

Larsen & Toubro

Performance Highlights

| Y/E March (₹ cr) | 3QFY12 | 3QFY11 | 2QFY12 | % chg (yoy) | % chg (qoq) |
|------------------------|---------------|---------------|---------------|-------------|-------------|
| Net sales | 13,999 | 11,413 | 11,245 | 22.7 | 24.5 |
| Op. profit | 1,343 | 1,238 | 1,174 | 8.5 | 14.4 |
| Adj. net profit | 839 | 797 | 738 | 5.3 | 13.7 |

Source: Company, Angel Research

Larsen and Toubro (L&T) posted good set of numbers for 3QFY2012, which were above our and street expectations mainly on account of robust top-line growth and higher other income. As of 3QFY2012, L&T's order backlog stands at yoy growth of 26.9% to ₹1,45,768cr (₹1,14,882cr). Order inflow for the quarter grew by stunning 28.2% to ₹17,129cr (₹13,366cr) covering some of the lost ground in 1HFY2012. **We prefer L&T over its peers being the market leader and fundamentally the strongest infrastructure company. We maintain L&T as our top pick in the sector and, hence, continue to recommend Buy on the stock.**

Decent performance: L&T reported robust top-line growth of 22.7% yoy to ₹13,999cr (₹11,413cr), above our estimates of 6.6% growth, mainly on account of pick-up in the E&C segment. On the EBITDA front, performance was below our expectations mainly on account of higher-than-anticipated MTM losses. L&T reported higher than anticipated other income, owing to higher income on its investments and dividend income from subsidiaries. Therefore, the reported bottom line came in at ₹991.6cr (14.4% above our estimates).

Outlook and valuation: During the last quarter, management had significantly cut its order inflow guidance for FY2012, mainly to factor in the general slowdown faced by the sector, but this time they have refrained from the same and maintained their revised guidance (yoy 5% growth on order inflow and 25% on revenue front for FY2012), which we believe factors in aggressive run rate for 4QFY2012 (yoy growth of 13.3% on order inflow and 32.0% on revenue front for 4QFY2012). We expect management to miss the guidance and pencil in 5% yoy de-growth in order inflow and 22.5% yoy growth in revenues for FY2012. We believe L&T is best placed to benefit from the gradual recovery in the capex cycle, given its diverse exposure to sectors, strong balance sheet and cash flow generation as compared to peers. **We maintain L&T as our top pick in the sector and maintain Buy on the stock with a Target Price of ₹1,466.**

Key financials (Standalone)

| Y/E March (₹ cr) | FY2010 | FY2011 | FY2012E | FY2013E |
|------------------------|---------------|---------------|---------------|---------------|
| Net sales | 37,035 | 43,905 | 53,779 | 60,258 |
| % chg | 9.2 | 18.6 | 22.5 | 12.0 |
| Adj. net profit | 2,893 | 3,342 | 3,921 | 4,361 |
| % chg | 11.5 | 15.5 | 17.3 | 11.2 |
| FDEPS (₹) | 47.0 | 54.3 | 63.7 | 70.9 |
| EBITDA margin (%) | 12.9 | 12.9 | 11.9 | 12.1 |
| P/E (x) | 27.2 | 23.5 | 20.1 | 18.0 |
| RoAE (%) | 18.8 | 16.6 | 16.7 | 16.1 |
| RoACE (%) | 19.7 | 18.5 | 17.9 | 17.4 |
| P/BV (x) | 4.3 | 3.6 | 3.1 | 2.7 |
| EV/Sales (x) | 2.3 | 1.9 | 1.6 | 1.4 |
| EV/EBITDA (x) | 17.6 | 14.9 | 13.3 | 12.0 |

Source: Company, Angel Research

BUY

| | |
|--------------|--------|
| CMP | ₹1,277 |
| Target Price | ₹1,466 |

| | |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

| Stock Info | |
|--------------------|----------------|
| Sector | Infrastructure |
| Market Cap (₹ cr) | 78,176 |
| Beta | 1.2 |
| 52 Week High / Low | 1,933/971 |
| Avg. Daily Volume | 337,601 |
| Face Value (₹) | 2 |
| BSE Sensex | 16,752 |
| Nifty | 5,046 |
| Reuters Code | LART.BO |
| Bloomberg Code | LT@IN |

| Shareholding Pattern (%) | |
|--------------------------|------|
| Promoters | 0.0 |
| MF / Banks / Indian Fls | 45.2 |
| FII / NRIs / OCBs | 17.9 |
| Indian Public / Others | 36.9 |

| Abs. (%) | 3m | 1yr | 3yr |
|----------|-------|--------|------|
| Sensex | (0.2) | (11.9) | 93.1 |
| LNT | (4.4) | (22.5) | 99.4 |

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Exhibit 1: Quarterly performance (Standalone)

| Y/E March (₹ cr) | 3QFY12 | 3QFY11 | 2QFY11 | % Chg (yoy) | % Chg (qoq) | 9MFY12 | 9MFY11 | % Chg |
|----------------------------------|---------------|---------------|---------------|-------------|-------------|---------------|---------------|--------------|
| Net sales | 13,999 | 11,413 | 11,245 | 22.7 | 24.5 | 34,726 | 28,629 | 18.8 |
| Total expenditure | 12,655 | 10,175 | 10,071 | 24.4 | 25.7 | 31,083 | 25,379 | 18.9 |
| Operating profit | 1,343 | 1,238 | 1,174 | 8.5 | 14.4 | 3,644 | 3,251 | 18.6 |
| OPM (%) | 9.6 | 10.8 | 10.4 | (120)bp | (80)bp | 10.5 | 11.4 | (90)bp |
| Interest | 191 | 176 | 197 | 8.5 | (3.2) | 549 | 511 | 30.5 |
| Depreciation | 180 | 128 | 171 | 40.8 | 5.5 | 519 | 363 | 44.5 |
| Non operating income | 230 | 219 | 274 | 4.8 | (16.2) | 744 | 675 | 15.2 |
| Extraordinary/Dividend from subs | 219 | 63 | 89 | 246.0 | 146.1 | 364 | 287 | (32.4) |
| Profit before tax | 1,421 | 1,217 | 1,169 | 16.8 | 21.5 | 3,684 | 3,338 | (3.5) |
| Tax | 429 | 376 | 371 | 14.1 | 15.7 | 1,148 | 1,066 | 12.4 |
| Reported net profit | 991.6 | 840.5 | 798.4 | 18.0 | 24.2 | 2,536 | 2,272 | (9.5) |
| PAT (%) | 7.1 | 7.4 | 7.1 | (30)bp | - | 7.3 | 7.9 | (60)bp |
| Reported EPS | 16.1 | 13.7 | 13.0 | 18.0 | 24.2 | 41.2 | 36.9 | (12.3) |
| Adjusted profit after tax | 838.7 | 796.7 | 737.6 | 5.3 | 13.7 | 2,267 | 2,079 | 9.1 |
| Adj. PAT (%) | 6.0 | 7.0 | 6.6 | (100)bp | (60)bp | 6.5 | 7.3 | (80)bp |
| Adj. FDEPS | 13.6 | 12.9 | 12.0 | 5.3 | 13.7 | 36.8 | 33.8 | 8.9 |

Source: Company, Angel Research

Exhibit 2: 3QFY2012 Actual vs. Estimates (₹ cr)

| | Estimates | Actual | Variation (%) |
|--------------|-----------|---------|---------------|
| Net Sales | 12,171 | 13,999 | 15.0 |
| EBITDA | 1,347.2 | 1,343.1 | (0.3) |
| Interest | 206.9 | 190.7 | (7.8) |
| Tax | 416.3 | 429.2 | 3.1 |
| Reported PAT | 866.6 | 991.6 | 14.4 |

Source: Company, Angel Research

Key highlights from the concall

- Working capital has deteriorated from 7.9% to 13% of sales with increasing debtor levels and retention money.
- Management has highlighted that it still has to receive the land for the Hyderabad Metro Project and that the appointed data is yet to happen. It does not expect to book any significant revenue from the project in the coming quarters.
- L&T has spent about ₹1,000cr in capex already and expects to end the year with a ₹1,500cr capex as guided earlier. It has also infused equity investments of ₹1,000cr into subsidiaries and developmental projects and expects about ₹1,500cr of such investments in the full year, which was again in-line with earlier guidance.
- Management highlighted that order inflows were affected by delays in the tendering process (such as environmental approvals and land acquisition), challenging business outlook with slowdown in capex activity and political issues.

Top-line grows at commendable 22.7%; in spite of high base created last year

L&T reported robust top-line growth of 22.7% yoy to ₹13,999cr (₹11,413cr), above our estimates of 6.6% growth, mainly on account of pick-up in the E&C segment, which recorded 24.6% top-line growth to ₹12,465cr (₹10,004cr). **We note that this growth is on a high base – in 3QFY2011 L&T posted a 40.5% yoy growth.**

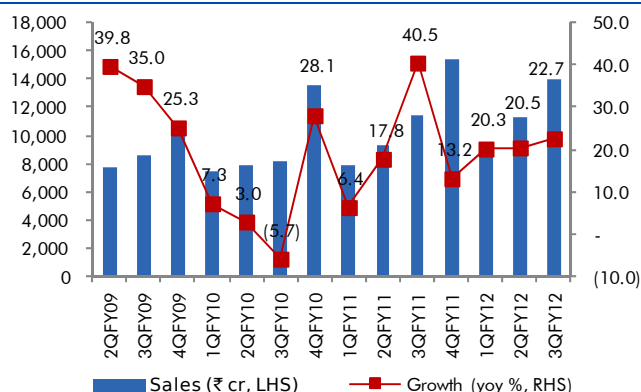
Management has given a guidance of 25.0% revenue growth for the FY2012 and maintains the same as of now, despite numerous headwinds faced by the sector. This guidance implies a run rate of 32.0% on revenue front for 4QFY2012, which looks steep. Hence, we believe the company might miss its guidance. However, given the robust order book and excellent execution capabilities at the disposal of the company, we expect L&T to post revenue growth of ~23.1% and 21.9% for 4QFY2012 and FY2012, respectively, which would be higher than most of its peers and be considered a very robust performance given the current difficult macro environment.

Order inflow guidance maintained to 5%; implying 13.3% growth in 4QFY2012 – Looks aggressive on high base

Order inflow for the quarter grew by stunning 28.2% to ₹17,129cr (₹13,366cr) covering some of the lost ground in 1HFY2012. Major orders are bagged from the Infrastructure space (54.4%). The company is also witnessing good traction on the international front (hydrocarbon and T&D space) and sees a huge pipeline.

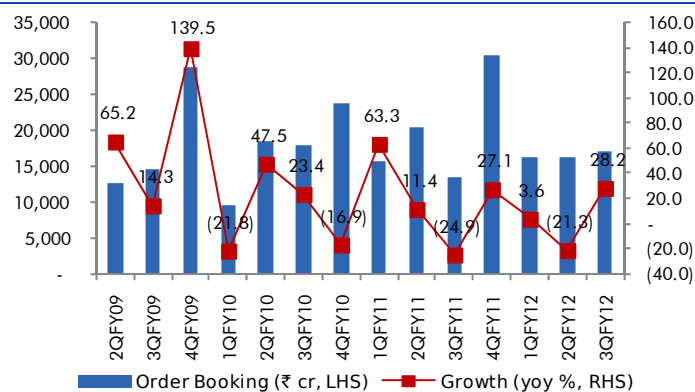
Management has maintained its order inflow guidance to 5%, which implies a run rate of 13.3% yoy growth in 4QFY2012 to ₹34,342cr, which looks steep considering the tough macro environment and high base. We maintain our 5.0% decline in order inflow number (₹75,781cr) in FY2012E, which implies yoy order inflow decline of 13.0% in 4QFY2012E.

Exhibit 3: Stable execution expected going ahead



Source: Company, Angel Research

Exhibit 4: Order inflow surprises positively



Source: Company, Angel Research

EBITDA margin posts a decline, below our estimates...

The company reported EBITDAM of 9.6%, a yoy dip of 120bp, against our expectation of 11.1%. For 9MFY2012, the EBITDAM are 90bps lower yoy at 10.5% (11.4%). The performance was below our expectations mainly on account of higher-than-anticipated MTM forex losses and margin compression in E&E segment where EBIT margins contracted 240bps and E&C segment where EBIT margins contracted 30bps. The E&E margin contraction is on account of the inability to pass on the impact of commodity prices to customers.

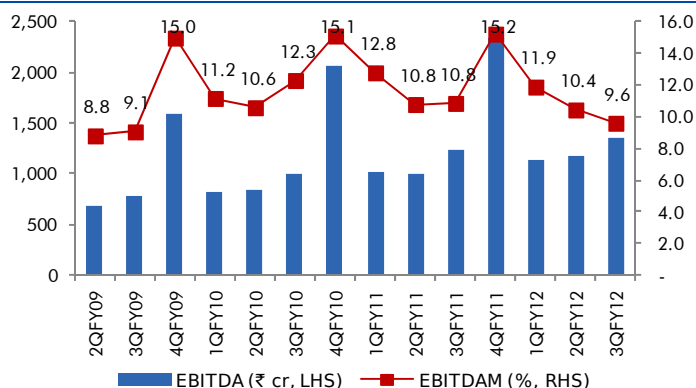
Further, the SG&A expenses were impacted by ~₹400cr of MTM losses (~₹200cr related to loans and ₹200cr related to business). MTM provisions in 3QFY2012 stood at ₹400cr v/s ₹50cr in 3QFY2011 and ₹450cr in 9MFY2012 v/s ₹50cr in 9MFY2011. We do not consider this as an exceptional item given L&T businesses also benefit from rupee depreciation (12% of order book comes from international front).

We note that the dip in EBITDAM is in the range guided by the management (75-125bp for FY2012). This guidance was on the back of change in order book mix towards infrastructure projects (which yields lower margins compared to the other segments), enhanced competition witnessed in all segments with no respite in sight and fluctuations in commodity prices. It should be noted that we have already factored in 100bp lower margins for FY2012 and flat margins for FY2013.

...but thanks to higher other income, Bottom-line beats estimates

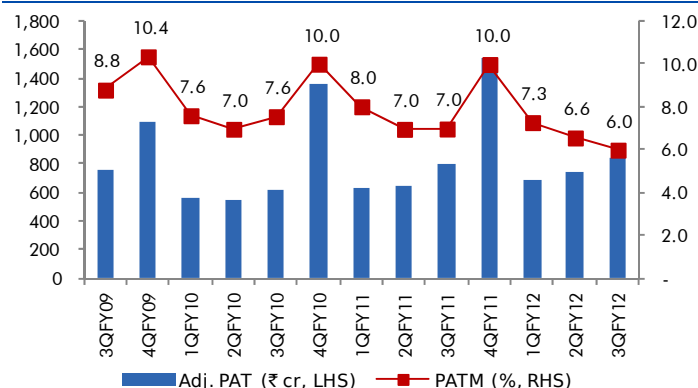
L&T reported a bottom-line of ₹991.6cr (₹840.5cr) a yoy jump of 18.0%, ~15% ahead of our (₹866.6cr) and consensus estimates. However, the profit beat was largely driven by ₹219cr (v/s ₹45cr in 3QFY2011) of dividends from subsidiaries/associates. Interest and depreciation costs came broadly in line with our estimates.

Exhibit 5: Margins under pressure...



Source: Company, Angel Research

Exhibit 6: ...so are PATM



Source: Company, Angel Research

Segmental performance

Engineering and construction (E&C): The E&C segment, which contributed ~88% to the company's gross revenue, witnessed good traction and recorded growth of 24.6% yoy for the quarter to ₹12,465cr (₹10,004cr), primarily on account of strong execution of its order book. On the margin front, the segment faced pressures and witnessed a dip of 30bp both on a yoy/qoq basis to 10.3%.

Machinery and industrial products (MIP): The MIP segment witnessed pressures of low level of mining activities and slowing industrial capex, resulting into a flat revenue growth of 5.7%/6.2% on yoy/qoq to ₹720cr (₹681cr). EBIT margin (at 18.1%) also witnessed some contraction, in-line with pressure on the top line.

Electrical and electronics (E&E): The E&E segment witnessed subdued revenues, owing to lower industrial off take and tight SME customer liquidity; volume reduction in line with industry trend to record yoy growth of 6.0% to ₹843cr (₹795cr). EBIT margin came in at 8.5%, a dip of 240bp on a yoy basis.

Exhibit 7: Segmental performance

| Y/E March (₹ cr) | 3QFY12 | 3QFY11 | 2QFY12 | % chg (yoy) | % chg (qoq) |
|--------------------------------|---------------|---------------|---------------|----------------|----------------|
| Revenue | 14,155 | 11,510 | 11,375 | 23.0 | 24.4 |
| Engg & Const. (E&C) | 12,465 | 10,004 | 9,721 | 24.6 | 28.2 |
| Mach. & Ind. Products (MIP) | 720 | 681 | 678 | 5.7 | 6.2 |
| Electrical & Electronics (E&E) | 843 | 795 | 847 | 6.0 | (0.6) |
| Others | 267 | 168 | 222 | 58.8 | 20.2 |
| Intersegment revenue | 139 | 138 | 94 | 0.8 | 48.4 |
| EBIT | 1,552 | 1,292 | 1,260 | 20.1 | 23.2 |
| Engg. & Const. | 1,282 | 1,065 | 1,035 | 20.4 | 23.9 |
| Mach. & Ind. Products | 130 | 129 | 106 | 1.2 | 22.4 |
| Electrical & Electronics | 72 | 87 | 71 | (17.5) | 0.8 |
| Others | 68 | 21 | 48 | 217.0 | 42.5 |
| Intersegment margins | - | 10 | - | 0.0 | 0.0 |
| EBIT (%) | 11.0 | 11.2 | 11.1 | (20) bp | (10) bp |
| Engg. & Const. | 10.3 | 10.6 | 10.6 | (30) bp | (30) bp |
| Mach. & Ind. Products | 18.1 | 18.9 | 15.7 | (80) bp | 240 bp |
| Electrical & Electronics | 8.5 | 10.9 | 8.4 | (240) bp | 10 bp |
| Others | 25.4 | 12.7 | 21.5 | 1270 bp | 390 bp |
| Capital Employed | 33,868 | 28,960 | 32,135 | 16.9 | 5.4 |
| Engg. & Const. | 10,438 | 7,029 | 9,828 | 48.5 | 6.2 |
| Mach. & Ind. Products | 682 | 328 | 690 | 108.0 | (1.2) |
| Electrical & Electronics | 1,344 | 1,204 | 1,386 | 11.6 | (3.0) |
| Others | 677 | 210 | 630 | 222.4 | 7.6 |
| Unallocable | 20,727 | 20,189 | 19,601 | 2.7 | 5.7 |

Source: Company, Angel Research

Subsidiary performance

L&T InfoTech registers decent performance

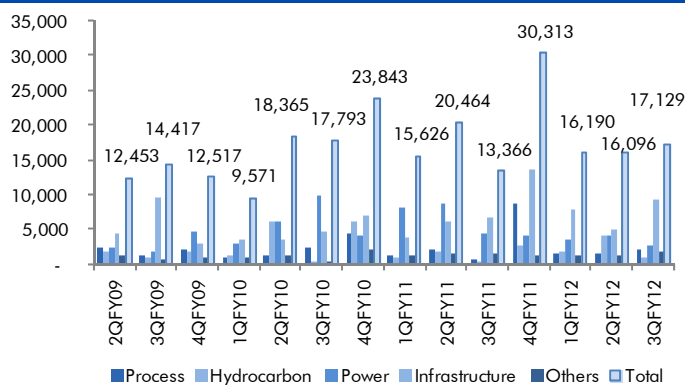
L&T InfoTech, the company's technology subsidiary, reported a strong performance for 3QFY2012, registering 38.2% yoy and 5.4% qoq growth in revenue. On the profitability front, the subsidiary reported NPM of 14.0% at ₹117cr.

Order book analysis

As of 3QFY2012, L&T stands tall on an order backlog of ₹1,45,768cr. Order inflow for 3QFY2012 stands at ₹17,129cr, up 28.2% yoy. Orders of ~20% came from the international market, owing to traction on hydrocarbon/T&D space. L&T's order book is majorly dominated by the infra (40%) and power (29%) segments. Process (15%), hydrocarbon (11%) and others (5%) constitute the balance part of the order book. The company has given a guidance of 5% for order booking in FY2012, which is above our expectations.

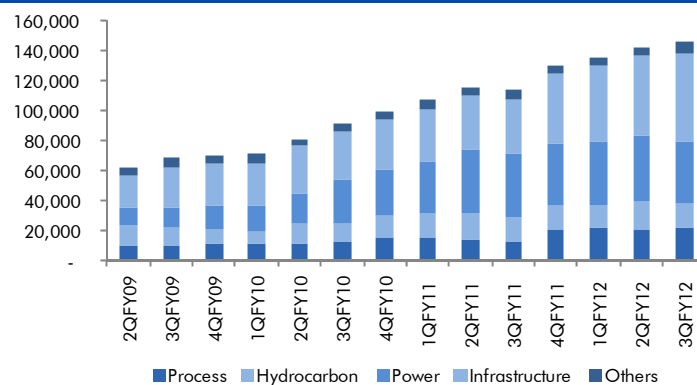
Client wise, 38% of L&T's outstanding order book comes from the public sector and 48% from the private sector. Captive work orders account for the balance 14%. Notably, there has been a drop in the share of public sector orders in last few quarters. The order book mix between fixed and variable contracts stand at 2/3:1/3.

Exhibit 8: Flat order booking for 9MFY2012 (₹ cr)



Source: Company, Angel Research

Exhibit 9: Order book composition (₹1,42,185cr)



Source: Company, Angel Research

Outlook and valuation

We maintain Buy with a target price of ₹1,466

We believe L&T will continue to occupy a unique position in the Indian E&C space as a diversified and large engineering play, with exposure to areas ranging from power, defense, nuclear to equipment, in spite of short-term concerns. We have marginally tweaked our estimates to incorporate recent developments in the company and sector.

Exhibit 10: Change in estimates – Mainly to incorporate change in revenue and other income

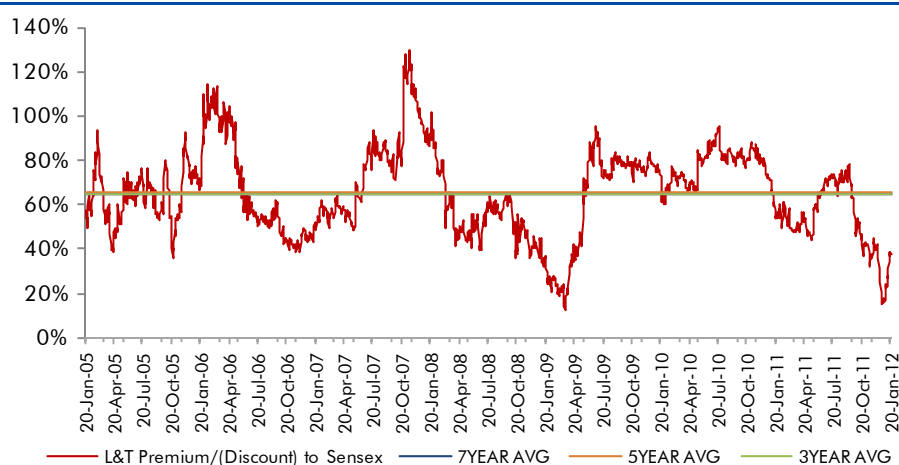
| | FY2012E | | | FY2013E | | |
|-------------------|-------------------|-------------------|---------------|-------------------|-------------------|---------------|
| | Earlier estimates | Revised estimates | Variation (%) | Earlier estimates | Revised estimates | Variation (%) |
| Revenue | 53,503 | 53,779 | 0.5 | 60,258 | 60,258 | - |
| EBITDA margin (%) | 11.9 | 11.9 | - | 12.1 | 12.1 | - |
| PAT | 3,954 | 3,901 | (1.3) | 4,362 | 4,362 | - |

Source: Company, Angel Research

At the CMP of ₹1,278, the stock is trading at 18.0x FY2013E earnings and 2.7x FY2013E P/BV on a standalone basis. We have used the sum-of-the-parts (SOTP) methodology to value the company to capture all its business initiatives and investments/stakes in different businesses. Ascribing separate values to its parent business on a P/E basis and investments in subsidiaries on P/E, P/BV and mcap basis, our target price works out to ₹1,466, which provides 14.7% upside from current levels. **We maintain our Buy recommendation on the stock.**

It may be noted here that the L&T stock has historically traded at a premium to the BSE Sensex. At our SOTP target price, the stock would trade at 20.7x FY2013E standalone adj. EPS of ₹70.9, which is at a premium of ~40% over Angel's FY2013E Sensex target P/E multiple of 15x and lower than the historical premium commanded by L&T over BSE Sensex.

Exhibit 11: L&T – Parent historic P/E multiple premium to BSE Sensex



Source: Company, Angel Research

On one-year forward P/E basis, historically L&T has traded at an average P/E of 27.3x, 29.3x and 26.9x over the past seven, five and three years, respectively. Thus, our implied target P/E multiple of 20.7x is way below its historical average to factor in prevailing challenging business environment.

Exhibit 12: L&T – Parent one-year forward P/E band



Source: Company, Angel Research

Exhibit 13: Derivation of SOTP based target price for L&T (FY2013E)

| Business Segment | Methodology | Remarks | ₹ cr | ₹/share | % to TP |
|--|-------------|--|---------------|--------------|-------------|
| L&T- Parent | P/E | 16x FY2013E Earnings | 69,789 | 1,134 | 77.4 |
| Infrastructure Subsidiaries | | | 3,632 | 59 | 4.0 |
| IDPL (stake - 97.5%) | P/BV | L&T acq. 2.36% stake of IDFC at ₹118cr in 1QFY11 | 3,632 | 59 | 4.0 |
| Key Subsidiaries - Services | | | 11,334 | 184 | 12.6 |
| L&T Infotech | P/E | 12x FY2013E Earnings | 6,022 | 98 | 6.7 |
| L&T Finance | Mcap Basis | 20% holding company discount | 5,312 | 86 | 5.9 |
| Key Subsidiaries - Manufacturing | | | 3,179 | 52 | 3.5 |
| Tractor Engineers | P/E | 5x FY2013E Earnings | 81 | 1 | 0.1 |
| Associate Companies | P/E | 5x FY2013E Earnings | 2,000 | 32 | 2.2 |
| L&T MHI Boilers and Turbines (stake - 51%) | P/E | 5x FY2013E Earnings | 1,098 | 18 | 1.2 |
| Other Subsidiaries | | | 2,276 | 37 | 2.5 |
| Satyam Stake | Mcap | 20% holding company discount | 133 | 2 | 0.1 |
| Other Investments | P/BV | 1x FY2013E Book Value, Mcap | 2,143 | 35 | 2.4 |
| Total | | | 90,209 | 1,466 | 100 |

Source: Company, Angel Research

Exhibit 14: Key assumptions (₹ cr)

| | FY2008 | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|---------------------|--------|--------|---------|---------|---------|---------|
| Order Inflow | 42,020 | 51,600 | 69,572 | 79,769 | 75,781 | 83,543 |
| Revenue | 24,878 | 33,926 | 37,035 | 43,905 | 53,779 | 60,258 |
| Order Backlog (Y/E) | 52,680 | 70,300 | 100,239 | 130,217 | 153,270 | 175,169 |
| OB/Sales (x) | 2.1 | 2.1 | 2.7 | 3.0 | 2.9 | 2.9 |

Source: Company, Angel Research

Exhibit 15: Angel EPS forecast vs. consensus

| | Angel Forecast | Bloomberg Consensus | Variation (%) |
|---------|----------------|---------------------|---------------|
| FY2012E | 63.7 | 68.7 | (7.2) |
| FY2013E | 70.9 | 77.2 | (8.2) |

Source: Company, Angel Research

Investment arguments

- **Concerns overdone:** The L&T stock has underperformed the BSE Sensex by ~25.3% in the last three months, owing to factors such as slowing order inflows and rising competition (especially in the BTG equipment segment), leading to fears of slippage on revised order inflow guidance. We believe though L&T would find it difficult to meet its guidance for FY2012, it is better placed than its peers on a number of parameters (such as diversification and balance sheet strength), and further its current market price factors in the short-term negatives.
- **Best stock to play the Indian infrastructure theme:** We believe L&T is best placed to benefit from the gradual recovery in the capex cycle, given its diverse exposure to sectors, strong balance sheet and cash flow generation as compared to its peers, which grapple with issues such as strained cash flow, high leverage and limited net worth and technological capabilities.

Exhibit 16: Recommendation summary

| Company | CMP | TP | Rating | Top-line (₹ cr) | | | | EPS (₹) | | | | Adj. P/E | | | OB/ Sales(x) |
|----------------|--------------|--------------|------------|-----------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| | | | | FY11 | FY12E | FY13E | CAGR (%) | FY11 | FY12E | FY13E | CAGR (%) | FY11 | FY12E | FY13E | |
| ABL | 199 | 245 | Buy | 1,302 | 1,627 | 1,831 | 18.6 | 19.2 | 21.0 | 24.7 | 13.6 | 10.4 | 9.5 | 8.1 | 5.0 |
| CCCL | 17 | - | Neutral | 2,199 | 2,350 | 2,451 | 5.6 | 2.5 | (1.1) | 1.6 | (20.5) | 6.5 | - | 10.3 | 2.7 |
| HCC | 22 | - | Neutral | 4,093 | 3,915 | 4,633 | 6.4 | 1.2 | (3.1) | 0.6 | (25.8) | 18.4 | - | 33.5 | 4.0 |
| IRB Infra | 160 | 182 | Accu. | 2,438 | 3,037 | 3,781 | 24.5 | 13.6 | 11.9 | 13.1 | (2.1) | 11.8 | 13.5 | 12.3 | - |
| ITNL | 184 | 227 | Buy | 4,049 | 5,169 | 6,609 | 27.8 | 22.3 | 24.4 | 25.7 | 7.4 | 8.3 | 7.5 | 7.2 | 5.2 |
| IVRCL | 45 | 52 | Accu. | 5,651 | 5,598 | 6,458 | 6.9 | 5.9 | 3.8 | 4.6 | (11.5) | 7.7 | 12.0 | 9.8 | 4.5 |
| JP Assoc. | 67 | 88 | Buy | 13,832 | 13,763 | 16,017 | 7.6 | 5.5 | 2.7 | 4.2 | (12.6) | 12.3 | 24.6 | 16.0 | - |
| L&T | 1,277 | 1,466 | Buy | 43,905 | 53,503 | 60,090 | 17.0 | 54.3 | 64.2 | 71.0 | 14.3 | 23.5 | 19.9 | 18.0 | 3.2 |
| Madhucon | 54 | 77 | Buy | 1,816 | 1,952 | 2,503 | 17.4 | 5.6 | 4.4 | 4.7 | (8.1) | 9.7 | 12.3 | 11.5 | 3.8 |
| NCC | 50 | 52 | Accu. | 5,074 | 5,095 | 5,749 | 6.4 | 6.4 | 3.6 | 3.8 | (22.4) | 7.8 | 14.0 | 13.0 | 3.4 |
| Patel Engg | 98 | - | Neutral | 3,476 | 3,271 | 3,586 | 1.6 | 17.6 | 14.0 | 14.5 | (9.2) | 5.6 | 7.0 | 6.7 | 2.7 |
| Punj Lloyd | 50 | - | Neutral | 7,850 | 9,585 | 10,592 | 16.2 | (5.4) | 1.9 | 2.9 | - | - | 26.4 | 17.2 | 3.3 |
| Sadbhav | 121 | 150 | Buy | 2,209 | 2,602 | 2,585 | 8.2 | 8.0 | 9.1 | 9.0 | 6.0 | 15.2 | 13.2 | 13.5 | 2.8 |
| Simplex In. | 201 | 233 | Buy | 4,889 | 5,562 | 6,485 | 15.2 | 21.5 | 18.9 | 25.9 | 9.8 | 9.3 | 10.6 | 7.7 | 3.1 |

Source: Company, Angel Research

Exhibit 17: SOTP break-up

| Company | Core Const. | | Real Estate | | Road BOT | | Invst. In Subsidiaries | | Others | | Total ₹ |
|----------------|--------------|-----------|-------------|----------|----------|----------|------------------------|-----------|----------|----------|--------------|
| | ₹ | % to TP | ₹ | % to TP | ₹ | % to TP | ₹ | % to TP | ₹ | % to TP | |
| ABL | 104 | 42 | - | - | 141 | 58 | - | - | - | - | 245 |
| CCCL | 17 | 100 | - | - | - | - | - | - | - | - | 17 |
| HCC | 4 | 12 | 12 | 37 | 16 | 51 | - | - | - | - | 32 |
| IRB Infra | 116 | 64 | - | - | 61 | 34 | 4 | 2 | - | - | 182 |
| ITNL | 59 | 26 | - | - | 143 | 63 | - | - | 25 | 11 | 227 |
| IVRCL | 32 | 63 | - | - | - | - | 19 | 37 | - | - | 52 |
| JP Assoc. | 31 | 35 | 24 | 27 | - | - | - | - | 33 | 37 | 88 |
| L&T | 1,134 | 77 | - | - | - | - | 332 | 23 | - | - | 1,466 |
| Madhucon | 23 | 30 | 2 | 3 | 52 | 67 | - | - | - | - | 78 |
| NCC | 23 | 45 | 2 | 4 | 8 | 16 | - | - | 18 | 36 | 52 |
| Patel Engg | 42 | 45 | 17 | 18 | 16 | 17 | - | - | 19 | 21 | 94 |
| Punj Lloyd | 47 | 100 | - | - | - | - | - | - | - | - | 47 |
| Sadbhav | 81 | 54 | - | - | 70 | 46 | - | - | - | - | 150 |
| Simplex In. | 233 | 100 | - | - | - | - | - | - | - | - | 233 |

Source: Company, Angel Research

Profit & loss statement (Standalone)

| Y/E March (₹ cr) | FY2008 | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross sales | 25,187 | 34,045 | 36,996 | 43,886 | 53,937 | 60,238 |
| Less: Excise duty | 333 | 398 | 321 | 390 | 480 | 536 |
| Net Sales | 24,855 | 33,647 | 36,675 | 43,496 | 53,457 | 59,703 |
| Other operating income | 23 | 280 | 360 | 409 | 322 | 555 |
| Total operating income | 24,878 | 33,926 | 37,035 | 43,905 | 53,779 | 60,258 |
| % chg | 41.3 | 36.4 | 9.2 | 18.6 | 22.5 | 12.0 |
| Total Expenditure | 22,051 | 30,094 | 32,295 | 38,306 | 47,442 | 53,060 |
| Net Raw Materials | 12,963 | 16,798 | 17,309 | 21,272 | 26,394 | 29,553 |
| Other Mfg costs | 6,168 | 9,434 | 11,144 | 12,160 | 14,968 | 16,717 |
| Personnel | 1,535 | 1,998 | 2,379 | 2,885 | 3,207 | 3,582 |
| Other | 1,386 | 1,864 | 1,463 | 1,990 | 2,872 | 3,208 |
| EBITDA | 2,826 | 3,832 | 4,739 | 5,599 | 6,337 | 7,198 |
| % chg | 58.8 | 35.6 | 23.7 | 18.1 | 13.2 | 13.6 |
| (% of Net Sales) | 11.4 | 11.4 | 12.9 | 12.9 | 11.9 | 12.1 |
| Depreciation & Amortisation | 202 | 283 | 380 | 562 | 687 | 816 |
| EBIT | 2,624 | 3,550 | 4,360 | 5,036 | 5,650 | 6,382 |
| % chg | 62.8 | 35.3 | 22.8 | 15.5 | 12.2 | 13.0 |
| (% of Net Sales) | 10.6 | 10.5 | 11.9 | 11.6 | 10.6 | 10.7 |
| Interest & other Charges | 123 | 350 | 505 | 647 | 750 | 853 |
| Other Inc (incl Ass/JV pft) | 488 | 643 | 768 | 1,087 | 1,606 | 1,734 |
| (% of PBT) | 16.3 | 16.7 | 16.6 | 19.8 | 24.7 | 23.9 |
| Recurring PBT | 2,989 | 3,842 | 4,623 | 5,475 | 6,506 | 7,263 |
| % chg | 51.5 | 28.5 | 20.3 | 18.4 | 18.8 | 11.6 |
| Extraordinary Expense/(Inc.) | (166) | (871) | (1,394) | (429) | - | - |
| PBT (reported) | 3,155 | 4,713 | 6,016 | 5,904 | 6,506 | 7,263 |
| Tax | 982 | 1,231 | 1,641 | 1,946 | 2,111 | 2,356 |
| (% of PBT) | 31.1 | 26.1 | 27.3 | 33.0 | 32.4 | 32.4 |
| PAT (reported) | 2,173 | 3,482 | 4,376 | 3,958 | 4,395 | 4,906 |
| Less: Minority interest (MI) | - | - | - | - | - | - |
| Prior period items | - | - | - | - | - | - |
| PAT after MI (reported) | 2,173 | 3,482 | 4,376 | 3,958 | 4,395 | 4,906 |
| ADJ. PAT (excl. div from Subs) | 1,960 | 2,595 | 2,893 | 3,342 | 3,921 | 4,361 |
| % chg | 48.9 | 32.4 | 11.5 | 15.5 | 17.3 | 11.2 |
| (% of Net Sales) | 7.9 | 7.7 | 7.9 | 7.7 | 7.3 | 7.3 |
| Basic EPS (₹) (Reported) | 74.3 | 59.2 | 72.6 | 65.0 | 72.0 | 79.7 |
| Adj. EPS (₹) | 31.9 | 42.2 | 47.0 | 54.3 | 63.7 | 70.9 |
| % chg | 48.9 | 32.4 | 11.5 | 15.5 | 17.3 | 11.2 |

Balance sheet (Standalone)

| Y/E March (₹ cr) | FY2008 | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| SOURCES OF FUNDS | | | | | | |
| Equity Share Capital | 58 | 118 | 121 | 122 | 122 | 123 |
| Preference Capital | - | - | - | - | - | - |
| Reserves & Surplus | 9,497 | 12,343 | 18,191 | 21,725 | 25,031 | 28,794 |
| Shareholder's Funds | 9,555 | 12,460 | 18,312 | 21,846 | 25,153 | 28,918 |
| Minority Interest | - | - | - | - | - | - |
| Total Loans | 3,584 | 6,556 | 6,801 | 7,161 | 8,381 | 10,276 |
| Deferred Tax Liability | 61 | 48 | 77 | 263 | 263 | 263 |
| Total Liabilities | 13,200 | 19,065 | 25,190 | 29,271 | 33,797 | 39,457 |
| APPLICATION OF FUNDS | | | | | | |
| Gross Block | 4,189 | 5,575 | 7,236 | 8,897 | 10,241 | 12,144 |
| Less: Acc. Depreciation | 1,239 | 1,418 | 1,728 | 2,224 | 2,911 | 3,727 |
| Net Block | 2,950 | 4,157 | 5,508 | 6,673 | 7,330 | 8,417 |
| Capital Work-in-Progress | 696 | 1,038 | 858 | 785 | 942 | 1,130 |
| Goodwill | - | - | - | - | - | - |
| Investments | 6,922 | 8,264 | 13,705 | 14,685 | 15,685 | 17,185 |
| Current Assets | 16,314 | 23,448 | 26,362 | 34,951 | 43,277 | 49,799 |
| Cash | 964 | 775 | 1,432 | 1,730 | 2,304 | 2,157 |
| Loans & Advances | 3,664 | 6,791 | 5,997 | 8,189 | 10,314 | 12,382 |
| Other | 11,685 | 15,882 | 18,932 | 25,032 | 30,659 | 35,260 |
| Current liabilities | 13,684 | 17,842 | 21,243 | 27,823 | 33,436 | 37,075 |
| Net Current Assets | 2,630 | 5,606 | 5,119 | 7,128 | 9,840 | 12,724 |
| Mis. Exp. not written off | 3 | - | - | - | - | - |
| Total Assets | 13,200 | 19,065 | 25,190 | 29,271 | 33,797 | 39,457 |

Cash flow statement (Standalone)

| Y/E March (₹ cr) | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E | FY2012E |
|----------------------------------|----------------|----------------|----------------|----------------|--------------|----------------|
| Profit before tax | 3,155 | 4,713 | 5,881 | 5,904 | 6,506 | 7,263 |
| Depreciation | 202 | 283 | 387 | 562 | 687 | 816 |
| Change in Working Capital | 377 | 2,049 | (1,143) | 1,711 | 2,139 | 3,030 |
| Less: Other income | 488 | 643 | 768 | 1,087 | 1,606 | 1,734 |
| Direct taxes paid | 988 | 873 | 1,519 | 1,946 | 2,111 | 2,356 |
| Cash Flow from Operations | 1,505 | 1,431 | 5,124 | 1,723 | 1,337 | 958 |
| (Inc.)/ Dec. in Fixed Assets | (1,622) | (1,980) | (1,481) | (1,589) | (1,501) | (2,091) |
| (Inc.)/ Dec. in Investments | (3,620) | (1,329) | (5,442) | (979) | (1,000) | (1,500) |
| Other income | 488 | 643 | 768 | 1,087 | 1,606 | 1,734 |
| Cash Flow from Investing | (4,754) | (2,666) | (6,154) | (1,482) | (895) | (1,858) |
| Issue of Equity | 1,702 | 23 | 2,133 | 347 | | |
| Inc./(Dec.) in loans | 1,560 | 1,922 | 168 | 360 | 1,220 | 1,895 |
| Dividend Paid (Incl. Tax) | 114 | 717 | 863 | 996 | 1,085 | 1,139 |
| Others | (28) | (183) | 249 | 345 | (4) | (3) |
| Cash Flow from Financing | 3,119 | 1,045 | 1,687 | 57 | 131 | 753 |
| Inc./(Dec.) in Cash | (130) | (190) | 657 | 299 | 573 | (147) |
| Opening Cash balances | 1,095 | 965 | 775 | 1,432 | 1,730 | 2,304 |
| Closing Cash balances | 965 | 775 | 1,432 | 1,730 | 2,304 | 2,157 |

Key Ratios

| Y/E March | FY2008 | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|---------------------------------|--------|--------|--------|--------|---------|---------|
| Valuation Ratio (x) | | | | | | |
| P/E (on FDEPS) | 40.1 | 30.3 | 27.2 | 23.5 | 20.1 | 18.0 |
| P/CEPS | 36.1 | 27.1 | 23.8 | 20.0 | 16.9 | 15.1 |
| P/BV | 8.2 | 6.3 | 4.3 | 3.6 | 3.1 | 2.7 |
| Dividend yield (%) | 1.0 | 0.7 | 0.8 | 1.0 | 1.1 | 1.2 |
| EV/Sales | 3.2 | 2.5 | 2.3 | 1.9 | 1.6 | 1.4 |
| EV/EBITDA | 28.5 | 21.9 | 17.6 | 14.9 | 13.3 | 12.0 |
| EV / Total Assets | 6.1 | 4.4 | 3.3 | 2.9 | 2.5 | 2.2 |
| Order Book to Sales | 2.1 | 2.1 | 2.7 | 3.0 | 2.9 | 2.9 |
| Per Share Data (₹) | | | | | | |
| EPS (Basic) | 74.3 | 59.2 | 72.6 | 65.0 | 72.0 | 79.7 |
| EPS (fully diluted) | 31.9 | 42.2 | 47.0 | 54.3 | 63.7 | 70.9 |
| Cash EPS | 35.4 | 47.1 | 53.6 | 63.9 | 75.5 | 84.8 |
| DPS | 12.6 | 8.4 | 10.2 | 12.4 | 14.5 | 15.1 |
| Book Value | 156.5 | 204.1 | 299.9 | 357.8 | 412.0 | 473.6 |
| DuPont Analysis | | | | | | |
| EBIT margin | 10.5 | 10.5 | 11.8 | 11.5 | 10.5 | 10.6 |
| Tax retention ratio | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Asset turnover (x) | 2.6 | 2.2 | 1.8 | 1.7 | 1.8 | 1.8 |
| ROIC (Post-tax) | 19.0 | 17.2 | 15.1 | 13.2 | 12.9 | 12.5 |
| Cost of Debt (Post Tax) | 3.0 | 5.1 | 5.5 | 6.2 | 6.5 | 6.2 |
| Leverage (x) | 0.2 | 0.4 | 0.4 | 0.3 | 0.2 | 0.3 |
| Operating ROE | 22.8 | 21.8 | 18.6 | 15.0 | 14.5 | 14.2 |
| Returns (%) | | | | | | |
| ROCE (Pre-tax) | 24.9 | 22.0 | 19.7 | 18.5 | 17.9 | 17.4 |
| Angel ROIC (Pre-tax) | 27.6 | 23.3 | 20.7 | 19.6 | 19.1 | 18.6 |
| ROAE | 25.6 | 23.6 | 18.8 | 16.6 | 16.7 | 16.1 |
| Turnover ratios (x) | | | | | | |
| Asset Turnover (Gross Block) | 7.0 | 6.9 | 5.8 | 5.4 | 5.6 | 5.4 |
| Inventory / Sales (days) | 54 | 54 | 36 | 12 | 12 | 13 |
| Receivables (days) | 94 | 94 | 105 | 98 | 95 | 99 |
| Payables (days) | 60 | 63 | 73 | 79 | 87 | 93 |
| Working capital cycle (ex-cash) | 23 | 35 | 42 | 38 | 44 | 55 |
| Solvency ratios (x) | | | | | | |
| Net debt to equity | 0.3 | 0.5 | 0.3 | 0.2 | 0.2 | 0.3 |
| Net debt to EBITDA | 0.9 | 1.5 | 1.1 | 1.0 | 1.0 | 1.1 |
| Interest Coverage | 21.4 | 10.1 | 8.6 | 7.8 | 7.5 | 7.5 |

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|--|-----|
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

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| Ratings (Returns): | Buy (> 15%) Reduce (-5% to 15%) | Accumulate (5% to 15%) Sell (< -15%) | Neutral (-5 to 5%) |
|--------------------|------------------------------------|---|--------------------|
|--------------------|------------------------------------|---|--------------------|