



LARSEN & TOUBRO

— 15th January, 2023 —



India's Best Performing and Most Customer Centric PMS

Larsen & Tubro Limited (LT) is a leading engineering and construction company in India with a nationwide and international presence. It has interests in infrastructure, power, metallurgical & material handling, heavy engineering, shipbuilding, machinery and industrial products, and realty. Apart from India, it has a significant presence in the Middle East. Through its subsidiaries, associate companies and JVs, the Group is involved in hydrocarbon business, IT services, financial services and infrastructure development ventures.

The company's manufacturing presence is extended across eight countries in addition to India. L&T is engaged in core, high impact sectors of the economy and the integrated capabilities span the entire spectrum of 'design to deliver'.

The company serves the government and large corporate customers across multiple sectors, both in India as well as globally. The realty and financial services businesses provide B2C offerings as well in addition to B2B products/services

Investment rationale

- **Government's infra push to boost growth:** Government focus on boosting infra will benefit LT to a great extent. National Infrastructure Pipeline indicates spending of Rs 114.8 lakh cr over the next five years, and LT, with its diverse presence and capabilities, would be the biggest beneficiary of the same.

- **Leading player in E&C business with strong execution capabilities and diversified presence across services business:** Company is the leading E&C company in India with an established track record in the infra segment coupled with strong executing skills with large-scale operations. The company has diversified its presence across sectors such as infrastructure, power etc.

- **Robust order pipeline ahead:** Company has a strong order pipeline of around Rs 6.32 lakh cr as of H2FY23, with infrastructure having a major share.

- **Strong order book:** Company has a strong order book of Rs 3.72 lakh cr as on H2FY23 providing healthy revenue visibility going ahead.

- **Infrastructure has remained LT's main segment over last few years:** LT has remained the market leader in infra segment led by its ability to get big orders, operational efficiency etc.

Outlook: At a CMP of Rs 2153, the stock is trading TTM P/E of 31.5(x) to its TTM EPS of Rs 68.4; The management expects festive spending to be strong this year and the above-average monsoon to be good for the revival of rural demand. We have a positive outlook on the Company backed by strong revenue performance, a healthy order book, management's execution capabilities, better-working capital management and a healthy prospect pipeline. We believe that Company is well-placed to benefit from overall diversified tender prospects with 1) better order conversion in the domestic market, 2) significant traction in Capex from oil exporting countries, mainly in the hydrocarbon segment and 3) an expected uptick in private Capex.

Stock Data

CMP	2153
52 Week High/Low	2212/1456
Face Value	2
Market Cap (In Crs)	302,631 cr
NSE	LT
BSE	500510
Bloomberg	LT:IN
Sector	Infrastructure

Shareholding Pattern (in %)

	Jun-22	Sept-22
Promoter	0.00	0.00
FII	21.1	22.1
DII + Government	34.8	40.7
Public	44.1	37.2

Price Performance (in%)

(%)	1M	6M	1Yr
Nifty 50	-3.5	12.5	-1.7
LT	-0.9	30.7	6.7

Key Ratios

P/E	31.5
Debt To Equity	1.6
ROE	14.3%
ROCE	11.9%
Dividend Yield	1.0%

Industry Overview

Infrastructure Sector:

The Government increased the Capex outlay by 35.4% from Rs 5.54 lakh cr in FY22 to Rs 7.50 lakh cr in FY23, including Rs 1 lakh crore in infra funding to states. This is a big boost to the infrastructure sector as well as the Indian economy in terms of aiding the growth post the three waves of Covid. It would also help to create a multiplier effect in the immediate future, thus aiding the private sector to eventually come forward and replace the public sector Capex.

Government policies: The Government has been working on reducing the bottleneck and stimulating the growth to kick start spending on various initiatives such as 'Housing for All' and 'Smart Cities Mission'. The Government plans to invest Rs 2.05 lakh cr (US\$31.8bn) in the smart cities mission. 100% FDI is allowed under automatic routes across various infrastructure sectors

Attractive opportunity for the sector: In our view, healthy fundamentals, attractive valuations along with strong earnings growth make this sector an attractive investment opportunity. Opportunity in roads continues to remain huge. Bharatmala itself is a ~Rs 6.3 lakh crore plus opportunity in the road sector. Various other schemes, such as the Regional Connectivity Scheme (RCS) and coastal shipping, give opportunities for the development of airports and ports.

Increasing foreign investments: Over the last few years, India witnessed a substantial rise in foreign investment. The major players are China Harbour Engineering, DBS, Mizuho Financial Group, Cube highways, Canadian pension funds, etc. FDI inflow in India stood healthy for the period July-Sep'19. The sector has been a prime focus in getting FDI inflows with deals such as GIC investment in IRB's BOT assets, CPPS investment in SIPL, Cube highways buying assets of Infra companies, etc.

Market Size : India is planning to spend big amount on infrastructure through NIP in the next 5 years. In FY21, infrastructure activities accounted 13% share of the FDI inflows. India is expected to construct 43,000 houses every day to achieve the mission of housing for all. As of Aug 22nd 2022, 122.69 lakh houses have been approved, 103.01 lakh houses have been grounded, & 62.21 lakh houses have been completed under PMAY-Urban

A lot of new cities need to be developed over the coming 10 years. Over the next ten years, demand for urban freight is expected to rise by 140%. Final-mile freight transit in the Indian city accounts for 50% of the total logistics expenses in the country's rising e-commerce supply chains. India is likely to become one of the largest construction markets globally. The Indian logistics market is estimated to touch US\$ 32000 cr by 2025. The overall infrastructure Capex is estimated to grow at a CAGR of 11.4% over FY21-26, driven by spending on water supply, transport and urban infrastructure. Investment in infrastructure contributed around 5% of the GDP in the 10th five-year plan as against 9% in the 11th five-year plan. Further, a US\$ 1 lakh crore investment in infrastructure was proposed by India's planning commission during the 12th five-year plan, with 40% of the funds coming from the private sector.

Conclusion : India's Infrastructure forms an important part of the country's economic ecosystem. There has been a big development in the industry that leads to the development of world-class facilities all across the country in the key areas of roads, waterways, railways, airports, & ports, among others. The country-wide smart city programmes have proven to be industry game-changers. Given its important role in the development of the country, the infrastructure sector has undergone a big boom as a result of India's necessity and desire for fast development.

The expansion has been supported by urbanization & a rise in foreign investment. The infrastructure sector has become the biggest area of focus for the Government of India. India plans to spend 114.8 lakh cr on Infrastructure during the next five years to have a sustainable development of the country. The Government has suggested an investment of Rs. 5,000,000 crores (US\$ 750 billion) for railways infrastructure from 2018-30. India's GDP is expected to grow by 8% over the next three fiscal years, one of the quickest rates among major, developing economies, according to S&P Global Ratings. India and Japan have joined hands for infrastructure development in India's Northeast states and are also setting up an India-Japan Coordination Forum for the development of the Northeast to undertake strategic infrastructure projects for the region.

Company Background

Larsen & Toubro (LT), headquartered in Mumbai, is a technology-driven engineering & construction company, & one of the largest players in India's private sector. Company has further interested in manufacturing, services & IT. A strong customer focused approach & constant urge for top-class quality have enabled LT Attain and sustain leadership in major lines of businesses over seven decades. LT has an overseas presence with a global spread of offices. With factories and offices located around the country, further supplemented by a comprehensive marketing and distribution network, L&T's image and equity extend to virtually every district of India. The company's recent focus on the export market will help optimize its growth potential, especially in hydrocarbons and infrastructure.

Key Highlights of the company:

- L&T has a leadership position & market share in many operating verticals, be it transportation, oil & gas, factories and building, process projects and industrial structures. This provides flexibility to projects, which helps increase overall profitability.
- Strong projects in pipeline in verticals like transportation (railways, metro & roads) and factories and buildings augurs well for LT.
- Proven execution record & huge balance sheet help it to gain a higher share of the expected upcoming infra capex opportunity in medium period.
- Company has been amongst the few players to exit from non-core businesses generating huge balance sheet muscle over recent years. Utilization of these proceeds, including incremental surplus from E&C cash flows to reward stakeholders could generate reasonable stake-holder returns in our view.

Segment Composition:

Infra Projects	Energy Projects	IT&TS	HiTech Manufacturing	Financial Service	Development projects	Others
Building & Factories	Hydrocarbon	LTI + Mindtree	Heavy Engineering	Retail Landing	L&TIDPL	Reality
Heavy Civil	Power	LTTS	Defence Engineering	Wholesale Landing	Hyderabad Metro	Smart World & Communications
Water	Green EPC	Digital platform	Green Manufacturing	Asset Management	Nabha Power	Industrial Machinery & Products
Power T&D		Data Centres			Green Boo	
Transportation Infra						
Minerals & Metal						

Business Division : EPC: Focuses on core competencies of conceptualizing, executing and commissioning large, complex infrastructure projects in the areas of Roads and Bridges, Power Transmission & Distribution, etc.

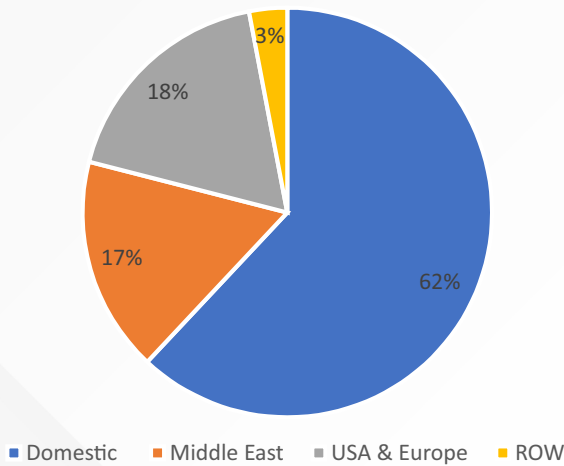
Manufacturing: Mainly concentrated around defense and shipbuilding, heavy custom-built equipment catering to process industries, etc.

Services: Services businesses cater to sectors of Information Technology (through LTI and Mindtree), Technology Services (through LTTS), Smart World & Communication, Real Estate and Financial Services (through LTFHL).

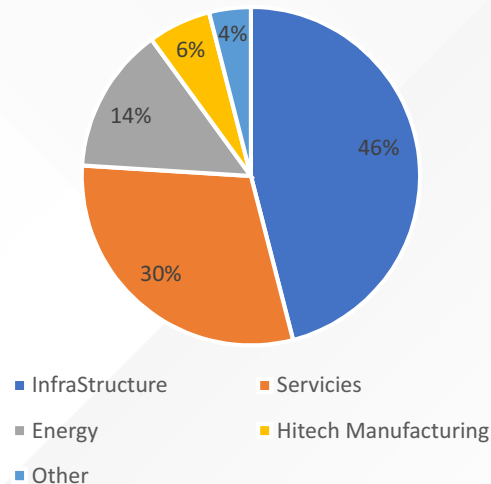
Development: Undertook development projects such as the Hyderabad Metro, road operations and tolling (through IDPL), Nabha Power and among others.

Story in Charts

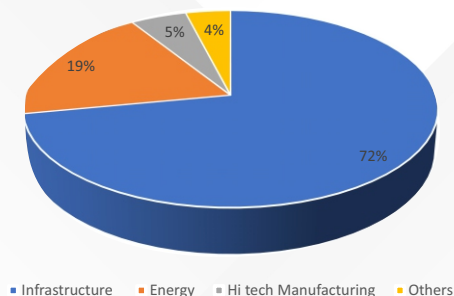
Order Inflow Composition
region wise H1FY23



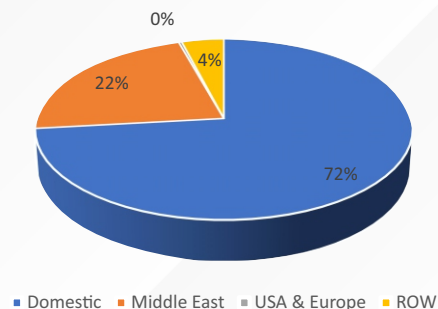
H1FY23 Order Inflow
Composition sector wise



Order Book Composition as
on Sep 2022



Order Book composition
Geography wise



Comprehensive Investment Rationale

The government's infra push to boost growth: LT's order inflow correlates to India's economic growth. Over the last few years, the Indian economy has faced challenging times, and this was further accentuated by the Covid-19 pandemic, which delayed recovery for LT. However, the National Infrastructure Pipeline (NIP) indicates spending of Rs 114.8 lakh cr over the next five years, and LT, with its diverse presence and capabilities, would be the biggest beneficiary of the same. LT has a robust order book of Rs 3.7 lakh cr, which offers healthy revenue visibility with higher revenue visibility and incremental order inflow (especially in Infrastructure, hydrocarbon, Power & defense). We expect LT to deliver healthy revenue growth going ahead. LT's order inflow strongly correlates to economic growth and Capex cycle recovery. Whenever the Indian GDP has grown well, LT's order inflow has expanded at an accelerated pace. LT's diverse presence and unique capabilities across segments of Transportation Infra, Power, Urban & Rural infra, and Water & Irrigation will aid the company in getting the maximum benefit of NIP. NIP spending would bring a huge opportunity for LT to capture large market share across different segments.

Leading player in E&C business with strong execution capabilities and diversified presence across services business: LT is one of the oldest E&C companies of the country. It has a well-established track record in the infrastructure segment and strong engineering skills in executing complex infrastructure projects. With large-scale operations, the company has diversified its presence across sectors such as infrastructure, power, heavy engineering, defense engineering, hydrocarbons, infrastructure development projects, metallurgical and material handling, industrial products and machinery, and realty. Besides, it has a significant presence in information technology (IT) services as well as financial services businesses through its subsidiaries.

Robust order pipeline ahead: The order prospects for H2FY23 stood at Rs 6.32 lakh crore as on Sep'22, with infrastructure forming the major share (~72%). Within infrastructure, water has the highest share (22%), while minerals & metals are the lowest at 5%, mainly led by private Capex. Urban infra spends as one of the growth drivers going ahead, with strong Capex planned for metro development. Currently, 782 km of the metro network is operational, along with another 454km under construction. Further, ~1500 km is in the approved + proposed stage across India.

Order pipeline across segments continues to be robust. Some of the order pipelines are as follows:

Infrastructure: Order prospects in this segment as on September 2022 stood at Rs 4.54 lakh cr. Of this, 22% was from water vertical, in which significant state Capex outlay is expected.

Water and effluent treatment business: This vertical offer the setting up of wastewater treatment plants and irrigation, infrastructure and industrial water treatment systems primarily in the domestic market. The average order value in this portfolio ranges from Rs 1000 cr-Rs 4500 cr.

Mineral & metal: Of the Rs 4.54 lakh cr order pipeline for the infrastructure segment, 5% is from the minerals and metals vertical, which is largely dependent on private sector Capex.

Balance order pipeline: It is equally divided, with 18-19% each from building and factories (B&F), heavy civil, power T&D and transportation infrastructure. In the B&F vertical, LT focuses primarily on educational, health, airport and government infrastructure. Given the private Capex revival, factory construction has picked up from a Rs 4000 cr annual opportunity to Rs 15000 cr. Currently, This is supported by growth in a data center, warehouse and commercial park construction. Additionally, there are good opportunities in the hospitality sector from the neighboring counties.

Heavy civil vertical: Two RRTS projects are yet to be tendered out. Opportunity from the total three RRTS projects (including the Delhi Meerut RRTS already bid out) is ~Rs 70,000 cr.

Power T&D: Order prospects of ~Rs 50,000 cr are largely led by investments in the GCC countries. Given the Indian government's focus on indigenous procurement, defense opportunities over recent years have improved for L&T. The prospective pipeline as of Sep '22 was at Rs 20,000 cr.

Mumbai Ahmedabad HSR: For the Mumbai Ahmedabad high-speed rail (HSR) project, given that the majority of the land acquisition has been completed, the C1 and C2 packages are likely to be tendered by Mar '23. Of the total estimated civil spend of ~Rs750bn on this project, Rs 50,000 cr has been tendered.

Defense Opportunities: Given the Indian government's focus on indigenous procurement, defense opportunities over recent years have improved for L&T. The prospective pipeline as of Sep '22 was at Rs 20,000 cr.

Indian Navy : Indian Navy is expected to procure six submarines for Rs43000 cr over two decades; L&T could be the prime beneficiary. Additionally, Indian Army's plan to procure 100 additional Vajra guns could prove beneficial for L&T.

Energy projects: Hydrocarbon order intake, which took a hit in FY20, is now reviving, led by GCC countries, primarily Saudi Arabia. Apart from refining and petrochemicals, upstream opportunities have also started reviving.

Adequate orderbook position: LT consolidated order book stood at Rs. 3.72lakh crore as on Sep 2022 providing healthy revenue visibility for the medium term. Order inflow during Q2FY23 grew 23.2% YoY to Rs 51900 cr, driven by order win in Public Spaces, Nuclear Power, Irrigation, Ferrous Metal, Health, Renewables and Refinery sectors. International inflows contributed 33% to total order inflows. While Domestic inflow contributes 67% of total order inflow.

Hyderabad metro average ridership has improved: It has improved in YTD FY23, and we expect it to reach ~400,000 passengers per day for FY23 from 1,55,000 in FY22. The current metro balance sheet is at Rs 16000 cr, of which Rs13000 cr is external debt. L&T aims to reduce its debt to ~Rs 7500 cr over the coming years with the help of a Rs 3000 cr long-term interest-free loan from the government of Telangana (would be disbursed in tranches over the next two years) and monetization of Transit-oriented development worth Rs2000-3000 cr. With improving ridership coupled with concerted efforts towards reducing debt and, thereby, the interest cost, we expect a gradual improvement in the bottom line.

Infrastructure has remained LT's main segment over the last few years: LT has remained the market leader in Indian Infra space for many years due to its (a) ability to bag large Infrastructure orders, (b) operational efficiency, (c) technical expertise, and (d) vast experience. The Infrastructure segment has significantly contributed to LT's growth over the last few years as the company consistently gained market share across segments.

Investment towards new businesses likely to ramp up FY24E onwards: The company is setting up its data centers at Panvel and Kanchipuram and has earmarked Rs2000 cr towards this business. Additionally, for its electrolyser business, L&T is developing the required technology. It has set up a pilot hydrogen plant at Hazira. In Apr'22, the company entered into an MoU with IOCL and Renewed Power to develop its hydrogen business. It is currently looking for a technology JV partner. The total investment outlay planned is ~Rs1500 cr for the business.

Lower interest cost due to debt repayment and metro refinancing: Consolidated interest cost during Q2FY23 increased by 7% YoY. This was attributable mainly to higher borrowing cost in general, although partial refinancing of Hyderabad Metro debt softened the increase. Net D/E stood at 0.89x in Sep'22 vs 0.81 in Mar'22.

Efficient Management : The management's focus remains on ensuring efficient conversion of the order book into healthy margins through execution, operational excellence and digitalization initiatives and driving the growth of the services businesses having a high ROE profile. The management has been proactive in managing the workforce during the pandemic and has slowed down execution from the month of February 2020. Though it led to lower execution of the projects, in the latter half, the company has been able to bring up the workforce efficiently. The management has been working on divesting the-core assets to improve the capital efficiency and also invest and improve the core businesses, which would generate stakeholder returns in the long term.

Key Risk & Concerns

Geopolitical Risk: The Company operates in numerous geographies and is exposed to risks on account of protectionist policies, political dynamics, trade barriers, sanctions, and geopolitical conflicts. The recent geopolitical event - the Russia-Ukraine - conflict, has impacted the world directly or indirectly in terms of supply chain disruptions and inflation.

Execution Challenges: The Company faces inherent risks throughout the execution phase of the project. Project challenges include employee/workmen mobilization, adverse geological surprises, unavailability of work front, land acquisition and Right-of-Way (ROW), delay in approval and clearances, visa issues, etc.

Energy Transition: There is a renewed focus on Energy Transition across the world, with most Governments supporting the Climate Action Plan. This transition involves risks in the form of switching to a new business model.

Foreign Exchange and Commodity Price Risks: The businesses of the Company are exposed to fluctuations in foreign exchange rates and commodity prices. Additionally, it has exposures to foreign currency-denominated financial assets and liabilities. With the increasing tendency to access sanctions to combat geopolitical issues, there have been reports of attempts to develop alternate payment systems to support trade and capital flows. The rise of cryptocurrency may pose additional challenges in this regard.

Quarter 2 Result Analysis

Particulars Rs in Cr	Q2 FY23	Q1 FY23	Q2 FY22	Q-O-Q	Y-O-Y
Net Revenue	42,763	35,853	34,773	19.3%	23%
EBITDA	4,899	3,957	3,995	23.8%	22.6%
PBT	3,942	2,932	3,116	34.5%	82.8%
AdjPAT	2,229	1,702	1,723	31%	29.4%
EPS	15.9	12.1	12.3	31%	35.7%

The company reported revenue from operation at Rs 42,763 cr with a YoY growth of 23% and 19.3% QoQ with execution tailwinds in the Infrastructure Projects segment & continuous growth momentum in the IT&TS portfolio. Overseas revenues during the quarter stood at Rs 15,473 cr, which constitutes 36% of the total revenue.

EBITDA for the quarter stood at Rs. 4,899cr (+22.6% YoY, 23.8% QoQ) since the company managed to offset headwinds from the unfavorable job mix, cost pressures and closeout challenges in a few jobs. EBITDA margin remained flat at 11.5%. Margins remained steady with impact witnessed in the infrastructure segment (6.6% in Q2FY23 vs 7.8% in Q2FY22)

Consolidated Adj Profit After tax grew at 35.7% YoY and 31% QoQ to Rs 2229 cr. All the significant segments reported higher profits, led by the IT&TS and Financial Services businesses.

Rs cr	Q2FY23	Q1FY23	Q2FY22	Q-o-Q	Y-o-Y
Segment revenue					
Infrastructure projects	19,668	14,400	14,156	36.6%	38.9%
Energy Projects	5,593	5,088	6,002	9.9%	-6.8%
Hi Tech Manufacturing	1,589	1,388	1,533	14.5%	3.7%
IT & Technology Services	10,184	9,460	7,895	7.7%	29.0%
Financial Services	3,152	2,958	2,976	6.6%	5.9%
Development Project	1,345	1,345	1,169	0.0%	15.1%
Others	1,743	1,632	1,472	6.8%	18.4%

Con Call Highlights:

Tender prospects: Tender prospects for H2FY23 stood at Rs6.32 lakh crore, including domestic at Rs5 lakh crore and international at Rs 1.3 lakh crore.

Order inflows: Order inflows grew ~23% YoY to Rs 51,900 cr, driven by healthy order inflows in Infrastructure and Hydrocarbon. Domestic order finalization witnessed pickup during the quarter. Project and manufacturing order inflow grew 24% YoY to Rs 37,300 cr, mainly from Infrastructure and Hydrocarbon.

The order book (OB): OB as of Q2FY23 stands at Rs 3.7 lakh crore, comprising domestic (72%) and international (28%). A slow-moving order book is ~3.4%. OB breakup Central 10% state 30% PSU 42% and private 18%.

Net Working Capital (NWC): NWC to sales improved to 20.2% as of Q2FY23 vs 22% in Q2FY22 and 20.9% in Q1FY23, owing to better collections. Management guided NWC to sales to be ~20% for FY23.

Guidance: Given healthy order prospects and order book, management maintained its revenue and order inflow guidance of 12-15%. Though it remained cautious about its EBITDA margin guidance of ~9.5% for FY23, owing to supply chain issues and higher input costs.

Quarter 2 Result Analysis

Segment analysis:

Infrastructure Projects Segment: Order inflow came in at Rs 25,058 cr, up 104% YoY, driven by healthy momentum across the domestic and international markets. Margins were impacted (6.6% in Q2FY23 vs 7.8% in Q2FY22) due to job mix, cost pressures and closeout challenges in a few projects. Order prospects for the segment stand at Rs 4.54 lakh crore, comprising domestic Rs 3.98 lakh cr. Order prospect breakup – Water ~23%, Heavy Civil ~22%, Transportation infrastructure ~20%, Building ~19%, Power T&D ~14%.

Energy Projects Segment: The Energy Projects segment got orders valued at Rs 8,441 crores during the quarter that ended 30th September 2022, registering a decline of 42% y-o-y since the previous year had the advantage of receipt of a big international order in the Hydrocarbon business. International order inflow constituted 3% of the total order inflow of the segment during Q2. The segment order book was at Rs 68,971 crores as on September 30, 2022, with the international order book constituting 54%. The segment posted customer revenues of Rs 5,586 crore during the quarter that ended September 30, 2022, recording a decline of 7% y-o-y, largely attributed to slower-than-expected progress across a few projects in the Hydrocarbon business. International revenues had a share of 34% of the total customer revenues for the quarter. The EBITDA margin of the segment at 8.5% for the quarter that ended 30th September 2022, improved compared to 6.6% over the corresponding quarter of the previous year on account of execution cost savings in certain Hydrocarbon projects.

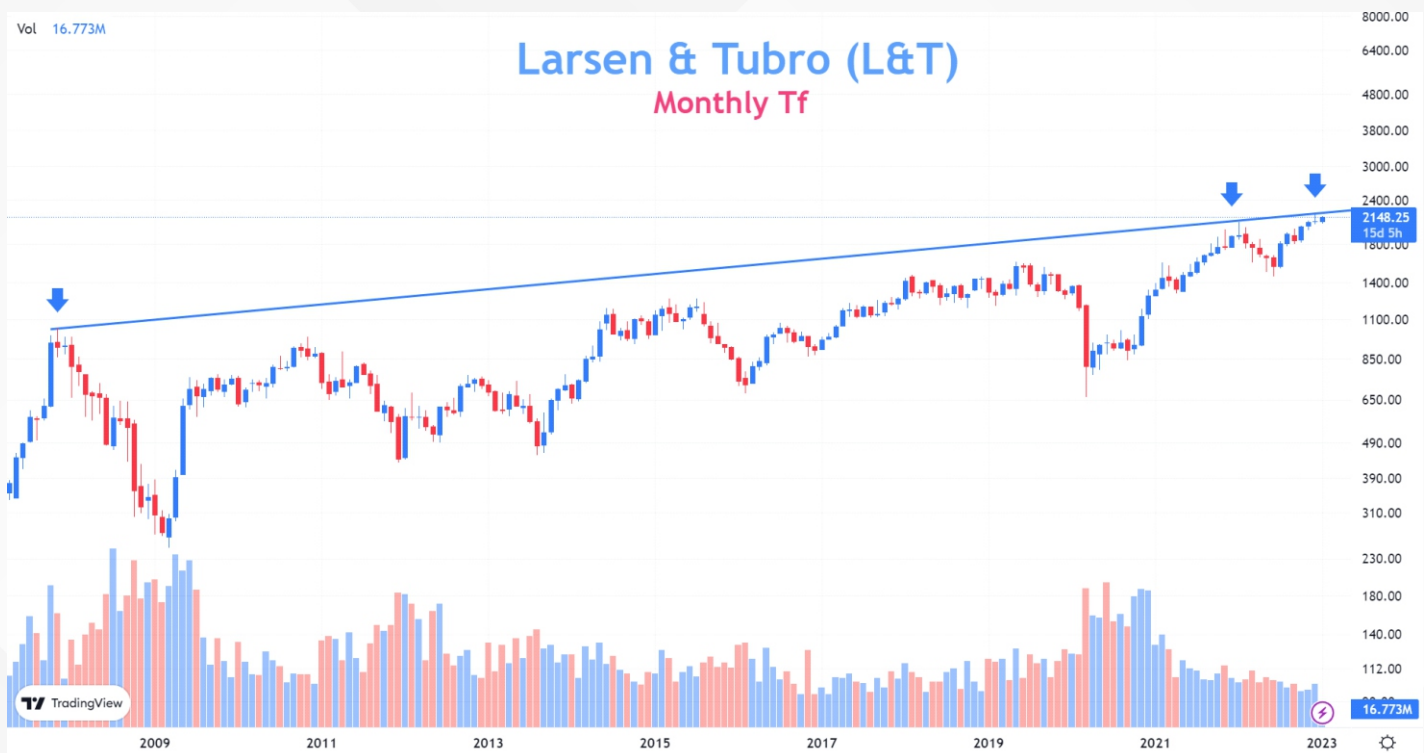
Development Projects Segment: The segment recorded customer revenues of Rs 1,344 crore during the quarter that ended September 30, 2022, registering growth of 15% over the corresponding quarter of the previous year, driven by a higher PLF in the Nabha Power plant and an increase in ridership in Hyderabad Metro. The segment EBIT for the quarter that ended September 30, 2022, registered a loss of Rs 12 crore as compared to the loss of Rs 35 crore during the same quarter of the previous year, primarily due to improved metro ridership.

Hi-Tech Manufacturing Segment: The segment secured orders valued at Rs 1,768 crore during the quarter that ended September 30, 2022, registering substantial growth of 62% over the corresponding quarter of the previous year with a healthy flow of orders in the Heavy Engineering business. Export orders constituted 48% of the total order inflow of the segment during the quarter. The order book of the segment was at Rs 19,659 crore as on September 30, 2022, with the share of export orders at 14%. The segment posted customer revenues of Rs 1,456 crore for the quarter that ended September 30, 2022, a marginal drop over the corresponding quarter of the previous year. Export sales comprised 22% of the total customer revenues for the quarter. The EBITDA margin of the segment at 18.5% for the quarter that ended September 30, 2022, registered growth, compared to 14.5% reported in the corresponding quarter of the previous year, with a favorable job mix in the current quarter, coupled with the previous year quarter being impacted with cost pressures in few of the jobs

IT & Technology Services (IT&TS) Segment: The segment achieved customer revenues of Rs 10,151 crore for the quarter that ended September 30 2022, registering a YoY growth of 29%, reflecting continued growth impetus in the IT Sector. International billing contributes 93% of the customer revenues of the segment for the quarter that ended September 30, 2022. The aggregate revenue of the three listed subsidiaries in this segment at Rs 10,414 cr (USD 1,270 Mn) registered a sequential growth of 4%. The EBITDA margin for the segment was at 21.9% for the quarter that ended September 30, 2022, compared to 23.2% in the corresponding quarter of the previous year. Elevated employee costs, driven by demand for talent and high attrition rates, impacted the margin.

Financial Services Segment: The segment shows the performance of L&T Finance Holdings, a listed subsidiary. The segment recorded revenue from operations at Rs 3,152 crore during the quarter that ended 30th September 2022, registering a YoY growth of 6%, mainly due to higher disbursement in the retail business, in line with its strategy of realization of the loan book. The total loan Book at Rs 90,098 crore grew by 4% as compared with September 2021 at Rs 86,936 crore, with growth achieved on increased disbursements in the retail portfolio and targeted reduction in defocused businesses. The segment EBIT for the quarter ended 30th September 2022 increased to Rs 613 crore as compared to Rs 322 crore in the corresponding quarter of the previous year due to the lower provision of credit cost arising from improved asset quality and rising NIM.

Technical Outlook



Larsen & Tubro is on the verge of a Multi-Year Breakout. The share price has shot up more the 24% in last 6 months 1456 to a high of 2211.

This strong trend is supported by Moving Averages as the 20 Days Moving Average > 50 Days Moving Average > 200 Days Moving Average. This further indicates that improvement in the fundamentals is rewarded with the upward price movement which add rationale to the bullish momentum.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	2137	2138
10	2114	2126
20	2112	2118
50	2091	2081
100	2005	2008
200	1842	1911

Pivot Levels : FIBONACCI		
R1 2163	Pivot 2145.15	S1 2126
R2 2174		S2 2115
R3 2192		S3 2097

Peer Comparison on TTM basis: (Rs in cr)

Particulars	Larsen & Tubro	IRB Infrastructure Developers Limited	Ashoka Buildcon
CMP (13-01-2022)	2153	300	88
Revenue	171,029	5,980	7,084
EBIDTA	21,361	2,891	1,840
PAT	11,669	696	814
EBIDTA Margin	12%	48%	26%
PAT Margin	6.8%	11.6%	11.5%
ROCE	11.9%	8.8%	26.0%
ROE	14.3%	3.6%	49.7%
Debt To Equity	1.6	1.3	2.6
EPS	68.4	11.5	29.0
P/E	31.5	26.1	3.1

	Larsen & Tubro	IRB Infrastructure	Ashoka Buildcon
Strength	Larsen & Toubro is moderately successful at the performance of new projects and has developed good returns on capital expenditure by creating new revenue streams. Company has a powerful base of reliable suppliers of raw material, thus facilitating the company to survive any supply chain bottlenecks.	Company new product mix helps in catering to various customer . Compared to its peers it has high margin . IRB Infrastructure products have strong brand recognition in the Construction Services industry. This has enabled the company to charge a premium compare to its competitors in Construction Services industry.	Fist mover advantage helping market share to improve Market Leadership position in construction activity helping it to scale its products Successful record in customer driven innovation
Weakness	Larsen & Toubro always depends on domestic operations for the revenue, as it s major revenue from domestic operation As the company embarks on its next phase of expansion, it needs to invest in new technologies that can help it achieve its goals. Currently, investment in technology does not meet the ideas that a company has.	Business Model of IRB Infrastructure can be easily imitated by the competitors in the Construction Services industry. To overcome these challenges CompanyName needs to build a platform model that can integrate suppliers, vendors and end users. High cost of replacing existing experts within the IRB Infrastructure.	Extra Cost of Building new supply chain Declining per unit revenue led by competitiveness in construction activity. Niche Market & Local Monopolies
Opportunity	The adoption of new technology criteria and government free trade agreements has provided Larsen & Toubro with an opportunity to enter a newly developing market. Stable free cash flow gives opportunities to empower contiguous product segments. With extra cash in the bank, the company can empower new technologies as well as in new product segments.	Lowering of the cost of new product launches through third party retail partners and dedicated social network.. High government regulation makes it difficult for unorganised players As customers have to migrate from un - organized operators in the Capital Goods industry to licensed players. It will provide IRB Infrastructure an opportunity to penetrate entry level market with a no -frill offering.	Opportunities in Online space with increasing adoption of online services High government regulation makes it difficult for unorganised players TieUp with Local Player can provide opportunity of growth
Threats	Rising labour pay levels, especially movements such as \$15 an hour and increasing prices in China, can lead to serious pressure on the profitability of Larsen & Toubro.	Reduction of New product launches in industry which is putting pressure in players like IRB. Saturation in urban market and stagnation in rural	Local player are slowly catching up with product innovation of the company giving it tough competition Commoditization of commodity is challenge

Financial Snapshot

Particulars	FY 19	FY 20	FY 21	FY 22	TTM(Sep)
Financial Position (In Cr)					
Equity Share Capital	1,257	1,685	1,405	497	281
Reserve & Surplus	61,941	66,442	75,588	82,127	81,554
Net worth	62,375	66,723	75,869	82,408	81,835
Borrowing	124,579	141,770	133,505	125,292	129,071
Fixed Asset	21,194	43,653	44,319	42,737	42,163
Total Asset/Liability	2,78,036	3,06,687	3,10,095	3,19,010	322,794
Operating Results (In Cr)					
Revenue	1,35,220	145,452	1,35,979	1,56,521	171,029
Operating Expenditure	1,12,354	1,20,889	1,12,519	1,32,195	1,49,669
EBIDTA	22,866	24,553	23,460	24,327	21,361
Interest	9,339	11,021	11,750	9,235	4,564
Depreciation	1,923	2,462	2,904	2,948	3,325
Profit/(Loss) Before Tax	14,305	14,086	16,918	14,508	15,991
Provision For Tax	4,088	3,192	3,997	4,089	4,322
Profit/(Loss) After Tax	10,217	10,894	12,921	10,419	11,669
Cash Flow (In Cr)					
Cash flow from operation	-4,756	6,694	23,074	19,164	3,200
Cash flow from Investing	-11,023	-8,408	-5,750	-3,585	-1830
Cash flow from Financing	15,440	6,372	-15,274	-15,181	-4,080
Net Cash flow	-338	4,658	2,049	397	-2,700
Ratios					
EBIDTA Margin	17%	17%	17%	16%	12%
PAT Margin	7.6%	7.5%	9.5%	6.7%	6.8%
ROE	16.4%	16.3%	17.0%	12.6%	14.3%
ROCE	14%	13%	10%	12%	11.9%
D/E	2.0	2.1	1.8	1.5	1.6
P/E	33.9	31.6	26.1	34.9	31.5
EPS	63.5	68.0	82.5	61.7	68.4

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