

# Retail Equity Research

## Larsen & Toubro Limited

Construction & Engineering

BSE CODE: 500510

NSE CODE: LT

Bloomberg CODE: LT:IN

SENSEX: 73,105

**BUY**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 3,379 TARGET Rs. 3,806 RETURN 13% ↑  
(Closing: 14-05-24)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↔

**EARNINGS** ↓

### Broad based growth, robust order book

Larsen & Toubro Ltd (L&T) is an engineering & construction (E&C) conglomerate with presence in IT and financial services sectors and operations in more than 30 countries.

- In Q4FY24, consolidated revenue grew 15.0% YoY to Rs. 67,079cr, led by broad based growth across segments.
- EBITDA margin shrank 90bps YoY owing to higher cost of materials.
- Healthy order book, strong execution capabilities, higher traction in hydrocarbon segment and increased capex spends by the government auger well for the company's future performance. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 3,806 based on sum-of-the-parts (SOTP) valuation.

### Topline growth driven by infrastructure projects

In Q4FY24, L&T's consolidated revenue grew 15.0% YoY to Rs. 67,079cr, driven by robust growth in infrastructure projects. Revenue from infrastructure projects increased 21.6% YoY to Rs. 38,369cr, thanks to capex by the government, continued investment buoyancy in the Middle East and robust execution momentum of diversified order book portfolio. The hi-tech manufacturing segment rose 10.8% YoY to Rs. 2,571cr, led by improved execution of orders in both defence and heavy engineering businesses. IT and technology services (IT&TS) reported sluggish growth of 3.3% YoY to Rs. 11,383cr with prevailing macro concerns impacting customer spends in IT&TS sector. The financial services segment witnessed 15.5% YoY growth to Rs. 3,598cr, aided by higher retail disbursements across verticals in rural and urban finance. The energy projects segment grew 3.6% YoY to Rs. 8,216cr. EBITDA rose 5.9% YoY to Rs. 7,234cr but EBITDA margin shrank 90bps YoY owing to higher cost of construction materials. Adjusted PAT increased 10.3% YoY to Rs. 4,396cr, aided by higher other income.

### Key concall highlights

- As of Mar-24, order prospects pipeline was Rs. 12.5trn (vs. Rs. 9.7trn a year ago). Broad break-up being: infrastructure – Rs. 7.25trn, hydrocarbon – Rs. 3.87trn, Power – Rs. 0.5trn, heavy engineering – Rs. 0.35trn and green energy – Rs. 0.1trn.
- The average ridership for Hyderabad metro was 4.41 lakh/day (vs. 4.44 lakh/day in Q3FY24), slightly lower due to the implementation of Mahalakshmi scheme by the state government, which offers free bus entitlement to ladies.

### Large order book

L&T received orders worth Rs. 72,150cr (down 5.2% YoY) from the infrastructure, hydrocarbon and defense engineering businesses. As of Mar-24, consolidated order book was Rs. 475,809cr, with international orders accounting for ~35%. The infrastructure segment secured orders of Rs. 31,340cr, a degrowth of 23.9% YoY due to receipt of high value orders last year. The energy segment received orders worth Rs. 13,120cr (up 47.5% YoY), with multiple international orders in the hydrocarbon business. The hi-tech manufacturing received orders worth Rs. 8,790cr (up 2.5% YoY).

### Valuation

L&T reported strong performance in Q4FY24, driven by robust execution of infrastructure projects and strong order inflows in infrastructure and hydrocarbon businesses. Management expects revenue to increase ~15.0% YoY in FY25, order inflow to grow 10.0% YoY and net working capital to be 15.0% of revenue. L&T's robust order book, strong execution capabilities, proven track record, strategic positioning and higher capex by the government auger well for its future performance. Therefore, we reiterate our BUY rating on the stock with a revised target price of Rs. 3,806 based on SOTP valuation.

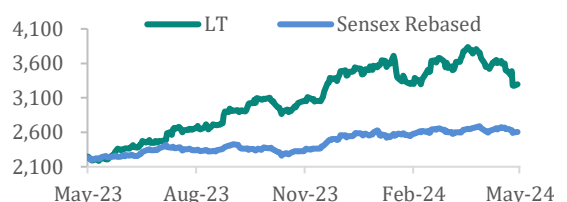
### Company Data

Market Cap (cr)	Rs. 464,473
Enterprise Value (cr)	Rs. 578,938
Outstanding Shares (cr)	137.5
Free Float	85.0%
Dividend Yield	1.0%
52 week high	Rs. 3,860
52 week low	Rs. 2,169
6m average volume (lacs)	25.5
Beta	1.1
Face value	Rs. 2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	0.0	0.0	0.0
FII's	25.7	25.5	24.4
MFs/Insti	37.5	37.7	38.5
Public	22.0	22.1	22.3
Others	14.7	14.7	14.9
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	2.1%	10.9%	52.1%
Absolute Sensex	1.8%	12.6%	17.9%
Relative Return*	0.3%	-1.7%	34.3%

### \*Over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	221,113	254,430	292,121
Growth (%)	20.6	15.1	14.8
EBITDA	23,494	28,960	33,811
EBITDA Margin (%)	10.6	11.4	11.6
Adj. PAT	12,966	16,661	20,080
Growth (%)	25.5	28.5	20.5
Adj. EPS	94.3	121.2	146.1
Growth (%)	28.3	28.5	20.5
P/E	40.0	27.9	23.1
P/B	6.0	4.7	4.1
EV/EBITDA	27.1	20.0	17.1
ROE (%)	18.0	19.8	20.7
D/E	1.1	1.0	0.8

## Quarterly Financials (Consolidated)

### Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	67,079	58,335	15.0	55,128	21.7	221,113	183,341	20.6
<b>EBITDA</b>	<b>7,234</b>	<b>6,833</b>	5.9	<b>5,759</b>	25.6	<b>23,494</b>	<b>20,753</b>	13.2
EBITDA margins	10.8	11.7	(90bps)	10.4	40bps	10.6	11.3	(70bps)
Depreciation	1,021	854	19.6	921	10.9	3,682	3,502	5.1
<b>EBIT</b>	<b>6,213</b>	<b>5,979</b>	3.9	<b>4,838</b>	28.4	<b>19,811</b>	<b>17,251</b>	14.8
Interest	926	813	13.9	904	2.4	3,546	3,207	10.6
Other Income	1,042	741	40.6	838	24.3	4,252	3,065	38.7
Exceptional Items	94	-	n.m.	-	n.m.	94	136	(31.2)
Share of profit from Associate	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>6,422</b>	<b>5,907</b>	8.7	<b>4,772</b>	34.6	<b>20,517</b>	<b>17,109</b>	19.9
Tax	1,418	1,461	(2.9)	1,177	20.5	4,947	4,484	10.3
<b>Reported PAT</b>	<b>5,004</b>	<b>4,447</b>	12.5	<b>3,595</b>	39.2	<b>15,570</b>	<b>12,625</b>	23.3
Minority Interest	617	472	30.8	645	(4.4)	2,488	2,060	20.8
<b>PAT att. to shareholders</b>	<b>4,396</b>	<b>3,987</b>	10.3	<b>2,947</b>	49.2	<b>13,059</b>	<b>10,471</b>	24.7
Adjustments	(94)	-	n.m.	-	n.m.	(94)	(136)	31.2
<b>Adj. PAT</b>	<b>4,303</b>	<b>3,987</b>	7.9	<b>2,947</b>	46.0	<b>12,966</b>	<b>10,335</b>	25.5
No. of shares	137.5	140.5	(2.2)	137.5	n.m.	137.5	140.5	(2.2)
<b>Adj. EPS (Rs.)</b>	<b>31.3</b>	<b>28.4</b>	10.3	<b>21.4</b>	46.0	<b>94.3</b>	<b>73.5</b>	28.3

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	252,664	293,167	254,430	292,121	0.7	(0.4)
EBITDA	29,777	35,171	28,960	33,811	(2.7)	(3.9)
Margins (%)	11.8	12.0	11.4	11.6	(40bps)	(40bps)
Adj. PAT	17,402	20,817	16,661	20,080	(4.3)	(3.5)
Adj. EPS	123.7	148.0	121.2	146.1	(2.0)	(1.3)

### Gross Segment Revenue

Particulars	Q4FY24	Q4FY23	(%) YoY Growth	Q3FY24	(%) QoQ Growth	FY24	FY23	(%) YoY Growth
Infrastructure Projects	38,369	31,549	21.6	28,266	35.7	114,008	87,823	29.8
Energy Projects	8,216	7,929	3.6	7,870	4.4	29,571	24,956	18.5
Hi-Tech Manufacturing	2,571	2,321	10.8	2,185	17.7	8,765	7,161	22.4
IT & Technology Services	11,383	11,014	3.3	11,326	0.5	44,916	41,789	7.5
Financial Services	3,598	3,116	15.5	3,407	5.6	13,109	12,575	4.2
Development Projects	1,259	1,232	2.2	1,220	3.2	5,628	5,029	11.9
Others	2,516	1,886	33.4	1,742	44.4	8,493	6,271	35.4
Inter-segment	(833)	(712)	17.1	(888)	(6.2)	-3,377	(2,263)	49.2
<b>Total</b>	<b>67,079</b>	<b>58,335</b>	<b>15.0</b>	<b>55,128</b>	<b>21.7</b>	<b>221,113</b>	<b>183,341</b>	<b>20.6</b>

### SOTP Valuation

Particulars	Basis	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
Core E&C	FY26E P/E	23.0x	100%	407,218	2,962
Financial Services	Geojit TP	1.5x	69%	42,196	307
Developmental Projects	FY26E P/BV	0.8x	51%	7,583	55
Hydrocarbon	FY26E P/BV	2.6x	100%	82,734	602
LTI Mindtree	FY26E P/E	11.0x	69%	48,623	354
L&T Technology services	FY26E P/E	15.0x	74%	20,780	151
Others	FY26E P/BV	0.7x	100%	6,380	46
Conglomerate discount		15%		(92,327)	(672)
<b>Total</b>				<b>523,186</b>	<b>3,806</b>



## PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>156,521</b>	<b>183,341</b>	<b>221,113</b>	<b>254,430</b>	<b>292,121</b>
% change	15.1	17.1	20.6	15.1	14.8
<b>EBITDA</b>	<b>18,217</b>	<b>20,753</b>	<b>23,494</b>	<b>28,960</b>	<b>33,811</b>
% change	16.6	13.9	13.2	23.3	16.8
Depreciation	2,948	3,502	3,682	3,854	3,940
<b>EBIT</b>	<b>15,269</b>	<b>17,251</b>	<b>19,811</b>	<b>25,107</b>	<b>29,872</b>
Interest	3,126	3,207	3,546	3,487	3,241
Other Income	2,364	3,065	4,252	4,574	4,940
<b>PBT</b>	<b>14,508</b>	<b>17,109</b>	<b>20,517</b>	<b>26,194</b>	<b>31,570</b>
% change	67.1	17.9	19.9	27.7	20.5
Tax	4,217	4,484	4,947	6,593	7,946
Tax Rate (%)	29.1	26.2	24.1	25.2	25.2
<b>Reported PAT</b>	<b>10,291</b>	<b>12,625</b>	<b>15,570</b>	<b>19,601</b>	<b>23,624</b>
<b>PAT att. to common shareholders</b>	<b>8,669</b>	<b>10,471</b>	<b>13,059</b>	<b>16,661</b>	<b>20,080</b>
Adj*	(97)	(136)	(94)	-	-
<b>Adj PAT</b>	<b>8,572</b>	<b>10,335</b>	<b>12,966</b>	<b>16,661</b>	<b>20,080</b>
% change	(43.4)	20.6	25.5	28.5	20.5
No. of shares (cr)	140.6	140.5	137.5	137.5	137.5
<b>Adj EPS (Rs.)</b>	<b>61.0</b>	<b>73.5</b>	<b>94.3</b>	<b>121.2</b>	<b>146.1</b>
% change	(43.4)	20.6	28.3	28.5	20.5
DPS (Rs.)	22.0	30.0	34.0	30.3	36.5

## CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>13,239</b>	<b>16,127</b>	<b>19,252</b>	<b>23,455</b>	<b>27,563</b>
Non-cash adj.	1,168	1,271	399	3,487	3,241
Changes in W.C	4,757	5,379	(1,385)	(2,673)	(7,223)
<b>C.F. Operation</b>	<b>19,164</b>	<b>22,777</b>	<b>18,266</b>	<b>24,269</b>	<b>23,582</b>
Capital exp.	(3,040)	(3,793)	(4,210)	(4,580)	(5,842)
Change in inv.	1,180	(5,545)	238	(2,612)	(11)
Other invest.CF	(1,807)	1,027	6,135	(3,700)	(3,700)
<b>C.F - Investment</b>	<b>(3,668)</b>	<b>(8,312)</b>	<b>2,163</b>	<b>(10,892)</b>	<b>(9,553)</b>
Issue of equity	11	10	(12,270)	-	-
Issue/repay debt	(8,413)	(4,497)	(4,102)	(2,996)	(2,128)
Dividends paid	(2,528)	(3,091)	(4,217)	(4,165)	(5,020)
Other finance.CF	(4,251)	(3,995)	(4,824)	(3,487)	(3,241)
<b>C.F - Finance</b>	<b>(15,181)</b>	<b>(11,572)</b>	<b>(25,413)</b>	<b>(10,647)</b>	<b>(10,390)</b>
Chg. in cash	314	2,893	(4,984)	2,730	3,639
Closing cash	18,953	22,520	15,358	18,088	21,727

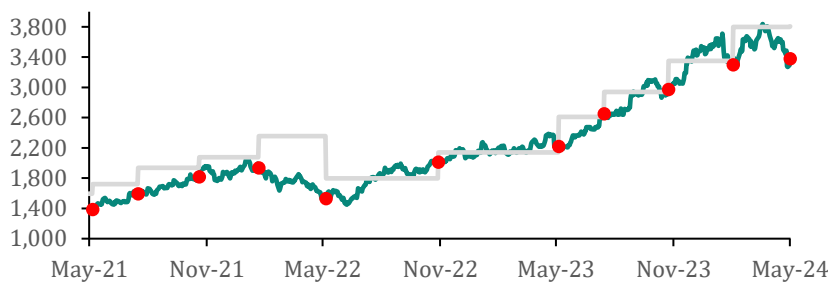
## BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	18,953	22,520	15,358	18,088	21,727
Accounts Receivable	46,139	44,732	48,771	61,000	70,693
Inventories	5,943	6,829	6,620	9,221	11,130
Other Cur. Assets	137,146	148,124	147,330	145,417	155,395
Investments	13,774	12,585	12,882	15,471	15,460
Gross Fixed Assets	23,875	27,669	31,879	36,459	42,301
Net Fixed Assets	10,579	11,336	13,298	13,027	14,133
CWIP	1,170	2,949	2,897	3,476	4,172
Intangible Assets	28,274	28,061	27,623	27,945	27,950
Def. Tax (Net)	2,840	3,985	3,864	3,980	4,099
Other Assets	55,230	49,232	60,985	64,685	68,385
<b>Total Assets</b>	<b>320,049</b>	<b>330,352</b>	<b>339,627</b>	<b>362,311</b>	<b>393,144</b>
Current Liabilities	97,177	104,280	118,520	128,688	142,966
Provisions	818	870	987	1,037	1,089
Debt Funds	125,620	120,923	116,418	113,423	111,294
Other Liabilities	1,061	712	1,152	1,178	1,206
Equity Capital	281	281	275	275	275
Reserves & Surplus	82,127	89,045	86,084	98,580	113,640
Shareholder's Fund	82,408	89,326	86,359	98,855	113,915
Minority Interest	12,966	14,241	16,190	19,131	22,674
<b>Total Liabilities</b>	<b>320,049</b>	<b>330,352</b>	<b>339,627</b>	<b>362,311</b>	<b>393,144</b>
<b>BVPS (Rs.)</b>	<b>586</b>	<b>636</b>	<b>628</b>	<b>719</b>	<b>829</b>

## RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	11.6	11.3	10.6	11.4	11.6
EBIT margin (%)	9.8	9.4	9.0	9.9	10.2
Net profit mgn.(%)	5.5	5.7	5.9	6.5	6.9
ROE (%)	12.5	14.1	18.0	19.8	20.7
ROCE (%)	6.9	7.7	9.0	10.8	12.1
<b>W.C &amp; Liquidity</b>					
Receivables (days)	107.6	89.1	80.5	87.5	88.3
Inventory (days)	41.2	38.4	29.9	34.7	36.5
Payables (days)	354.3	279.8	240.8	256.8	250.4
Current ratio (x)	1.3	1.4	1.2	1.2	1.3
Quick ratio (x)	0.6	0.6	0.6	0.6	0.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	7.0	7.1	7.4	7.4	7.4
Total asset T.O (x)	0.5	0.6	0.7	0.7	0.8
Int. coverage ratio (x)	4.9	5.4	5.6	7.2	9.2
Adj. debt/equity (x)	1.3	1.2	1.1	1.0	0.8
<b>Valuation</b>					
EV/Sales (x)	2.4	2.3	2.9	2.3	2.0
EV/EBITDA (x)	20.2	20.1	27.1	20.0	17.1
P/E (x)	29.0	29.4	40.0	27.9	23.1
P/BV (x)	3.0	3.4	6.0	4.7	4.1

## Recommendation Summary (Last 3 Years)



Dates	Rating	Target
3-Feb-22	BUY	2,357
19-May-22	BUY	1,799
11-Nov-22	HOLD	2,138
18-May-23	BUY	2,610
28-Jul-23	BUY	2,941
6-Nov-23	BUY	3,348
15-Feb-24	BUY	3,799
15-May-24	BUY	3,806

Source: Bloomberg, Geojit research

### Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

#### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

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Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

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6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

#### 7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing. Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

