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STOCK BROKING PVT. LTD.

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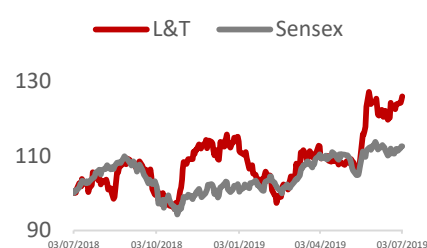
BUY

Current Price	1400
Target Price	1850
Upside/Downside	32%
52 Week Range	353/478

Key Share Data

Market Cap (Rs.bn)	103.78
Market Cap (US\$ mn)	1596
No of o/s shares (mn)	1417.4
Face Value	2
MonthlyAvg. vol(BSE+NSE)	
Nos'000	2598
BSE Code	500510
NSE Code	LT
Bloomberg	LT IN

Price performance



% Shareholding	Jun-19	Mar-18
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%	191,664.0	11.8%	97,972.7	10.0%	69.8	20.0	14.2	9.3
FY21E	1,838,995.0	12.9%	220,027.2	12.0%	116,123.0	18.5%	82.8	16.9	15.1	9.6

L&T Q1FY20 Result Highlights

Topline up 10%yoy driven by infrastructure, heavy engineering, IT & TS and financial service business. Domestic revenue improved by 17% while international improved by 3% yoy.

EBITDA margin has gone down from 12.5% in Q1FY19 to 10.2% in Q1FY20 mainly due to lower margin in infrastructure segment and reduced revenue from realty segment.

Order inflows increased by 11% yoy at Rs387bn. Infrastructure contributes 45% of total inflows followed by power at 17%. Domestic order inflows grew 16% yoy, whereas international ordering remained stable at Rs90bn.

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

PAT up 21% yoy supported by lower tax rate at 30% vs 43% yoy.

Other Highlights

Improved Order inflows: Order inflows during the quarter increased by 11% yoy led by improved domestic orders. Domestic order inflows grew 17% yoy while international remained muted. Order book grew 9%yoy to Rs2.9tn.

Working capital to return to normalcy: Working capital requirement during the quarter has gone up from 21% of sales to 23% of sales. Major reasons for the same are delayed payments from state and central government on the back of elections and during liquidity crunch L&T has supported their small vendors. Management expects working capital to improve to 18% of sales by H2FY20E.

E&C margin to improve: E&C segment margin has gone down by 40bps yoy to 6.4% due to cost provisioning in some of transportation projects. Management expects margin for the segment to improve in H2FY20E.

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 Rs70 and Rs83 over FY19E and FY20E respectively. At CMP stock trades at 20x FY20E and 17x FY20E earnings. We recommend 'BUY' with target price of Rs1850.



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Segmental Performance:

Infrastructure (51% of rev): Topline up 14% yoy. EBITDA % at 6.4% vs 6.8%. Order inflows down 10% yoy at Rs175bn. Intl orders 28% of total. Order book at Rs218bn.

Power (1.8% of rev): Topline down 48% yoy due to lower opening order book. EBITDA % at 3.3% vs 4.1%. Order inflows up 11% yoy at Rs67bn. Receipt of order of 660MW*2 supercritical power plant in Bihar boosted order inflows.

Heavy Engineering (3% of revenue): Topline more than double at yoy due to improved execution in oil & gas, fertilizer and petrochemicals segment. EBITDA % at 19.5% vs 31% yoy due to reversal of expected credit loss provision on contract assets due to better working capital management. Order inflows down 87% yoy at Rs1.9bn due to deferment of oil & gas orders.

Defense engineering (2% of revenue): Topline up 33% yoy due to execution pick up in order for tracked artillery guns. EBITDA % at 16.5% vs 11.1% yoy. Order inflows up 8% yoy at Rs4.4bn.

Hydrocarbon (11% of revenue): Topline up 7% yoy. EBITDA % at 7.6% vs 7.1%. Order inflows down 28% yoy at Rs34bn due to high base.

IT & Technology Services (11% of revenue) : Rev up 15% yoy and EBITDA % at 23.2% vs 24.8% yoy.

Fin services (9% of revenue): Revenue up 13% yoy. Loan book up 16% yoy.

Developmental Projects (4% of revenue): Revenue down 21% yoy due to hiving off of Kattupalli port. EBITDA % at 10% vs 30% yoy.

Others (4% of revenue): Revenue down 14% yoy due to handover of residential apartments in the previous in realty business. EBITDA % at 24.1% vs 26.5% yoy. L&T sold 1,900 flats, while 1,000 flat are available for sale.



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L&T Quaterly Results					
In Rs Mn	1QFY20	1QFY19	YoY(%)	4QFY19	QoQ(%)
Operating income	296,359	282,835	5%	424,017	-30%
Expenses	263,196	253,702	4%	371,219	-29%
Stock	1,855	2,901	-36%	2,990	
RM	148,966	138,675	7%	215,273	-31%
Employee	45,518	42,815	6%	44,888	1%
Other expenses	28,593	21,631	32%	15,461	85%
EBITDA	33,163	29,133	14%	52,799	-37%
Other income	3,844	2,440	58%	6,110	-37%
PBDIT	37,007	31,573	17%	58,908	-37%
Interest	5,867	3,648	61%	5,056	16%
Depreciation	4,615	6,449	-28%	4,534	2%
PBT	26,526	21,477	24%	49,318	-46%
Tax	7,948	9,346	-15%	14,795	-46%
Net profit	18,578	12,131	53%	34,523	-46%
Extraordinary ite	(936)	-		-	
Reported PAT	17,643	12,131	45%	34,523	-49%
Key ratios (%)					
RM / Sales	50.9	50.1		51.5	
Empl / Sales	15.4	15.1		10.6	
OE / Sales	9.6	7.6		3.6	
EBITDA margin	11.2	10.3		12.5	
PBT margin	9.0	7.6		11.6	
Tax rate	(30.0)	(43.5)		(30.0)	
PAT margin	6.3	4.3		8.1	
EPS	12.4	8.6		21.5	
PBT margin	9.0	7.6		13.9	
EBIT margin	9.0	7.6		11.6	



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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	106,137.2	126,466.8
							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	8,164.5	10,343.8
Cost of Sales	915,125.0	989,363.1	1,060,416.8	1,246,824.1	1,436,848.4	1,618,967.8	Cash profits	66,432.5	92,997.0	105,677.3	136,120.0	139,794.0	165,188.7
Operating Profit	104,628.4	110,746.9	136,414.8	163,246.8	191,664.0	220,027.2	-Sundry debtors	40,643.9	(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	(7,847.9)
PBIT	86,761.1	87,047.6	117,127.5	142,406.8	166,171.8	191,649.1	-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	(106,386.8)	(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	155,239.4	184,788.0	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	(230,329.7)	62,500.8	(104,211.8)	15,287.1	(61,635.6)	10,649.9
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	154,576.2	185,388.8	CF from Inv. activities	102,902.4	(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							
Reported PAT	45,447.0	64,855.0	80,044.3	102,165.5	106,137.2	126,466.8	CF from Fin. activities	(28,931.9)	58,467.3	114,171.9	161,859.0	(28,287.0)	85,764.0
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	97,972.7	116,123.0	Cash generated/(utilised)	(156,359.3)	61,127.1	70,374.4	144,190.5	(78,379.6)	106,683.9
							Cash at start of the year	58,555.2	53,899.1	53,059.6	80,325.3	117,262.4	(2,346.7)
							Cash at end of the year	(97,804.1)	115,026.2	123,434.0	224,515.8	38,882.8	104,337.2
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	11.8	12.0
Reserves	439,940.60	499,366.35	546,232.30	620,942.50	687,937.50	767,560.50	NPM	4.1	5.4	6.1	6.2	6.0	6.3
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	31.2	31.9
Minority Interest	28,928.4	35,636.0	52,014.3	68,621.1	76,785.6	87,129.4							
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	Growth Ratios (%)						
							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	17.4	14.8
							PBIT	(0.4)	0.3	34.6	21.6	16.7	15.3
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	PAT	(3.5)	42.7	22.0	20.8	10.0	18.5
Non Current Assets	421,947.0	513,774.4	488,473.6	562,411.1	559,396.6	553,834.2	Per Share (Rs.)						
							Net Earnings (EPS)	45.4	43.2	52.59	63.5	69.8	82.8
Fixed Assets	252,826.5	266,125.0	276,284.1	290,393.7	287,379.2	281,816.8	Cash Earnings (CPS)	26.3	26.2	38.8	48.6	51.7	62.6
Non Current Investments	154,650.9	233,662.8	196,571.7	253,748.3	253,748.3	253,748.3	Dividend	22.0	25.5	27.5	31.5	35.4	42.4
Goodwill	14,469.6	13,986.6	15,617.8	18,269.1	18,269.1	18,269.1	Book Value	474.3	358.8	391.8	444.7	492.4	549.2
							Free Cash Flow	(136.8)	1.9	(31.3)	(12.6)	(35.7)	14.9
Current Assets	1,511,595.5	1,590,680.1	1,928,981.1	2,194,740.3	2,414,314.9	2,728,158.4	Valuation Ratios						
							P/E(x)	31	32	27	22	20	17
Inventories	48,542.1	41,397.4	48,478.0	64,139.3	62,118.7	69,966.6	P/B(x)	3.0	3.9	3.6	3.1	2.8	2.5
Trade Receivables	260,249.8	286,889.7	331,169.8	370,381.7	430,710.7	487,151.1	EV/EBIDTA(x)	20.8	26.2	22.1	19.3	16.7	14.9
Cash and Bank Balances	53,899.1	53,059.6	80,325.3	117,262.4	71,491.0	116,019.0	Div. Yield(%)	1.6	1.8	2.0	2.2	2.5	3.0
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	FCF Yield(%)	(9.8)	0.1	(2.2)	(0.9)	(2.6)	1.1
Other Current Assets	460,435.0	460,406.7	566,793.5	603,429.3	672,953.0	719,101.5							
							Return Ratios (%)						
							ROE	9.6	12.0	13.4	14.3	14.2	15.1
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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