

# Larsen & Toubro Limited

CMP : Rs 1376.45

May 28, 2018

## Strong growth

L&T reported a 11% growth in consolidated net sales in Mar 18 quarter to Rs 40678.10 crore. Domestic revenue booking was strong and grew by 14% YoY. OPM was up by 130 bps to 13.3% due to cost efficiencies and better product mix. Thus, OP growth was higher by 23% to Rs 5390.45 crore.

Other income was higher by 23% to Rs 432.76 crore. Interest costs were higher by 41% to Rs 418.09 crore. Depreciation was lower by 32% to Rs 492.39 crore. Thus, PBT stood at Rs 4912.73 crore, up by 32% YoY.

EO expense stood at Rs 281 crore for Mar 17 quarter which is provision for bad debts from a customer whose legal proceedings are underway as compared to Nil for Mar 18 quarter. Thus PBT after EO grew by 43% to Rs 4912.73 crore. With a 332% increase in tax to Rs 1457.98 crore, PAT stood at Rs 3454.75 crore, up by 12% YoY. Higher tax provision is due to onetime higher tax provisioning in international geography and some timing difference. After providing MI of Rs 170.48 crore and losses in Share of associates of Rs 116.82 crore as compared to Rs 155.80 crore and Rs 83.39 crore respectively for Mar 17 quarter, the consolidated PAT for Mar 18 quarter stood at Rs 3167.45 crore, up by 5% YoY.

## Consolidated Performance for Mar 18 quarter

For the quarter, sales from the infrastructure segment stood at Rs 23135.97 crore and accounted for 56% of sales. PBIT from the same was up by 17% to Rs 2945.26 crore and accounted for 57% of total.

For the quarter, sales from the Power Segment stood at Rs 1506.75 crore and accounted for 4% of sales. PBIT from the same was down by 12% to Rs 52.02 crore and accounted for 1% of total.

For the quarter, sales from the Heavy Engineering segment stood at Rs 1183.46 crore and accounted for 3% of sales. PBIT from the same was down by 23% to Rs 173.88 crore and accounted for 5% of total.

For the quarter, sales from the Electrical Automation segment stood at Rs 1643.06 crore and accounted for 4% of sales. PBIT from the same was up by 10% to Rs 265.53 crore and accounted for 5% of total.

For the quarter, sales from the Hydrocarbon segment stood at Rs 3559.07 crore and accounted for 9% of sales. PBIT from the same was down by 14% to Rs 179.08 crore and accounted for 3% of total.

For the quarter, sales from the IT and Technology services segment stood at Rs 3152.35 crore and accounted for 8% of sales. PBIT from the same was up by 24% to Rs 565.77 crore and accounted for 11% of total.

For the quarter, sales from the financial services Segment stood at Rs 2722.08 crore and accounted for 7% of sales. PBIT from the same stood at Rs 408.71 crore and accounted for 8% of total.

For the quarter, sales from the Developmental Segment stood at Rs 1216.98 crore and accounted for 3% of sales. Loss from PBIT from the same stood at Rs 199.30 crore as compared to loss of Rs 62.65 crore.

For the quarter, sales from the Others Segment stood at Rs 3151.59 crore and accounted for 8% of sales. PBIT from the same stood at Rs 814.33 crore up by 107% YoY and accounted for 16% of total.

## 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	35165.48
NIFTY (S&P CNX)	10688.65

## SCRIP DETAILS

Industry	Construction & Engineering
Mkt Cap (Rs in Crore)	193079.45
Book Value (Rs)	324.90
Free Float (%)	100.00
Avg Vol Weekly (NSE)	1706744
52 Week H/L (NSE)	1469.60 / 1107.57
Dividend Yield (%)	1.01
BSE Code	500510
NSE Code	LT

## SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	0.00	0.00
FIIIs	18.42	16.58
DIIIs	38.29	39.89
Others	43.29	43.53
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 reforms such as GST, RERA and the Insolvency Et Bankruptcy Code have led to disruptions in the year gone by, though these are expected to lead to sustainable long term growth. These reform measures along with increased flow of funds from multilateral Institutions aided by supportive policies such as pursuance of 'Make in India' initiative, focus on infrastructure buildout, etc. are likely to improve the investment climate in the country. With tax revenues estimated to show buoyancy through nominal GDP growth and widening of the tax base, budgetary allocations for infrastructure are scheduled to increase although the short term focus of the Government could well be on development of rural India through social welfare schemes. Revival of stressed business through the IBC is targeted at progressive resolution of the "twin balance sheet" problems and is the first step in facilitating increased credit lines to kick start private sector capex.

On the global front, oil price dynamics and geo-political developments have led to investment uncertainty in countries that were hitherto considered as growth geographies. Hardening of oil prices, fluctuation in commodity prices and currency movements have infused volatility in the economies and businesses across the board. Meanwhile, some countries have started seeing opportunities in this environment for their economic growth and this bodes well for global development. Recent upswing in oil prices could also incentivise infrastructure and hydrocarbon capex in the Middle East region.

In the backdrop of this economic environment, the Company expects to continue its planned trajectory of profitable and steady growth which, along with its many value enhancing measures, is aimed at improving shareholder returns on a sustainable basis.

## Other updates

Consolidated order book stood at Rs 263107 crore more or less flat on YoY.

Order inflow in Mar 18 quarter stood at Rs 49600 crore up by 5% YoY.

Order inflow for FY 18 stood at around Rs 152900 crore, up by 7% YoY.

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	Q4FY18	Q4FY17	Var. (%)	FY18	FY17	Var. (%)
Sales	40678.1	36618.74	11	119683.16	109311.81	9
OPM (%)	13.3	12		11.3	10.2	
OP	5390.45	4382.41	23	13571.38	11130.48	22
Other inc.	432.76	351.31	23	1412.03	1344.11	5
PBIDT	5823.21	4733.72	23	14983.41	12474.59	20
Interest	418.09	295.78	41	1538.52	1338.73	15
PBDT	5405.12	4437.94	22	13444.89	11135.86	21
Dep.	492.39	722.7	-32	1928.73	2369.93	-19
PBT	4912.73	3715.24	32	11516.16	8765.93	31
EO	0	-281	0	123	121.43	1
PBT after EO	4912.73	3434.24	43	11639.16	8887.36	31
Total Tax	1457.98	337.22	332	3198.87	2006.59	59
PAT	3454.75	3097.02	12	8440.29	6880.77	23
Share in Profit of Associates	-116.82	83.39	-240	-435.86	-395.27	10
MI	170.48	155.8	9	634.57	444.27	43
PAT after EO	3167.45	3024.61	5	7369.86	6041.23	22
EPS (Rs)^	#	#		52	42.5	

## Larsen & Toubro: Consolidated Segment Results

Sales	Q4FY18	Q4FY17	Var. (%) ^	% to total	FY18	FY17	Var. (%) ^	% to total
Infrastructure	23135.97	20300.96		56	59818.97	53920.81		49
Power	1506.76	1838.55		4	6208.23	6938.79		5
Heavy Engineering	1183.46	1034.65		3	4113.88	3446.94		3
Electrical & Automation	1643.06	1678.63		4	5508.27	5367.24		5
Hydrocarbon	3559.07	2579.72		9	11759.63	9628.34		10
IT and Technology services	3152.35	2548.62		8	11357.43	9887.54		9
Financial Services	2722.08	2206.52		7	10063.75	8545.29		8
Develontal Projects	1216.98	1006.48		3	4294.05	4367.28		4
Others	3151.59	4417.34		8	8834.32	10862.43		7
Total	41271.32	37611.47		100	121958.53	112964.66		100
Less Inter segment revenue	593.22	783.48			2096.43	2953.69		
Net sales	40678.1	36827.99			119862.1	110010.97		
PBIT								
Infrastructure	2945.26	2519.12	17	57	5293.3	4722.54	12	43
Power	52.02	58.9	-12	1	163.99	201.18	-18	1
Heavy Engineering	173.88	225.35	-23	3	515.84	498.57	3	4
Electrical & Automation	265.53	240.43	10	5	668.82	549.89	22	5
Hydrocarbon	179.08	208.01	-14	3	771.81	508.42	52	6
IT and Technology services	565.77	455.36	24	11	2146.51	1825.53	18	17
Financial Services	408.71	-52.8	LP	8	1440.64	786.44	83	12
Develontal Projects	-199.3	-62.65	218	-4	196.4	32.01	514	2
Others	814.33	394.27	107	16	1139.1	414.69	175	9
PBT before tax and interest	5205.28	3985.99	31	100	12336.41	9539.27	29	100
Less: Inter-Segment margin	8.98	18.22	-51		-12.9	28.14	PL	
Less: Interest	418.09	295.78	41		1538.52	1339.84	15	
Add: Other unallocable income	134.54	-237.75	LP		828.37	716.07	16	
PBT	4912.75	3434.24	43		11639.16	8887.36	31	



## NOTES :-

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