

January 31, 2024

RESULT REPORT Q3 FY24 | Sector: Capital Goods

Larsen & Toubro Ltd

Strong execution shadowed by subdued core business margin; Maintain Neutral

Our view

L&T's Q3FY24 print came below our expectations on EBITDA and PAT front even as execution continues to remain strong. While the capex pick up in Middle East (Saudi Arabia in particular) has translated into extraordinary order inflow and order book growth, the core business continues to see subdued margin performance led by low single digit margin in infrastructure segment. The company expects sequential margin improvement led by higher share of newer higher margin orders in the book, however, meaningful recovery in margin could take a few quarters to unfold. Net working capital continues to improve translating into an improving RoE trajectory.

Looking Forward

Management has increased its guidance on both revenue and order inflow for FY24 while lowering its EBITDA margin guidance for Projects & Manufacturing segment. While an orderbook growth of ~22% YoY is expected to translate into strong execution, election related slowdown in both ordering and execution momentum cannot be completely ruled out. We expect margin to gradually inch up starting FY25 with greater share of energy projects in the revenue mix and lower share of legacy projects. We remain positive on the company's strong business model, robust bid pipeline, diversified order book and healthy balance sheet and increase our FY25 EPS estimates by 3%, roll over to FY26, maintain Neutral factoring in near term execution headwinds and gradual improvement in margin starting FY25 with a revised SOTP-based TP of Rs3,444.

Result Highlights

- Consolidated sales came in at ~Rs551bn (up 19% YoY; YSL estimate of ~Rs559bn) driven by a broad-based revenue growth. Infrastructure (+27% YoY), Energy Projects (+24% YoY) and Hi-Tech Manufacturing (+17% YoY) reported continued strong growth while services business dragged revenue growth. IT Services grew 7% YoY while Financial Services saw a revenue growth of 2% YoY. Development Projects (+10% YoY) and Others Segment (+13% YoY) saw low double digit revenue growth.
- EBITDA came in below our estimates at Rs58bn (YSLe ~Rs65bn) with EBITDA margins contracting 50bps YoY to 10.4% (-60bps QoQ). Infrastructure segment continues to report low single digit EBIT margin. Q3FY24 Infra EBIT margin stood at 4.3% (-160bps YoY, +20bps QoQ). PBT grew 10% YoY to Rs47.7bn with PAT growth of 15% YoY helped by a lower ETR of 25%. Order inflows grew by 25% YoY to ~Rs760bn with order book standing at a record ~Rs4.7trn, up 22% YoY.

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	551,278	559,516	535,710	(1.5)	2.9	Weaker than expected
EBITDA	57,590	65,054	59,850	(11.5)	(3.8)	EBITDA margin leads to miss on PAT
EBITDA margin %	10.4	11.4	11.2	-92 bps	-73 bps	
Adj. Pat	29,474	33,830	32,460	(12.9)	(9.2)	

Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 3,633
Target Price	: Rs 3,444
Potential Return	: -5%

Stock data (as on Jan 30, 2024)

Nifty	21,522
52 Week h/l (Rs)	3738 / 2068
Market cap (Rs/USD mn)	5096825 / 61334
Outstanding Shares (mn)	1,375
6m Avg t/o (Rs mn):	5,338
Div yield (%):	0.7
Bloomberg code:	LT IN
NSE code:	LT

Stock performance



	1M	3M	1Y
Absolute return	3.0%	24.0%	71.0%

Shareholding pattern (As of Dec'23 end)

Promoter	0.0%
FII+DII	62.5%
Others	36.3%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	3,444	2,929

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	122.2	144.3
EPS (Old)	118.8	NA
% change	3%	NA

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenues	2,231,123	2,721,041	3,156,364
YoY growth (%)	21.7	22.0	16.0
OPM (%)	10.7	11.4	11.6
EPS (Rs)	96.3	122.2	144.3
EPS growth (%)	29.2	26.9	18.1
P/E (x)	30.4	24.0	20.3
EV/EBITDA (x)	21.2	16.6	14.1
Debt/Equity (x)	1.3	1.1	1.0
RoE (%)	14.8	16.1	16.2
RoCE (%)	6.8	8.5	9.3

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Core business drives strong revenue growth

L&T maintained its strong revenue growth trajectory led by robust execution in Projects & Manufacturing segment. Revenue came in at Rs551.3bn recording a growth of 19% YoY (9MFY24 revenue growth of 23.2% YoY). Each of the Infrastructure (+27% YoY), Energy Projects (24% YoY) and Hi-Tech Manufacturing (+17% YoY) segments reported healthy revenue growth. This was partly dragged by single digit revenue growth in the services business with IT&TS and financial services segments reporting 7% and 2% YoY revenue growth, respectively. Core business has maintained its strong execution in 9MFY24 with each of the segments under Projects & Manufacturing business reporting revenue growth of 25-34% during 9MFY24.

EBITDA Margin came in lower than expected with management lowering its earlier guidance

EBITDA Margin stood at 10.4% dropping both sequentially and on-YoY basis. Infrastructure segment margin has been in the low single digit range in each of the last three quarters impacted by execution of legacy projects. The company expects sequential improvement in the margin profile with increased proportion of newer projects in the revenue mix. However, it has lowered its earlier guided range of 8.5-9% EBITDA margin for the Projects & Manufacturing segment to 8.25-8.5%. Apart from infrastructure, each of the other segments reported improvement in margin on YoY basis with Energy Projects reporting EBIT margin expansion of 100bps with margin at 8.8%, Hi-Tech Manufacturing reporting 20bps YoY expansion with margin at 13.5%, IT & TS reporting 130bps YoY expansion with margin at 17.4%.

Middle East continued to bolster order inflow growth; exports accounted for 67% of order inflow for Q3FY24

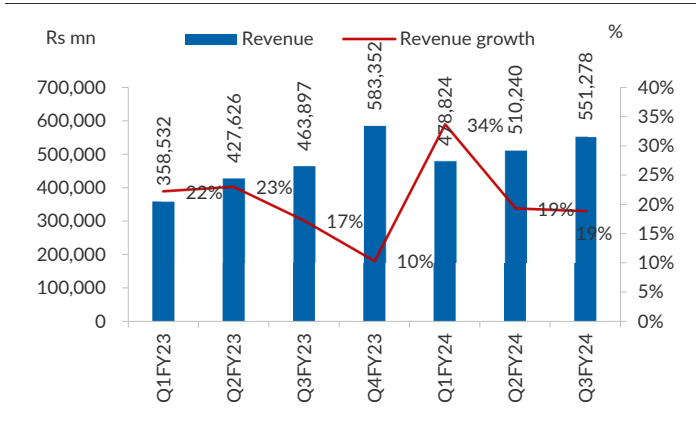
L&T continues to benefit from large order wins in the Saudi geography resulting in an international order inflow growth of 174% YoY during 9MFY24. Exports contributed 42%, 67%, 67% in the first three quarters of FY24 order inflow. On the other hand, domestic ordering has remained subdued compared to the previous year with domestic order inflow reporting decline of 11% YoY during 9MFY24. Election related slowdown remains an overhang on domestic order inflows in the next few quarters. Order Inflow grew 25% YoY during Q3FY24 to Rs760bn. The orderbook for the company stood at ~Rs4.7tn (+22% YoY) at the end of Q3FY24.

Net Working Capital Continues to see improvement leading to an improved RoE

L&T's Net Working Capital improved 10bps QoQ, 240bps YoY to 16.6% during Q3FY24. The company reported robust cash collections (ex-financial service) of Rs494bn (+14% YoY). Despite softness in margin, the company's trailing twelve-month RoE improved 280bps YoY to 15.2%. It aims to continue the RoE improvement path with focus on cash collections and margin improvement.

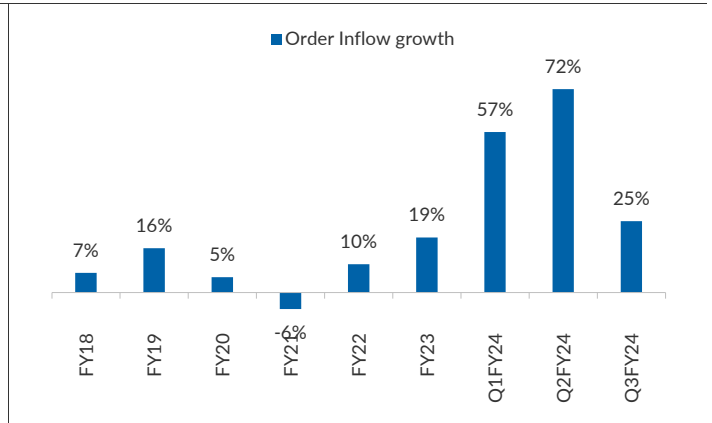
STORY IN CHARTS

Exhibit 2: L&T continues to report strong execution



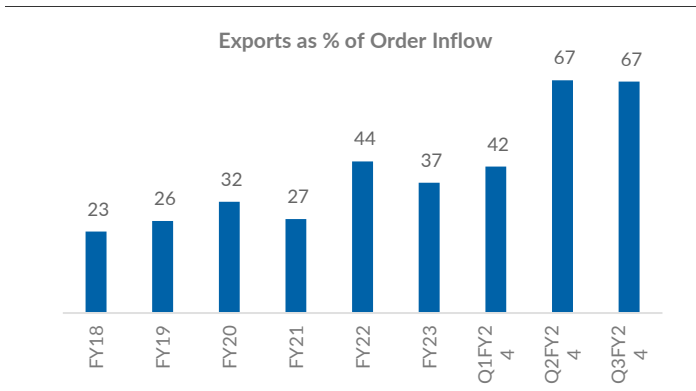
Source: Company, YES Sec

Exhibit 3: Order Inflow growth has shot up in the last three quarters



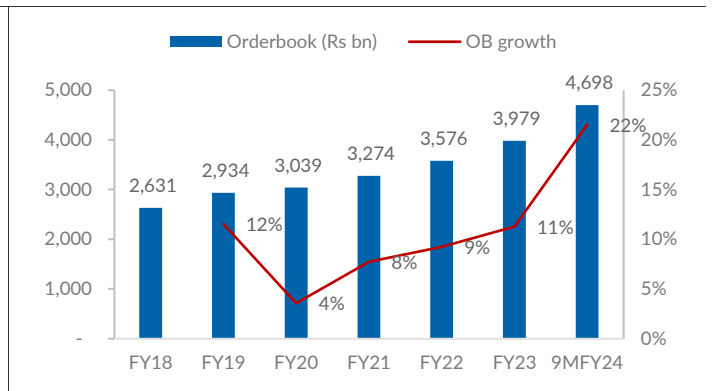
Source: Company, YES Sec

Exhibit 4: Exports contribution to order inflow has increased sharply with large order wins in ME



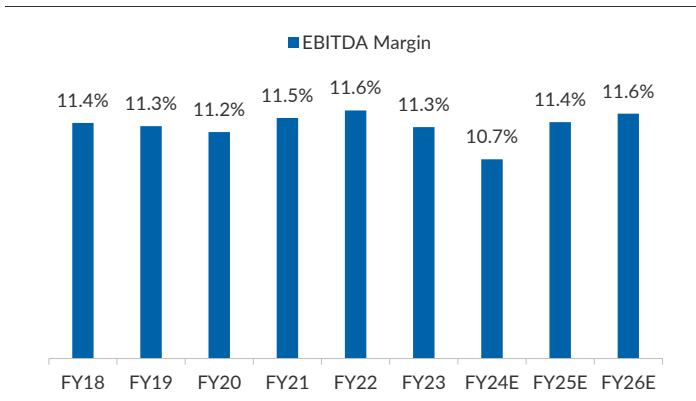
Source: Company, YES Sec

Exhibit 5:resulting in acceleration in Orderbook growth



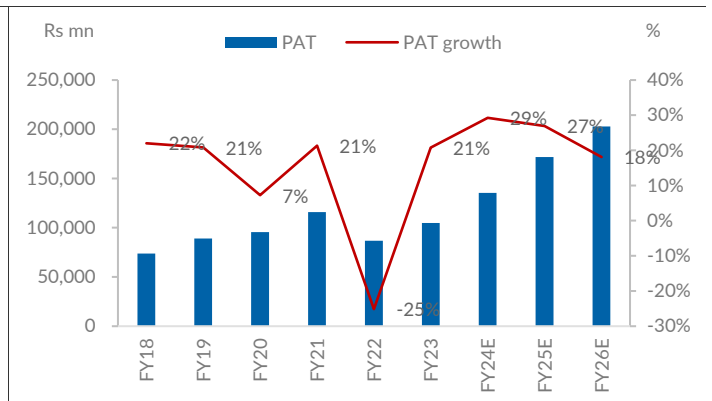
Source: Company, YES Sec

Exhibit 6: EBITA margin is expected to improve gradually over the next two years



Source: Company, YES Sec

Exhibit 7: PAT expected to clock CAGR of over 20% in FY23-26 period



Source: Company, YES Sec

Exhibit 8: Quarterly snapshot (Consolidated)

Rs mn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenue	463,897	583,352	478,824	510,240	551,278	18.8	8.0	1,833,407	1,565,212	17.1
Total Revenues	463,897	583,352	478,824	510,240	551,278	18.8	8.0	1,833,407	1,565,212	17.1
Expenditure	413,167	515,022	430,137	453,921	493,688	19.5	8.8	1,625,842	1,383,056	17.6
as % of sales	89.1	88.3	89.8	89.0	89.6			88.7	88.4	
Consumption of RM	278,072	379,659	293,157	310,643	352,294	26.7	13.4	1,105,787	938,974	17.8
as % of sales	59.9	65.1	61.2	60.9	63.9			60.3	60.0	
Employee Cost	95,325	99,811	98,894	102,989	102,533	7.6	(0.4)	372,240	297,194	25.3
as % of sales	20.5	17.1	20.7	20.2	18.6			20.3	19.0	
Other expenditure	39,770	35,552	38,087	40,288	38,861	(2.3)	(3.5)	147,815	146,887	0.6
as % of sales	8.6	6.1	8.0	7.9	7.0			8.1	9.4	
EBITDA	50,730	68,330	48,686	56,320	57,590	13.5	2.3	207,565	182,157	13.9
Depreciation	8,252	8,535	8,305	9,099	9,208	11.6	1.2	35,023	29,480	18.8
EBIT	42,479	59,795	40,382	47,221	48,382	13.9	2.5	172,543	152,677	13.0
Other Income	7,550	7,409	11,456	11,330	8,378	11.0	(26.1)	29,292	22,671	29.2
Interest	8,025	8,130	8,514	8,640	9,042	12.7	4.6	31,257	31,257	-
Exceptional Items	(1,360)	-	-	-	-			1,360	969	
PBT	43,364	59,074	43,324	49,911	47,718	10.0	(4.4)	171,937	145,060	18.5
Total Tax	12,705	14,606	12,163	11,355	11,773	(7.3)	3.7	44,874	42,150	6.5
Adjusted PAT	30,659	44,468	31,161	38,556	35,945	17.2	(6.8)	127,063	102,910	23.5
Minority Interest	(5,055)	(4,718)	(6,026)	(6,229)	(6,455)	-	-	20,599	(17,499)	-
PAT after MI	25,604	39,750	25,135	32,327	29,490	15.2	(8.8)	147,662	85,411	72.9
Share in profit/(loss) after tax of joint ventures/associates (net)	(75)	118	(205)	(101)	(17)			(943)	1,282	
PAT From Continued Operation	25,529	39,868	24,930	32,226	29,474	15.5	(8.5)	146,720	86,693	69.2
Adjusted PAT from continued operation	24,169	39,868	24,930	32,226	29,474	21.9	(8.5)	148,080	87,662	68.9
Profit from discontinued operation	-	-	-	-	-	-	-	-	-	-
PAT including DO	25,529	39,868	24,930	32,226	29,474	15.5	(8.5)	148,080	87,662	68.9
Adjusted EPS	18.2	28.4	17.7	22.9	21.0	15.5	(8.5)	74.5	61.7	20.8
Margins (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	bps	bps	FY23	FY22	bps
EBIDTA	10.9	11.7	10.2	11.0	10.4	(49)	(59)	11.3	11.6	(32)
EBIT	9.2	10.3	8.4	9.3	8.8	(38)	(48)	9.4	9.8	(34)
EBT	9.3	10.1	9.0	9.8	8.7	(69)	(113)	9.4	9.3	11
PAT	5.5	6.8	5.2	6.3	5.3	(16)	(97)	8.1	5.6	248
Effective Tax rate	29.3	24.7	28.1	22.8	24.7	(463)	192	26.1	29.1	(296)

Source: Company, YES Sec

Exhibit 9: Segmental Revenue

Rs mn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Segmental Revenue										
Infrastructure Projects	222,057	315,488	223,956	249,768	282,664	27.3	13.2	878,232	735,601	19.4
Energy Projects	63,462	79,292	66,904	67,943	78,703	24.0	15.8	249,563	237,134	5.2
Hi-Tech Manufacturing	18,631	23,208	19,683	20,411	21,847	17.3	7.0	71,609	62,652	14.3
IT & Technology Services	106,051	107,393	109,607	112,470	113,260	6.8	0.7	412,746	324,647	27.1
Financial Services	33,486	31,163	30,196	30,841	34,067	1.7	10.5	125,749	119,711	5.0
Developmental Projects	11,067	12,321	12,964	18,531	12,199	10.2	(34.2)	50,288	43,675	15.1
Others	15,360	21,605	23,472	18,880	17,418	13.4	(7.7)	67,854	62,802	8.0
Total	470,112	590,470	486,782	518,843	560,157	19.2	8.0	1,856,040	1,586,222	17.0
Less: Inter-segment revenue	6,214	7,118	7,959	8,603	8,879	42.9	3.2	22,633	21,012	7.7
Net segment revenue	463,897	583,352	478,824	510,240	551,278	18.8	8.0	1,833,407	1,565,210	17.1
Segmental EBIT										
Infrastructure Projects	13,042	20,830	8,502	10,356	12,054	(7.6)	16.4	51,402	51,824	(0.8)
Energy Projects	4,966	7,712	5,571	5,877	6,952	40.0	18.3	20,667	17,300	19.5
Hi-Tech Manufacturing	2,480	3,753	2,544	2,338	2,948	18.8	26.1	9,952	10,039	(0.9)
IT & Technology Services	17,053	18,076	19,174	19,012	19,708	15.6	3.7	71,925	63,785	12.8
Financial Services	6,304	6,596	7,140	7,964	8,240	30.7	3.5	22,588	14,698	53.7
Developmental Projects	(56)	4,300	1,230	6,341	1,184	(2,222.4)	(81.3)	3,918	(2,306)	(269.9)
Others	2,645	3,876	3,826	2,982	3,453	30.6	15.8	11,289	9,667	16.8
Total	46,434	65,143	47,988	54,869	54,539	17.5	(0.6)	191,740	165,007	16.2
Less/(Add) Intersegment revenue on capital jobs	164	258	513	281	1,122	584.1	299.5	694	653	6.3
Less: Finance Cost	8,025	8,130	8,514	8,640	9,042	12.7	4.6	32,072	31,257	2.6
Add/(Less) : Unallocable corporate income net of expenditure	3,759	2,319	4,363	3,962	3,343	(11.1)	(15.6)	10,789	10,748	0.4
Add/(Less) : Exceptional items	1,360	-	-	-	-	-	-	1,360	1,197	13.6
EBIT from continuing operations	43,364	59,074	43,324	49,911	47,718	10.0	(4.4)	171,123	145,042	18.0

Source: Company, YES Sec

CONCALL HIGHLIGHTS

Guidance for FY24

- **Revenue growth:** High teens (earlier: 12-15%, open ended on upper range)
- **Order Inflow growth:** above 20% (earlier: 10-12%, open ended on upper range)
- **Projects & Manufacturing EBITDA margin:** 8.25-8.5% (earlier: 8.5-9%)
- **Net Working Capital as % of revenue:** ~16.6% (16-18% earlier)

Prospect Pipeline of Rs6.27tn (+29% YoY)

- Infrastructure - Rs4.1tn (+6% YoY)
- Hydrocarbon - Rs1.7tn (+179% YoY)
- Power - Rs0.3tn (+50% YoY)
- Rest - 0.16tn

Total Orderbook of Rs4.7tn (+22% YoY)

- Domestic constitutes 61% at Rs2.87tn (Central Govt. – 12%, State Govt. – 31%, PSUs – 35%, Private – 22%).
- International Orderbook of Rs1.83tn (Middle East – 92% (80% of this is from Saudi Arabia), Africa – 2%, RoW – 6%).
- 17% of orderbook is funded by either bilateral or multilateral institutions.

Total Order Inflow of Rs760bn (+25% YoY)

- Domestic order inflow at Rs251bn (-45% YoY) while exports order inflow at Rs509bn (+236% YoY).
- Export order inflows have been driven by mega order wins in Middle East while domestic order inflows have remained weak compared to last year.

Infrastructure Projects

- Net revenue stood at Rs278.5bn (+27% YoY) with EBITDA margin at 5.5% (-150bps YoY). Exports revenue grew 78% YoY to Rs80.5bn while domestic revenue grew 14% YoY to Rs198bn.
- Margin is expected to improve sequentially and FY25 is expected to see significant share of new projects which have higher margin profile.
- Strong ordering momentum in Middle East is driving order inflows while domestic order inflows remain subdued compared to last year.

Energy Projects

- Net revenue stood at Rs78.6bn (+24% YoY) with EBITDA margin expanding 100bps YoY to 9.7%
- International revenue has almost doubled while domestic revenue has declined 24% YoY.

Hi-Tech Manufacturing

- Net revenue stood at Rs20.7bn (+24% YoY) with EBITDA margin dropping 80bps YoY to 16.7%.
- Exports revenue grew 97% YoY to Rs6.9bn while domestic revenue grew 5% to Rs13.8bn.

IT & TS

- Net revenue grew 5% YoY to Rs112bn with EBITDA margin expanding 180bps YoY to 20.7%.
- Improved utilization levels drove margin improvement in LTI Mindtree.

Financial Services

- Revenue grew 2% YoY to Rs34.1bn accompanied by a strong net PAT growth of 42% YoY to Rs4.2bn.

Development Projects

- Net revenue growth of 10% YoY to Rs 12.2bn with EBITDA margin expanding 940bps YoY to 16.2%.
- Majority of the revenue contributed by Nabha Power which has seen significant improvement in PLF. Also, improved metro performance led to better margin.

Hyderabad Metro

- **Daily volume** - Average quarterly ridership – (1) Q3FY24 – 4.44lakh per day, (2) Q2FY24 – 4.62 lakh per day, (3) Q3FY23 – Rs3.94 lakh per day
- Received financial support of Rs1.5bn during Q3FY24 from the state government.

Other Segment

- Net revenue grew 12% YoY to Rs15.3bn with EBITDA margin expanding 100bps to 13.3%.
- Revenue growth is driven by Realty business which saw revenue of Rs19bn in 9MFY24, Order Inflow of Rs21bn, 5.25bn in 9M,Q3FY24.

Net Working Capital & RoE

- Net Working Capital improved 10bps QoQ to 16.6% of revenue driven by improved customer collections which, ex-financial services, stood at Rs494bn (434bn in Q3FY23, +14% YoY)
- Trailing Twelve Month (TTM) RoE – 15.2% (12.4% in Q3FY23)

Other Highlights

- **Projects & Manufacturing (Core business) margin:** The company expects sequential improvement in core business margin, however, meaningful improvement could be seen Q2FY25 onwards as FY25 will have significant share of newer high margin orders in revenue mix. Claim settlement in progress for some specific high value projects that saw cost and time overruns during covid.
- **Weak domestic ordering and execution could sustain around elections too:** L&T's domestic revenue and order inflow have remained subdued during 9MFY24 and the company sees the risk of an election related slowdown impact on execution and inflows for Q4FY24 and Q1FY25. However, an increased share of international orderbook implies a reduced impact of the domestic slowdown.
- **L&T has entered more fixed price contracts incrementally** in the last few quarters and fixed price contracts form ~42-43% of orderbook against a traditional level of ~33-35%.
- Solar projects have price variation clauses, so drop in solar module price won't lead to improved margin
- **Risk mitigation framework augmented in Middle East (ME) with increasing Orderbook share:** The company has put in place contract management teams locally in ME, increased local teams to sense local developments, so risk mitigation strategy has been enhanced. It has also worked on understanding of the customer and funding source.

- **Power business:** Last few years, power business has been supported by FGD orders. Utilization of BTG power plant is 30%. Some part of facility is getting utilized for other sectors. 50% utilization level is needed to break-even.

Exhibit 10: SOTP Valuation

	Earnings/ Book (Rs mn)	Valuation basis	Target multiple (X)	Stake (%)	Value (Rs mn)	Fair Value (Rs)	Basis
L&T Core Business	137,324	P/E	24	100	3,295,774	2,350	24x FY26 EPS
L&T Finance Holdings	417,416	Mcap		64	186,593	133	30% discount to Current Mkt cap
L&T Infotech - Mindtree	1,585,540	Mcap		69	762,375	543	30% discount to Tgt Mkt cap
L&T Technology Services	578,853	Mcap		75	303,776	217	30% discount to Tgt Mkt cap
L&T Energy Projects	39,171	P/E	16	100	626,732	447	16x FY25 EPS
L&T's equity investment in BTG	17,000	P/B	0.8	51	6,936	5	0.8x equity investment
Other Business	40,000	P/B	0.8	100	32,000	23	0.8x book value
Total subsidiaries				30% holding co. disc.	1,534,730	1,094	
Grand total						3,444	

FINANCIALS

Exhibit 12: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Sources of Funds					
Equity capital	2,810	2,811	2,748	2,748	2,748
Reserves	821,267	890,449	912,199	1,066,331	1,250,138
Non Minority Controlling Int.	129,661	142,413	142,413	142,413	142,413
Net worth	824,077	893,260	914,947	1,069,079	1,252,887
Debt	1,255,081	1,185,134	1,200,134	1,215,134	1,230,134
Deferred tax liab (net)	(18,008)	(33,544)	(33,544)	(33,544)	(33,544)
Total liabilities	2,190,810	2,187,262	2,223,950	2,393,082	2,591,890
Application of Funds					
Gross Block	199,656	243,509	268,509	293,509	318,509
Depreciation	93,868	108,767	145,016	184,640	227,638
Fixed Asset	388,531	393,973	382,724	368,100	350,102
CWIP	11,703	29,491	29,491	29,491	29,491
Investments	435,664	481,585	379,291	380,946	378,764
Net Working Capital	1,354,913	1,282,214	1,432,445	1,614,545	1,833,534
Inventories	59,433	68,288	73,352	89,459	103,771
Sundry debtors	461,389	447,315	489,013	596,392	691,806
Cash & equivalents	189,532	225,196	255,359	187,751	213,065
Loans & Advances	955,424	888,845	896,911	1,134,674	1,316,204
Other Current Asset	670,413	728,982	789,817	936,038	1,085,789
Sundry creditors	511,442	497,841	458,450	581,483	709,101
Provisions	41,736	43,635	55,778	68,026	78,909
Other current liabilities	428,099	534,937	557,781	680,260	789,091
Total Assets	2,190,810	2,187,262	2,223,950	2,393,082	2,591,890

Source: Company, YES Sec

Exhibit 13: Income statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,565,212	1,833,407	2,231,123	2,721,041	3,156,364
% Change YoY	15.1	17.1	21.7	22.0	16.0
Operating profit	182,046	207,533	239,143	310,550	365,147
EBITDA margins	11.6	11.3	10.7	11.4	11.6
% Change YoY	16.5	14.0	15.2	29.9	17.6
Depreciation	29,480	35,023	36,249	39,624	42,999
EBIT	152,567	172,510	202,895	270,927	322,149
EBIT margins	9.7	9.4	9.1	10.0	10.2
Interest expense	31,257	32,072	35,698	48,979	56,815
Other income	22,671	29,292	40,160	40,816	47,345
Profit before tax	143,980	169,730	207,357	262,764	312,680
Taxes	42,039	44,842	51,839	65,691	78,170
Effective tax rate (%)	29.2	26.4	25.0	25.0	25.0
Net profit	101,941	124,889	155,518	197,073	234,510
Minorities and other	16,217	21,542	20,199	25,309	31,702
Net profit after minorities	85,724	103,347	135,319	171,764	202,808
Exceptional items	969	1,360	0	0	0
Net profit	86,693	104,707	135,319	171,764	202,808
% Change YoY	(25.2)	20.8	29.2	26.9	18.1
EPS (Rs)	61.7	74.5	96.3	122.2	144.3

Source: Company, YES Sec

Exhibit 14: Cash flow statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before Tax	144,107	169,730	207,357	262,764	312,680
Interest	31,257	32,072	35,698	48,979	56,815
Depreciation	29,480	35,023	36,249	39,624	42,999
Other Items	(15,253)	(11,575)	-	-	-
(Inc)/Dec in WC	47,566	53,791	(73,417)	(88,374)	(80,055)
Direct Taxes Paid	45,521	51,272	51,839	65,691	78,170
CF from Oper. Activity	191,636	227,770	154,047	197,301	254,268
Inc/(Dec) in FA	31,106	41,438	25,000	25,000	25,000
Free Cash Flow	160,530	186,332	129,047	172,301	229,268
(Pur)/Sale of Invest.	(67,783)	(124,555)	52,294	(51,655)	(47,818)
CF from Inv. Activity	(36,677)	(83,117)	77,294	(26,655)	(22,818)
Change in Networkth	110	103	(63)	-	-
Inc/(Dec) in Debt	(92,890)	(50,213)	15,000	15,000	15,000
Interest Paid	(28,123)	(28,886)	(35,698)	(48,979)	(56,815)
Dividends Paid	(25,284)	(30,914)	(33,830)	(42,941)	(50,702)
Others	(5,628)	(5,814)	(99,938)	0	(0)
CF from Fin. Activity	(151,815)	(115,725)	(154,528)	(76,920)	(92,516)
Inc/(Dec) in Cash	3,144	28,928	76,814	93,727	138,934
Opening cash Balance	133,735	137,702	169,267	246,081	339,808
Others	823	2,637	-	-	-
Closing cash Balance	137,702	169,267	246,081	339,808	478,741

Source: Company, YES Sec

Exhibit 15: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	2.6	2.8	2.9	3.1	3.1
Interest burden (x)	0.3	0.3	0.3	0.2	0.2
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	0.7	0.8	1.0	1.1	1.2
Financial leverage (x)	2.7	2.4	2.4	2.2	2.1
RoE (%)	13.1%	14.2%	16.6%	19.0%	19.3%

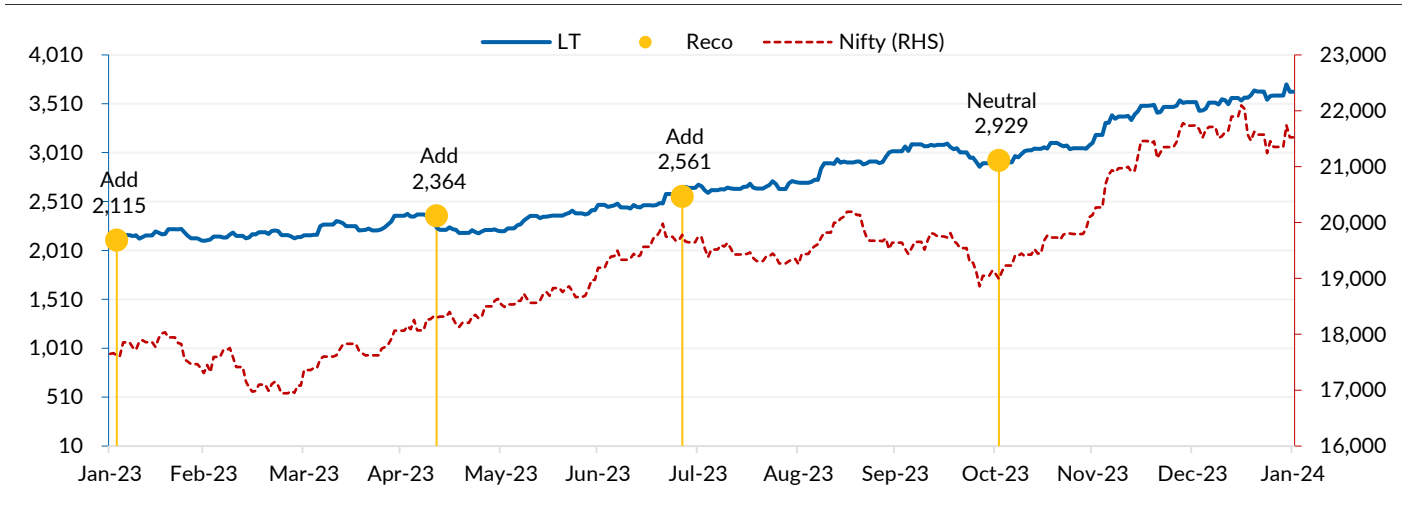
Source: Company, YES Sec

Exhibit 16: Ratio Analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Basic (Rs)					
EPS	61.7	74.5	96.3	122.2	144.3
Dividend per share	18.0	18.6	24.1	30.6	36.1
Cash EPS	82.7	99.4	122.1	150.4	174.9
Book value per share	678.8	737.1	752.5	862.2	993.1
Div. payout (%)	24.6	20.7	21.8	21.8	21.6
Valuation ratios (x)					
P/E	47.5	39.3	30.4	24.0	20.3
P/CEPS	35.4	29.5	24.0	19.5	16.7
P/B	4.3	4.0	3.9	3.4	2.9
EV/EBIDTA	28.5	24.5	21.2	16.6	14.1
Dividend yield (%)	0.6	0.6	0.8	1.0	1.2
Profitability Ratios (%)					
RoC	6.1	7.2	8.4	10.3	11.3
RoE	10.5	11.7	14.8	16.1	16.2
RoCE	4.9	5.8	6.8	8.5	9.3
Liquidity ratios					
Debtor (days)	108	89	80	80	80
Inventory (days)	14	14	12	12	12
Creditor (days)	119	99	75	78	82
Net working Capital (days)	272	210	193	191	187
Asset Turnover (x)	0.7	0.8	1.0	1.1	1.2

Source: Company, YES Sec

Recommendation Tracker



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