



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: **Abhilasha Satale - 022 67141435**
Associate – **Tanush Mehta – 022 67141441**

Update @ Dalal & Broacha

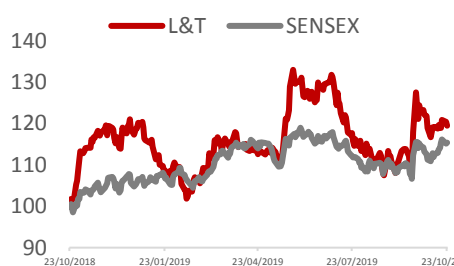
BUY

Current Price	1350
Target Price	1685
Upside/Downside	25%
52 Week Range	1183/1607

Key Share Data

Market Cap (Rs.bn)	1894
Market Cap (US\$ mn)	27057
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

Price performance



L&T- Impact Analysis- Change in Maharashtra Government

We analyzed L&T's exposure in Maharashtra and interacted with management to get sense of project execution progress post government change. In current order book L&T has total exposure of around Rs427bn in Maharashtra (14% of total order book). Out of total exposure around Rs128bn is under construction while projects worth Rs299bn are yet to commence. However, as major projects are funded by multi-lateral agencies and part by central government, the change in Maharashtra Government is unlikely to have major impact on L&T's current order book or order execution.

Project-Wise analysis:

Mumbai Metro- Line3: L&T bagged order worth Rs. 52.7bn in July 16 for EPC work of Line 3. The project is funded by loan from JICA (57.2%), equity by center (10.4%) and equity by MMRC and state (10.4%). The change in government is unlikely to have any impact on execution of project.

MMRDA - Trans Harbor link: L&T bagged order worth Rs86.5bn for Mumbai Trans Harbor Link in November 17. The project is funded 80% through JICA loan, 1.2% from MMRDA and rest from state government. As financial closure for this project is done and 20% work is completed there are less chances of project getting delayed.

Residential project from CIDCO: L&T bagged project in Q2FY20 worth Rs50-70bn. The project is under affordable housing and will be funded by Central Government.

Navi Mumbai International Airport: Project is being executed by Navi Mumbai International Airport Limited (NMIAL), a Special Purpose Entity formed by the GVK group and City and Industrial Development Corporation (CIDCO) which will hold 74 percent and 26 percent equity shares of NMIAL respectively. In September 2019, GVK awarded a contract for construction of the airport to L&T Engineering and Construction. Change in government is unlikely to have impact on execution.

Coastal road Project: The work on the project is halted since July 19 post Supreme Court order. L&T has bagged order worth Rs74.9bn in October 18.

% Shareholding

	Sept-19	Jun-19
Promoters	-	-
Institutions	56.98	57.64
Others	42.02	42.36
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	9.4%	110,747	10.1%	60,412	148.0%	43.2	31.3	12.0	7.0
FY18	1,196,832	8.8%	136,415	11.4%	73,699	22.0%	52.6	25.7	13.4	8.1
FY19	1,410,071	17.8%	163,247	11.6%	89,051	20.8%	63.5	21.3	14.3	8.7
FY20E	1,606,331	13.9%	186,408	11.6%	92,169	3.5%	65.7	20.5	13.3	9.3
FY21E	1,823,276	13.5%	214,785	11.8%	110,009	19.4%	78.4	17.2	14.3	9.6



Analyst: Abhilasha Satale - 022 67141435
Associate – Tanush Mehta – 022 67141441

Update@ Dalal & Broacha

Outlook: L&T management has highlighted that change in government is less likely to have impact on the order book or execution. Although order inflows have remained weak in Q3 for L&T we expect robust order book and international order wins are likely to be savior for the company. We maintain our estimates for L&T. We expect L&T to post EPS of Rs66 and Rs78 over FY20E and FY21E respectively. At CMP stock trades at 20.5x FY20E and 17.2x FY21E earnings.

We recommend 'BUY' with target price of Rs1685.

L&T's Current order book in Maharashtra

Date	FY	Name of the Client	Location	Segment	Size of the Project (In Crores)
12.9.19	2019-20	Maharashtra Krishna Valley Devpt Corp	Maharashtra	Irrigation	1000-2500
9.9.19	2019-20	Residential project from CIDCO	Maharashtra	Infrastructure	5000-7000
3.9.19	2019-20	Navi Mumbai International Airport Pvt. Ltd.	Maharashtra	Infrastructure	5000-7000
11.3.19	2018-19	Mumbai Metro Line 7- power supply	Maharashtra	Power	800
1.10.18	2018-19	Mumbai Coastal Road Project	Maharashtra	Infrastructure	7489
3.9.18	2018-19	Nagpur Mumbai Expressway(MSRDC)	Maharashtra	Infrastructure	2095
3.9.19	2018-19	Thane Creek (MSRDC)	Maharashtra	Infrastructure	559
23.2.18	2018-19	MMRC (Design Line 3)	Maharashtra	Infrastructure	338
19.2.18	2018-19	Pune Muncipal Corp	Maharashtra	Infrastructure	1680
18.11.17	2017-18	MMRDA – Trans Harbour Line	Maharashtra	Infrastructure	8650
27.6.17	2017-18	MMRDA	Maharashtra	Water	1330
2.1.17	2016-17	Pune Smart City	Maharashtra	Infra	764
5.7.16	2016-17	MMRDA- Line 3	Maharashtra	Infra	5273



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale - 022 67141435
Associate – Tanush Mehta – 022 67141441

Update@ Dalal & Broacha

L&T Ltd Financial data													
Financials (Rs Mn)	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	16,06,331.3	18,23,276.3	Net Profit	45,447.0	64,855.0	80,044.3	1,02,165.5	1,00,256.5	1,20,099.3
Cost of Sales	9,15,125.0	9,89,363.1	10,60,416.8	12,46,824.1	14,19,923.1	16,08,491.7	Add: Dep. & Amort.	17,867.3	23,699.3	19,287.3	20,840.0	25,492.2	28,378.1
Operating Profit	1,04,628.4	1,10,746.9	1,36,414.8	1,63,246.8	1,86,408.2	2,14,784.6	Minority Interest	3,118.2	4,442.7	6,345.7	13,114.5	8,087.1	10,090.7
Depreciation	17,867.3	23,699.3	19,287.3	20,840.0	25,492.2	28,378.1	Cash profits	66,432.5	92,997.0	1,05,677.3	1,36,120.0	1,33,835.9	1,58,568.0
PBIT	86,761.1	87,047.6	1,17,127.5	1,42,406.8	1,60,916.0	1,86,406.6	-Sundry debtors	40,643.9	(26,639.9)	(44,280.1)	(39,211.9)	(33,020.3)	(55,300.4)
Other income	9,043.5	14,010.1	13,419.3	18,515.0	14,138.0	16,378.0	-Inventories	16,639.8	7,144.7	(7,080.6)	(15,661.3)	3,114.4	(8,166.6)
Interest	16,550.6	13,398.4	15,385.2	18,060.4	25,695.3	24,364.1	-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)
Profit before tax	79,254.0	87,659.3	1,15,161.6	1,42,861.4	1,49,358.7	1,78,420.5	*-Current Liab and Provision:	(48,919.0)	10,724.0	40,910.6	33,241.0	54,663.9	55,870.8
Exceptional and Extra Ordinary Items	942.2	1,214.3	1,230.0	2,947.5	-	-	*- Other Assets	(2,14,295.2)	28.3	(1,08,047.2)	(34,975.4)	(57,673.6)	(50,031.6)
share of profit/loss in JV	(9,901.6)	(3,952.7)	(4,358.6)	(210.0)	(663.2)	600.8	*- Sundry Creditors	21,445.7	32,913.0	75,025.2	51,974.3	31,478.9	18,961.4
PBT (Post Extra Ordinary)	70,294.6	84,920.9	1,12,033.0	1,45,598.9	1,48,695.5	1,79,021.3	Change in working capital	(2,96,762.2)	(30,496.2)	(1,95,395.3)	(1,35,294.7)	(1,08,410.3)	(1,58,476.9)
Provision for tax	24,847.6	20,065.9	31,988.7	43,433.4	48,439.0	58,922.0	CF from Oper. activities	(2,30,329.7)	62,500.8	(89,718.0)	825.3	25,425.5	91.2
Reported PAT	45,447.0	64,855.0	80,044.3	1,02,165.5	1,00,256.5	1,20,099.3	CF from Inv. activities	1,02,902.4	(59,841.1)	60,414.3	(32,955.6)	11,543.0	10,270.0
MI	(3,118.2)	(4,442.7)	(6,345.7)	(13,114.5)	(8,087.1)	(10,090.7)	CF from Fin. activities	(28,931.9)	58,467.3	1,14,321.7	1,61,859.0	(28,287.0)	85,764.0
Adjusted PAT	42,328.8	60,412.3	73,698.6	89,051.0	92,169.4	1,10,008.6	Cash generated/(utilised)	(1,56,359.3)	61,127.1	85,018.0	1,29,728.7	8,681.5	96,125.2
							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
							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
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	11.6	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	32.4	33.0
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	13.9	13.5
Current Liabilities	5,44,181.4	5,87,818.4	7,03,754.2	7,88,969.5	8,75,112.3	9,49,944.5	Operating Profit	(7.7)	5.8	23.2	19.7	14.2	15.2
CAPITAL EMPLOYED	19,33,542	21,04,454	24,19,117	27,57,153	29,16,885	31,61,665	PBIT	(0.4)	0.3	34.6	21.6	13.0	15.8
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	3.5	19.4
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	65.7	78.4
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	47.5	58.2
Current Assets	15,11,595.5	15,90,680.1	19,30,641.5	21,94,740.3	23,46,718.2	26,29,834.4	Dividend	22.0	25.5	27.5	31.5	34.0	40.9
Inventories	48,542.1	41,397.4	48,478.0	64,139.3	61,024.9	69,191.5	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	4,03,402.0	4,58,702.4	Free Cash Flow	(136.8)	1.9	(20.9)	(22.9)	26.4	7.4
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	11,49,697.5	12,74,787.0	P/E(x)	30	31	26	21	21	17
Other Current Assets	4,60,435.0	4,60,406.7	5,68,453.9	6,03,429.3	6,61,102.9	7,11,134.5	P/B(x)	2.8	3.8	3.4	3.0	2.7	2.5
CAPITAL DEPLOYED	19,33,542	21,04,455	24,19,115	27,57,151	29,16,885	31,61,665	EV/EBIDTA(x)	20.4	25.5	21.6	18.9	16.8	14.7
							Div. Yield(%)	1.6	1.9	2.0	2.3	2.5	3.0
							FCF Yield(%)	(10.1)	0.1	(1.5)	(1.7)	2.0	0.5
							Return Ratios (%)						
							ROE	9.6	12.0	13.4	14.3	13.3	14.3
							ROCE	7.0	7.0	8.1	8.7	9.3	9.6



Analyst: Abhilasha Satale - 022 67141435
Associate – Tanush Mehta – 022 67141441

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

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:

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



Analyst: Abhilasha Satale - 022 67141435
Associate – Tanush Mehta – 022 67141441

Update@ Dalal & Broacha

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 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, equity.research@dalal-broacha.com