBI Regn. No. INB231351231, NSE FO SEBI Regn. No. INF231351231, CIN No: U65990MH1994PLC078478

MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INB261351234
SEBI registered RA Reg No INH000000552

Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli,
Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in