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STOCK BROKING PVT. LTD.

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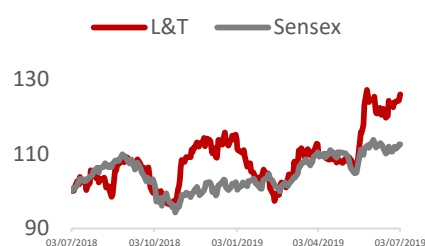
BUY

Current Price	1476
Target Price	1850
Upside/Downside	25%
52 Week Range	1606/1183

Key Share Data

Market Cap (Rs.bn)	2072
Market Cap (US\$ bn)	29.6
No of o/s shares (mn)	1403
Face Value	2
MonthlyAvg. vol(BSE+NSE)	
Nos'000	2598
BSE Code	500510
NSE Code	LT
Bloomberg	LT IN

Price performance



%	Jun-19	Mar-19
Shareholding		
Promoters	-	-
Institutions	57.91	57.83
Others	42.09	42.17
Total	100.0	100.0

Key Financials (Rs Mns)

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	1,100,110.0	9.4%	110,746.9	10.1%	60,412.3	148.0%	43.2	32.4	12.0	7.0
FY18	1,196,831.6	8.8%	136,414.8	11.4%	73,698.6	22.0%	52.6	26.6	13.4	8.1
FY19	1,410,070.9	17.8%	163,246.8	11.6%	89,051.0	20.8%	63.5	22.1	14.3	8.7
FY20E	1,628,512.4	15.5%	190,989.9	11.7%	97,298.6	9.3%	69.4	20.2	14.1	9.3
FY21E	1,838,995.0	12.9%	219,253.3	11.9%	115,349.2	18.6%	82.2	17.0	15.0	9.6

L&T Order Inflow Highlights

Order inflows likely to be up 16% yoy: Order inflows during the quarter for L&T are likely to be up 16% yoy. As management has been giving price range for the orders bagged we have taken average range for calculating order inflows. During the quarter L&T declared orders worth approximately Rs488bn as against Rs410bn received during Q2FY19. Major orders received during the quarter include Residential project from CIDCO, Navi Mumbai International Airport and FGD order from THDC India.

Revenue to improve inspite of few execution challenges: We expect L&T to be major beneficiary of planned public capex and revival of private capex. Though execution challenges in terms of certain projects stuck in Andhra Pradesh and delay in coastal road we feel L&T has strong order pipeline to offset these challenges. Areas like water, hydrocarbon, heavy engineering and building & factories are likely to witness good order inflows for L&T. We expect L&T's revenue to grow at a CAGR of 13% over FY19-21E.

Working capital to improve: Working capital increased in Q1FY20 due to reduction in payables as the company wanted to support suppliers given the tight liquidity environment. However, management guided that working capital to improve to normal level of 18% of sales with improving liquidity at vendors level. As receivables days have not escalated working capital is likely to improve in H2FY20E.

Outlook: Inspite of subdued tendering and awarding during the quarter from state and central L&T's order inflows have shown growth due to its consistent track record and execution capabilities. L&T expects to incur capex of Rs15bn in FY20E. Schneider Electric deal is expected to complete by Q4FY20 and the proceeds from this will support the overall cashflows of the company. We expect L&T to post topline CAGR of 13% over FY19-21E and bottomline CAGR of 11% over the same period. We expect L&T to post EPS of Rs69.4 and Rs82 over FY19E and FY20E respectively. At CMP stock trades at 20x FY20E and 17x FY21E earnings. On SOTP basis we arrive at target price of Rs1850. We recommend 'BUY'.



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Orders won during Q2FY20

Date	FY	Name of the Client	Location	Segment	Size of the Project
23.9.19	2019-20	Telangana Fibre Grid Corp	India	Telecom	1000-2500
16.9.19	2019-20	West Bengal Public Health Eng Dept	India	Water treatment	1000-2500
12.9.19	2019-20	Maharashtra Krishna Valley Devpt Corp	India	Irrigation	1000-2500
11.9.19	2019-20	The Mandarin Oriental, Muscat by Eagle Hills, Muscat.	Muscat	Infrastructure	1000-2500
9.9.19	2019-20	Residential project from CIDCO	India	Infrastructure	5000-7000
3.9.19	2019-20	Navi Mumbai International Airport Pvt. Ltd.	India	Infrastructure	5000-7000
26.8.19	2019-20	THDC India	India	Power	5000-7000
26.8.19	2019-20	NTPC	India	Power	1000-2500
22.8.19	2019-20	Saudi Aramco	India	Hydrocarbon	2500-5000
19.7.19	2019-20	Damodar Valley Corp	India	Power	1000-2500
18.7.19	2019-20	Marjan Field by Saudi Aramco	Saudi	Oil & gas	>7000
17.7.19	2019-20	GIPCL	India	Infrastructure	1000-2500
11.7.19	2019-20	Various	India	Infrastructure	1000-2500



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L&T Ltd Financial data													
P&L (Rs mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1,019,753.4	1,100,110.0	1,196,831.6	1,410,070.9	1,628,512.4	1,838,995.0	Net Profit	45,447.0	64,855.0	80,044.3	102,165.5	105,463.1	125,692.9
							Add: Dep. & Amort.	17,867.3	23,699.3	19,287.3	20,840.0	25,492.2	28,378.1
							Minority Interest	3,118.2	4,442.7	6,345.7	13,114.5	8,164.5	10,343.8
Cost of Sales	915,125.0	989,363.1	1,060,416.8	1,245,824.1	1,437,522.5	1,619,741.6	Cash profits	66,432.5	92,987.0	105,677.3	136,126.0	139,119.9	164,414.8
Operating Profit	104,628.4	119,746.9	136,414.8	163,246.8	190,989.9	219,253.3	-Sundry debtors	40,543.9	(26,639.9)	(44,280.1)	(39,211.9)	(60,329.0)	(56,440.4)
Depreciation	17,867.3	23,699.3	19,287.3	20,840.0	25,492.2	28,378.1	-Inventories	16,639.8	7,144.7	(7,080.6)	(15,661.3)	2,020.6	(7,947.9)
PBIT	86,761.1	87,047.6	117,127.5	142,406.8	165,497.6	190,875.3	-Loans/advances	(112,277.4)	(54,666.3)	(151,923.2)	(130,661.4)	(133,717.0)	(153,774.6)
Other income	9,043.5	14,010.1	13,419.3	18,515.0	14,138.0	16,378.0	-Current Liab and Provisions	(48,919.0)	10,724.0	24,780.6	49,339.0	60,408.3	54,206.5
Interest	16,550.6	13,398.4	15,385.2	18,060.4	25,070.3	23,239.1	- Other Assets	(214,295.2)	28.3	(105,396.6)	(36,635.8)	(69,523.7)	(46,148.5)
							- Sundry Creditors	21,445.7	32,913.0	75,001.0	51,998.5	(288.7)	55,466.1
Profit before tax	79,254.0	87,659.3	115,161.6	142,861.4	154,565.3	184,014.2	Change in working capital	(296,762.2)	(30,496.2)	(209,889.1)	(120,832.9)	(201,429.6)	(154,538.8)
Exceptional and Extra Ordinary Items	942.2	1,214.3	1,230.0	2,947.5	-	-	CF from Oper. activities	(239,329.7)	62,500.8	(194,211.0)	15,267.1	(62,389.7)	9,976.0
share of profit/loss in JV	(9,901.6)	(3,952.7)	(4,358.6)	(210.0)	(663.2)	600.8							
PBT (Post Extra Ordinary)	70,294.6	84,920.9	112,033.0	145,598.9	153,902.1	184,614.9	CF from Inv. activities	182,902.4	(58,641.1)	68,414.3	(32,955.6)	11,543.0	18,278.0
Provision for tax	24,847.6	20,065.9	31,988.7	43,433.4	48,439.0	58,922.0	CF from Fin. activities	(28,931.9)	58,467.3	114,171.9	161,659.0	(28,267.0)	85,764.0
Reported PAT	45,447.0	64,855.0	80,044.3	102,165.5	105,463.1	125,692.9							
MI	(3,118.2)	(4,442.7)	(6,345.7)	(13,114.5)	(8,164.5)	(10,343.8)							
Adjusted PAT	42,328.8	60,412.3	73,698.6	89,051.0	97,298.6	115,349.2							
							Cash generated/(utilised)	(156,359.3)	61,127.1	78,374.4	144,190.5	(79,653.7)	165,910.0
							Cash at start of the year	58,555.2	53,899.1	53,059.6	80,325.3	117,262.4	71,491.0
							Cash at end of the year	53,899.1	53,059.6	80,325.3	117,262.4	71,491.0	116,019.0
Balance Sheet	FY16	FY17	FY18	FY19	FY20E	FY21E	Ratios	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity capital	1,863.0	2,798.9	2,802.7	2,805.5	2,805.5	2,805.5	OPM	10.3	10.1	11.4	11.6	11.7	11.9
Reserves	438,940.60	499,366.35	546,232.30	620,942.50	687,937.50	767,560.50	NPM	4.1	5.4	6.1	6.2	5.9	6.2
Net worth	441,803.6	502,165.2	549,035.0	623,748.0	690,743.0	770,366.0	Tax rate	31.4	22.9	27.8	30.4	31.3	32.0
Minority Interest	28,928.4	35,636.0	52,814.3	68,621.1	76,765.6	87,429.4	Growth Ratios (%)						
Non Current Liabilities	918,629.0	978,834.8	1,114,163.2	1,276,174.5	1,278,028.8	1,398,942.5	Net Sales	10.8	7.9	8.8	17.8	15.5	12.9
Current Liabilities	544,181.4	587,818.4	687,600.0	788,937.5	849,057.1	958,729.7	Operating Profit	(7.7)	5.8	23.2	19.7	17.0	14.8
CAPITAL EMPLOYED	1,933,542.4	2,104,454.4	2,402,812.5	2,757,481.1	2,894,614.6	3,215,167.5	PBIT	(0.4)	0.3	34.6	21.6	16.2	15.3
							PAT	(3.5)	42.7	22.0	20.8	9.3	18.6
Non Current Assets	421,947.0	513,774.4	488,473.6	562,411.1	559,396.6	553,834.2	Per Share (Rs.)						
Fixed Assets	252,826.5	266,125.0	276,284.1	290,393.7	287,379.2	281,816.8	Net Earnings (EPS)	45.4	43.2	52.59	63.5	69.4	82.2
Non Current Investments	154,650.9	233,662.8	196,571.7	253,748.3	253,748.3	253,748.3	Cash Earnings (CPS)	26.3	26.2	38.8	48.6	51.2	62.0
Goodwill	14,469.6	13,986.6	15,617.8	18,269.1	18,269.1	18,269.1	Dividend	22.0	25.5	27.5	31.5	35.3	42.2
Current Assets	1,511,595.5	1,590,680.1	1,928,881.1	2,194,740.3	2,414,314.9	2,728,158.4	Book Value	474.3	358.8	391.8	444.7	492.4	549.2
Inventories	48,542.1	41,397.4	48,478.0	64,139.3	62,118.7	69,966.6	Free Cash Flow	(136.8)	1.9	(31.3)	(12.6)	(36.2)	14.4
Trade Receivables	260,249.8	286,889.7	331,169.8	370,381.7	430,710.7	487,151.1	Valuation Ratios						
Cash and Bank Balances	53,899.1	53,059.6	80,325.3	117,262.4	71,491.0	116,019.0	PE(x)	31	32	27	22	20	17
Short Term Loans and Advances	688,469.5	748,926.7	902,214.5	1,039,527.6	1,177,041.4	1,335,920.2	PIB(x)	3.0	3.9	3.6	3.1	2.8	2.5
Other Current Assets	460,435.0	460,406.7	566,793.5	603,429.3	672,953.0	719,101.5	EVEBITDA(x)	20.8	26.2	22.1	19.3	16.8	15.0
							Div. Yield(%)	1.6	1.8	2.0	2.2	2.5	3.0
							FCF Yield(%)	(9.8)	0.1	(2.2)	(8.9)	(2.6)	1.0
							Return Ratios (%)						
							ROE	9.6	12.0	13.4	14.3	14.1	15.0
CAPITAL DEPLOYED	1,933,542.5	2,104,454.5	2,417,454.7	2,757,151.4	2,894,614.6	3,215,167.5	ROCE	7.0	7.0	8.1	8.7	9.3	9.6



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