

Larsen & Toubro Limited

CMP : Rs 1320.70

July 25, 2018

Strong growth in Q1

L&T reported a 19% growth in consolidated net sales in June 18 quarter to Rs 28283.45 crore. Domestic revenue was about 65% of total sales and rest is from international geography. OPM was up by 160 bps to 10.3% due to lower raw material costs and higher operating efficiencies. Thus, OP growth was higher by 40% to Rs 2913.40 crore. Other income was lower by 33% to Rs 244.03 crore. Interest costs remain at flat at Rs 364.89 crore. Depreciation was higher by 17% to Rs 644.89 crore. Thus, PBT stood at Rs 2147.65 crore, up by 41% YoY. With a 103% increase in tax to Rs 934.58 crore, PAT stood at Rs 1213.07 crore, up by 14% YoY. Higher tax provision is due to onetime higher tax provisioning in international geography and some timing difference. After providing MI of Rs 257.22 crore and profits in Share of associates of Rs 258.93 crore as compared to Rs 135.76 crore and loss of Rs 37.24 crore respectively for June 17 quarter, the consolidated PAT for June 18 quarter stood at Rs 1214.78 crore, up by 36% YoY.

Consolidated Segmental Performance for June 18 quarter

For the quarter, sales from the infrastructure segment stood at Rs 12331.39 crore and accounted for 43% of sales. PBIT from the same was up by 8% to Rs 664.51 crore and accounted for 25% of total.

For the quarter, sales from the Power Segment stood at Rs 1080.57 crore and accounted for 4% of sales. PBIT from the same was down by 12% to Rs 33.45 crore and accounted for 1% of total.

For the quarter, sales from the Heavy Engineering segment stood at Rs 377.25 crore and accounted for 1% of sales. PBIT from the same was down by 23% to Rs 110.35 crore and accounted for 4% of total.

For the quarter, sales from defense engg stood at Rs 733.59 crore and accounted for 3% of total sales. PBIT from the same stood at Rs 47.74 crore as compared to loss at PBIT level of Rs 58.89 crore.

For the quarter, sales from the Electrical Automation segment stood at Rs 1323.71 crore and accounted for 5% of sales. PBIT from the same was up by 69% to Rs 131.80 crore and accounted for 5% of total.

For the quarter, sales from the Hydrocarbon segment stood at Rs 3516.26 crore and accounted for 12% of sales. PBIT from the same was up by 48% to Rs 208.97 crore and accounted for 8% of total.

For the quarter, sales from the IT and Technology services segment stood at Rs 3355.79 crore and accounted for 12% of sales. PBIT from the same was up by 55% to Rs 760.60 crore and accounted for 29% of total.

For the quarter, sales from the financial services Segment stood at Rs 3057.79 crore and accounted for 11% of sales. PBIT from the same stood at Rs 728.80 crore and accounted for 28% of total.

For the quarter, sales from the Developmental Segment stood at Rs 1494.49 crore and accounted for 5% of sales. Profit from PBIT from the same stood at Rs 367.97 crore as compared to loss of Rs 49.19 crore.

For the quarter, sales from the Others Segment stood at Rs 1373.16 crore and accounted for 5% of sales. Loss at PBIT from the same stood at Rs 417.22 crore as compared to profit of Rs 138.51 crore.

Consolidated performance for 12 ended Mar 18

L&T reported a 9% growth in consolidated net sales in 12 months ended Mar 18 to Rs 119683.16 crore. OPM was up by 110 bps to 11.3% due to cost efficiencies and better product mix. Thus, OP growth was higher by 22% to Rs 13571.38 crore. Other income was higher by 5% to Rs 1412.03 crore. Interest costs were higher by 15% to Rs 1538.52 crore in line with higher working capital borrowings. Depreciation was lower by 19% to Rs 1928.73 crore. Thus, PBT stood at Rs 11516.16 crore, higher by 31% YoY. EO income stood at Rs 123 crore for 12 months ended Mar 18 as

INDEX DETAILS

SENSEX	36858.23
NIFTY (S&P CNX)	11132.00

SCRIP DETAILS

Industry	Construction & Engineering
Mkt Cap (Rs in Crore)	185035.05
Book Value (Rs)	350.81
Free Float (%)	100.00
Avg Vol Weekly (NSE)	2192388
52 Week H/L (NSE)	1469.60 / 1114.55
Dividend Yield (%)	1.21
BSE Code	500510
NSE Code	LT

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	0.00	0.00
FIIIs	18.30	18.42
DIIIs	38.09	38.29
Others	43.61	43.29
Totals	100	100

Price Comparison with Sensex



compared to Rs 121.43 crore for 12 months ended Mar 17. EO income was due to profit on sale of general insurance business in 12 months ended Mar 18 vis a vis profit on sale of investment in cutting tools business in 12 months ended Mar 17. Thus PBT after EO was up by 31% to Rs 11639.16 crore. With a 59% increase in tax to Rs 3198.87 crore, PAT stood at Rs 8440.29 crore, up by 23% YoY. After providing MI of Rs 634.57 crore and losses in Share of associates of Rs 634.57 crore as compared to Rs 444.27 crore and Rs 395.27 crore respectively for 12 months ended Mar 17, the consolidated PAT for 12 ended Mar 18 stood at Rs 7369.86 crore, up by 22% YoY.

Consolidated Segmental Performance for the 12 months ended Mar 18

For the 12 months, sales from the infrastructure segment stood at Rs 59818.97 crore and accounted for 49% of sales. PBIT from the same was up by 12% to Rs 5293.30 crore and accounted for 43% of total.

For the 12 months, sales from the Power Segment stood at Rs 6208.23 crore and accounted for 5% of sales. PBIT from the same was down by 18% to Rs 163.99 crore and accounted for 1% of total.

For the 12 months, sales from the Heavy Engineering segment stood at Rs 4113.88 crore and accounted for 3% of sales. PBIT from the same was up by 3% to Rs 515.84 crore and accounted for 4% of total.

For the 12 months, sales from the Electrical Automation segment stood at Rs 5508.27 crore and accounted for 5% of sales. PBIT from the same was up by 30% to Rs 668.82 crore and accounted for 5% of total.

For the 12 months, sales from the Hydrocarbon segment stood at Rs 11759.63 crore and accounted for 10% of sales. PBIT from the same was up by 52% to Rs 771.81 crore and accounted for 6% of total.

For the 12 months, sales from the IT and Technology services segment stood at Rs 11357.43 crore and accounted for 9% of sales. PBIT from the same was up by 18% to Rs 2146.51 crore and accounted for 17% of total.

For the 12 months, sales from the financial services Segment stood at Rs 10063.75 crore and accounted for 8% of sales. PBIT from the same was up by 83% to Rs 1440.64 crore and accounted for 12% of total.

For the 12 months, sales from the Developmental Segment stood at Rs 4294.05 crore and accounted for 4% of sales. PBIT from the same was up by 514% to Rs 196.40 crore and accounted for 2% of total.

For the 12 months, sales from the Others Segment stood at Rs 8834.32 crore and accounted for 7% of sales. PBIT from the same stood at Rs 1139.10 crore up by 175% and accounted for 9% of total.

Outlook

Domestic market which witnessed some short term disruptions on implementation of reforms like RERA, GST, Demonetisation, is gathering investment momentum. Though private sector investment is still muted, Government is focused on development of infrastructure and energy facilities to enable healthy and sustainable economic growth. Rural reforms continue to get priority attention, with larger allocations towards irrigation measures, rural road connectivity and last mile rural electrification. The momentum is expected to continue despite macroeconomic volatility due to oil prices, currency and potential global tariff barrier conflicts. The recent surge in oil prices is, however, expected to incentivize infrastructure and hydrocarbon capex in the Middle East region.

Growth in tax revenues is giving the Government the wherewithal to focus on improving infrastructure. Public sector spending by the Central Government, State Governments and Public Sector Undertakings, aided by increased funding by bi-lateral and multi-lateral agencies are leading to building of essential infrastructure. Progress on resolution of stressed private sector corporates through the Insolvency Et Bankruptcy Code is expected to resolve the issue of overleveraged businesses and kick-start the flow of banking sector credit growth. Amidst this backdrop, the Company continues to focus on profitable execution of its large Order Book, continuous improvement of working capital a cost competitiveness. The Company has a robust prospect base and is confident of sustaining its growth momentum by utilizing the emerging opportunities, with an aim at improving shareholder returns on a sustainable basis.

Other updates

Consolidated order book stood at Rs 271732 crore as on June 18 which is up by 3% YoY. 23% of the order book is from international market.

Order inflow in June 18 quarter stood at Rs 36142 crore up by 37% YoY. International order account for around 26% of total order inflow

Expects net sales growth of 12-15% in FY 19

For Order inflow, expects 10-12% growth in FY 19.

Expects OPM to remain stable with an upward bias.

Expects to reach 18% ROE by FY 21.

Larsen & Toubro: Consolidated Results

Particulars	Q1FY19	Q1FY18	Var. (%)	FY18	FY17	Var. (%)
Sales	28283.45	23810.85	19	119683.16	109311.81	9
OPM (%)	10.3	8.7		11.3	10.2	
OP	2913.4	2075.19	40	13571.38	11130.48	22
Other inc.	244.03	365.73	-33	1412.03	1344.11	5
PBIDT	3157.43	2440.92	29	14983.41	12474.59	20
Interest	364.89	364.39	0	1538.52	1338.73	15
PBDT	2792.54	2076.53	34	13444.89	11135.86	21
Dep.	644.89	551.27	17	1928.73	2369.93	-19
PBT	2147.65	1525.26	41	11516.16	8765.93	31
EO	0	0	0	123	121.43	1
PBT after EO	2147.65	1525.26	41	11639.16	8887.36	31
Total Tax	934.58	459.72	103	3198.87	2006.59	59
PAT	1213.07	1065.54	14	8440.29	6880.77	23
Share in Profit of Associates	258.93	-37.24	LP	-435.86	-395.27	10
MI	257.22	135.76	89	634.57	444.27	43
PAT after EO	1214.78	892.54	36	7369.86	6041.23	22
EPS (Rs)^	#	#		52	42.5	

Larsen & Toubro: Consolidated Segment Results

Sales	Q1FY19	Q1FY18	Var. (%) ^	% to total	FY18	FY17	Var. (%) ^	% to total
Infrastructure	12331.39	11354.04		43	63417.67	53920.81		52
Power	1080.57	1764.05		4	6208.23	6938.79		5
Heavy Engineering	377.25	369.49		1	1635.07	3446.94		1
Defence Engg	733.59	541.34		3	3232.48	5367.24		3
Electrical & Automation	1323.71	1268.41		5	5508.27	9628.34		5
Hydrocarbon	3516.26	2549.23		12	11759.63	9887.54		10
IT and Technology services	3355.79	2566.26		12	11357.43	8545.29		9
Financial Services	3057.79	2294.45		11	10063.75	4367.28		8
Developmental Projects	1494.49	827.15		5	4294.05			4
Others	1373.16	942.83		5	4444.2	10862.43		4
Total	28644	24477.25		100	121920.78	112964.66		100
Less Inter segment revenue	360.32	487.46			2096.43	2953.69		
Net sales	28283.68	23989.79			119824.35	110010.97		
PBIT								
Infrastructure	664.51	617.1	8	25	5440.08	4722.54	15	44
Power	33.45	12.63	165	1	163.99	201.18	-18	1
Heavy Engineering	110.35	18.52	496	4	205.19	498.57	-59	2
Defence Engg	47.74	-58.89	LP	2	120.4	0	0	0
Electrical & Automation	131.8	78.06	69	5	668.82	549.89	22	5
Hydrocarbon	208.97	141.01	48	8	771.81	508.42	52	6
IT and Technology services	760.6	491.97	55	29	2146.51	1825.53	18	17
Financial Services	728.8	358.07	104	28	1440.64	786.44	83	12
Developmental Projects	367.97	-49.19	LP	14	196.4	32.01	514	2
Others	-417.22	138.51	PL	-16	1182.57	414.69	185	10
PBT before tax and interest	2636.97	1747.79	51	100	12336.41	9539.27	29	99
Less: Inter-Segment margin	-2.47	-3.44	-28		-12.9	28.14	PL	
Less: Interest	364.76	364.39	0		1538.52	1339.84	15	
Add: Other unallocable income	-147.03	138.42	PL		828.37	716.07	16	
PBT	2127.65	1525.26	39		11639.16	8887.36	31	

NOTES

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