



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale - 022 67141435

## Result Update @ Dalal & Broacha

### BUY

Current Price	1430
Target Price	1850
Upside/Downside	29%
52 Week Range	1183/1607

### Key Share Data

Market Cap (Rs.bn)	2008
Market Cap (US\$ mn)	28368
No of o/s shares (mn)	1403.26
Face Value	2
MonthlyAvg. vol(BSE+NSE) Nos'000	3255
BSE Code	500510
NSE Code	LT
Bloomberg	LT IN

### L&T Q2FY20 Result Highlights

Topline grew by 15.2% YoY driven by Hydrocarbon, Power, Heavy Engineering, IT & TS and financial service business.

EBITDA margin has gone down from 11.5% in Q2FY19 to 11.4% in Q2FY20 mainly due to lower margin in infrastructure segment.

Order inflows for H1FY20 increased by 16% YoY at Rs870 bn. Infrastructure contributes 38% of total inflows followed by power at 13%. In Q2FY20, Domestic order inflows were down by 3.5% YoY, whereas international ordering grew robustly by 11% YoY to Rs 167bn. In H1FY20, Domestic order inflows are up by 5.5%, whereas international ordering grew robustly by 51% to Rs 257 bn

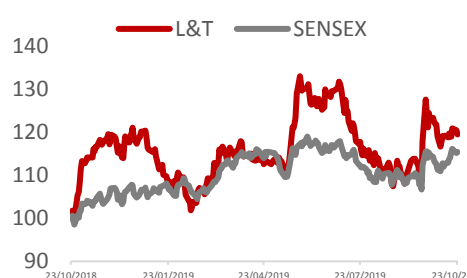
Finance cost more than doubled due to increase in working capital. Working capital requirement increased by 200 bps yoy to 23%.

PAT up 23% yoy, on account of high other income of Rs. 5964 mn, up by 46%.

### Other Highlights

**Improved Order inflows:** Order inflows during the quarter increased by 20% yoy to Rs483bn led by improved power, hydrocarbon orders. Domestic order inflows contributed 65% to total inflows. Order book grew 9%yoy to Rs3.03tn. Stuck orders in AP and coastal road contribute around Rs160bn to order book.

### Price performance



**Order pipeline remains strong:** L&T sees order pipeline at Rs4.5tn over H2FY20E in building and factories and infrastructure segment. Apart from this FGD orders has pipeline of around Rs200bn, Metallurgical orders Rs100bn, hydrocarbon orders at Rs400bn and Heavy engineering segment at Rs100bn. Overall order pipeline remains strong at Rs5.2tn in H2FY20E.

**Working capital to return to normalcy:** Working capital requirement during the quarter has gone up from 20% of sales to 23% of sales yoy. Major reasons for the same are delayed payments and during liquidity crunch L&T has supported their small vendors. Management expects working capital to improve to normal levels by H2FY20E.

### % Shareholding

	Sept-19	Jun-19
Promoters	-	-
Institutions	56.98	57.64
Others	42.02	42.36
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Outlook:** Management has maintained topline growth guidance at 12-15% and order inflow guidance at 10-12%. The company has guided for stable margin for E&C at 10.5%. L&T has ROE of 15% which management has guided to improve 18% by FY21E. L&T expects to incur capex of Rs15bn in FY20E. We expect L&T to post EPS of Rs67 and Rs79 over FY20E and FY21E respectively. At CMP stock trades at 21.3x FY20E and 18x FY21E earnings. **We recommend 'BUY' with target price of Rs1850.**

### Key Financials (Rs Mns)

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	11,00,110	9.4%	1,10,747	10.1%	60,412	148.0%	43.2	33.1	12.0	7.0
FY18	11,96,832	8.8%	1,36,415	11.4%	73,699	22.0%	52.6	27.2	13.4	8.1
FY19	14,10,071	17.8%	1,63,247	11.6%	89,051	20.8%	63.5	22.5	14.3	8.7
FY20E	16,28,512	15.5%	1,88,309	11.6%	94,070	5.6%	67.1	21.3	13.6	9.3
FY21E	18,38,995	12.9%	2,16,175	11.8%	1,11,399	18.4%	79.4	18.0	14.5	9.6

### Segmental Performance:



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result Update@ Dalal & Broacha

**Infrastructure (47% of rev):** Topline up 9% yoy. In spite of execution challenges in Andhra Pradesh and Maharashtra growth was contributed by most business segments. EBITDA margin improved by 30bps yoy at 7.1%. Order inflows for the segment are down 30% yoy at Rs157bn. International orders contributed 20% to total inflows. As order pipeline remains strong management expects order inflows to improve for the segment.

**Power (2% of rev):** Topline down 54% yoy due to lower opening order book. EBITDA margin has gone down from 6% to 4.2% yoy. Order inflows gone up 74% yoy driven by FGD orders. International revenue contribute 20% to total revenue.

**Heavy Engineering (2% of revenue):** Topline up 32% yoy. EBITDA margin at 25% as against 24% yoy. Order inflows down 48% yoy at Rs7bn due to deferment of oil & gas orders.

**Defense engineering (2% of revenue):** Topline up 10% yoy due to execution pick up in order for tracked artillery guns. EBITDA margin at 18% as against 25% yoy. Order inflows down 52% yoy at Rs5bn.

**Hydrocarbon (12% of revenue):** Topline increased 21% yoy. EBITDA margin at 13% as against 10% yoy. Management maintained margin guidance at 10% for the segment. Order inflows increased by 441% yoy to Rs149bn. The company has received mega orders in onshore as well as offshore verticals.

**IT & Technology Services (20% of revenue):** Mindtree revenue is consolidated under this segment during the quarter. The segment reported revenue of Rs58.76bn. Segment margin is declined from 24% to 19.5% on account of increase in employee cost on account of Mindtree consolidation.

**Fin services (9% of revenue):** Revenue up 10% yoy. Loan book up 10% yoy.

**Developmental Projects (4% of revenue):** Revenue increased 12% yoy driven by Nabha Power and Hyderabad Metro. Margin improved from 4% to 10%. Hyderabad Metro reported EBITDA of Rs150cr and PAT loss of Rs80cr during the quarter.

**Others (4% of revenue):** Revenue increased 7% yoy due to handover of residential apartments in realty business. EBITDA margin reported at 23% as against 26% yoy due to change in business segment mix.



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

### Result Update@ Dalal & Broacha

<b>L&amp;T Quaterly Results</b>					
In Rs Mn	Q2FY20	Q2FY19	YoY(%)	Q1FY20	QoQ(%)
Operating income	3,53,285	3,06,781	15%	2,96,359	19%
Expenses	3,12,976	2,71,366	15%	2,63,196	19%
Stock	1,889	1,862	1%	1,855	
RM	1,72,089	1,58,960	8%	1,04,320	65%
Employee	61,406	44,034	39%	45,518	35%
Other expenses	34,563	17,488	98%	17,460	98%
<b>EBITDA</b>	<b>40,309</b>	<b>35,415</b>	<b>14%</b>	<b>33,163</b>	<b>22%</b>
Other income	5,964	4,085	46%	3,844	55%
PBDIT	46,273	39,500	17%	37,007	25%
Interest	6,950	3,984	74%	5,867	18%
Depreciation	6,297	4,776	32%	4,615	36%
<b>PBT</b>	<b>33,027</b>	<b>30,740</b>	<b>7%</b>	<b>25,590</b>	<b>29%</b>
Tax	7,911	8,171	-3%	7,948	0%
<b>Net profit</b>	<b>25,116</b>	<b>22,569</b>	<b>11%</b>	<b>17,643</b>	<b>42%</b>
Extraordinary items	-	-		-	
<b>Key ratios (%)</b>					
	Q2FY20	Q2FY19		Q1FY20	
RM / Sales	49.2	52.4		35.8	
Empl / Sales	17.4	14.4		15.4	
OE / Sales	9.8	5.7		5.9	
EBITDA margin	11.4	11.5		11.2	
PBT margin	9.3	10.0		8.6	
Tax rate	(24.0)	(26.6)		(31.1)	
PAT margin	7.1	7.4		6.0	
<b>EPS</b>	<b>18.0</b>	<b>15.9</b>		<b>10.5</b>	
PBT margin	9.3	10.0		12.5	
EBIT margin	9.3	10.0		8.6	



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result Update@ Dalal & Broacha

L&T Ltd Financial data													
Financials	FY16	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Sales	10,19,753.4	11,00,110.0	11,96,831.6	14,10,070.9	16,28,512.4	18,38,995.0	Net Profit	45,447.0	64,855.0	80,044.3	1,02,165.5	1,02,156.8	1,21,489.8
							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	8,087.1	10,090.7
Cost of Sales	9,15,125.0	9,89,363.1	10,60,416.8	12,46,824.1	14,40,203.8	16,22,819.8	Cash profits	66,432.5	92,997.0	1,05,677.3	1,36,120.0	1,35,736.2	1,59,958.6
Operating Profit	1,04,628.4	1,10,746.9	1,36,414.8	1,63,246.8	1,88,308.6	2,16,175.2	-Sundry debtors	40,643.9	(26,639.9)	(44,280.1)	(39,211.9)	(38,793.5)	(53,618.4)
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	(7,847.9)
PBIT	86,761.1	87,047.6	1,17,127.5	1,42,406.8	1,62,816.3	1,87,797.1	-Loans/advances	(1,12,277.4)	(54,666.3)	(1,51,923.2)	(1,30,661.4)	(1,06,973.6)	(1,19,810.5)
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	40,910.6	33,241.0	60,376.3	54,206.5
Interest	16,550.6	13,398.4	15,385.2	18,060.4	25,695.3	24,364.1	* Other Assets	(2,14,295.2)	28.3	(1,08,047.2)	(34,975.4)	(69,523.7)	(46,148.5)
Profit before tax	79,254.0	87,659.3	1,15,161.6	1,42,861.4	1,51,259.0	1,79,811.0	* Sundry Creditors	21,445.7	32,913.0	75,025.2	51,974.3	38,771.3	16,406.1
Exceptional and Extra Ordinary Items	942.2	1,214.3	1,230.0	2,947.5	-	-	Change in working capital	(2,96,762.2)	(30,496.2)	(1,95,395.3)	(1,35,294.7)	(1,14,122.7)	(1,56,812.6)
share of profit/loss in JV	(9,901.6)	(3,952.7)	(4,358.6)	(210.0)	(663.2)	600.8	CF from Oper. activities	(2,30,329.7)	62,500.8	(89,718.0)	825.3	21,613.5	3,146.0
PBT ( Post Extra Ordinary)	70,294.6	84,920.9	1,12,033.0	1,45,598.9	1,50,595.8	1,80,411.8	CF from Inv. activities	1,02,902.4	(59,841.1)	60,414.3	(32,955.6)	11,543.0	10,270.0
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	1,14,321.7	1,61,859.0	(28,287.0)	85,764.0
Reported PAT	45,447.0	64,855.0	80,044.3	1,02,165.5	1,02,156.8	1,21,489.8	Cash generated/(utilised)	(1,56,359.3)	61,127.1	85,018.0	1,29,728.7	4,869.5	99,180.0
MI	(3,118.2)	(4,442.7)	(6,345.7)	(13,114.5)	(8,087.1)	(10,090.7)	Cash at start of the year	58,555.2	53,899.1	53,059.6	80,325.3	1,17,262.4	71,491.0
Adjusted PAT	42,328.8	60,412.3	73,698.6	89,051.0	94,069.7	1,11,399.1	Cash at end of the year	53,899.1	53,059.6	80,325.3	1,17,262.4	71,491.0	1,16,019.0
<b>Balance Sheet</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>Ratios</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
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	11.6	11.8
Reserves	4,39,940.60	4,99,366.35	5,46,232.30	6,20,942.50	6,87,937.50	7,67,560.50	NPM	4.1	5.4	6.1	6.2	5.7	6.0
Net worth	4,41,803.6	5,02,165.2	5,49,035.0	6,23,748.0	6,90,743.0	7,70,366.0	Tax rate	31.4	22.9	27.8	30.4	32.0	32.8
Minority Interest	28,928.4	35,636.0	52,014.3	68,261.1	76,348.2	86,438.9	Growth Ratios (%)						
Non Current Liabilities	9,18,629.0	9,78,834.8	11,14,313.0	12,76,174.5	12,74,681.2	13,54,915.8	Net Sales	10.8	7.9	8.8	17.8	15.5	12.9
Current Liabilities	5,44,181.4	5,87,818.4	7,03,754.2	7,88,969.5	8,88,117.1	9,58,729.7	Operating Profit	(7.7)	5.8	23.2	19.7	15.4	14.8
<b>CAPITAL EMPLOYED</b>	<b>19,33,542.4</b>	<b>21,04,454.4</b>	<b>24,19,116.5</b>	<b>27,57,153.1</b>	<b>29,29,889.5</b>	<b>31,70,450.4</b>	PBIT	(0.4)	0.3	34.6	21.6	14.3	15.3
Non Current Assets	4,21,947.0	5,13,774.4	4,88,473.6	5,62,411.1	5,59,396.6	5,53,834.2	PAT	(3.5)	42.7	22.0	20.8	5.6	18.4
Fixed Assets	2,52,826.5	2,66,125.0	2,76,284.1	2,90,393.7	2,87,379.2	2,81,816.8	Per Share (Rs.)						
Non Current Investments	1,54,650.9	2,33,662.8	1,96,571.7	2,53,748.3	2,53,748.3	2,53,748.3	Net Earnings (EPS)	45.4	43.2	52.59	63.5	67.1	79.4
Goodwill	14,469.6	13,986.6	15,617.8	18,269.1	18,269.1	18,269.1	Cash Earnings (CPS)	26.3	26.2	38.8	48.6	48.9	59.2
Current Assets	15,11,595.5	15,90,680.1	19,30,641.5	21,94,740.3	23,66,035.9	26,43,093.3	Dividend	22.0	25.5	27.5	31.5	34.5	41.2
Inventories	48,542.1	41,397.4	48,478.0	64,139.3	62,118.7	69,966.6	Book Value	474.3	358.8	391.8	444.7	492.4	549.2
Trade Receivables	2,60,249.8	2,86,889.7	3,31,169.8	3,70,381.7	4,09,175.2	4,62,793.5	Free Cash Flow	(136.8)	1.9	(20.9)	(22.9)	23.6	9.6
Cash and Bank Balances	53,899.1	53,059.6	80,325.3	1,17,262.4	71,491.0	1,16,019.0	Valuation Ratios						
Short Term Loans and Advances	6,88,469.5	7,48,926.7	9,02,214.5	10,39,527.6	11,50,298.0	12,75,212.6	P/E(x)	31	33	27	23	21	18
Other Current Assets	4,60,435.0	4,60,406.7	5,68,453.9	6,03,429.3	6,72,953.0	7,19,101.5	P/B(x)	3.0	4.0	3.6	3.2	2.9	2.6
<b>CAPITAL DEPLOYED</b>	<b>19,33,542.5</b>	<b>21,04,454.5</b>	<b>24,19,115.1</b>	<b>27,57,151.4</b>	<b>29,29,889.5</b>	<b>31,70,450.4</b>	EV/EBIDTA(x)	21.1	26.5	22.4	19.6	17.2	15.2
							Div. Yield(%)	1.5	1.8	1.9	2.2	2.4	2.9
							FCF Yield(%)	(9.6)	0.1	(1.5)	(1.6)	1.7	0.7
							Return Ratios (%)						
							ROE	9.6	12.0	13.4	14.3	13.6	14.5
							ROCE	7.0	7.0	8.1	8.7	9.3	9.6



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result Update@ Dalal & Broacha

### Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### **Disclosures in respect of Research Analyst:**

Dalal and Broacha Research is available on Bloomberg DBVS <GO>



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result Update@ Dalal & Broacha

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained





**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result Update@ Dalal & Broacha

herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Mrs. Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mrs. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141438	Mid- cap & Capital goods
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141449	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021  
Tel: 91-22- 2282 2992, 2287 6173 Fax: 91-22-2287 0092  
E-mail: [research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com), [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)