MOTILAL OSWAL

24 October 2019

2QFY20 Results Update | Sector: Capital Goods

Larsen & Toubro

BSE SENSEX	S&P CNX
39,059	11,604
Bloomberg	LT IN
Equity Shares (m)	1,402
M.Cap.(INRb)/(USDb)	2007.6 / 28.3
52-Week Range (INR)	1607 / 1183
1, 6, 12 Rel. Per (%)	-6/6/4
12M Avg Val (INR M)	4205
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	1,410	1,579	1,833
EBITDA	163.2	195.5	233.1
PAT	90.4	104.0	129.8
EPS (INR)	64.4	74.1	92.5
Gr. (%)	24.6	15.1	24.8
BV/Sh (INR)	444.7	501.8	572.3
RoE (%)	15.3	15.7	17.2
RoCE (%)	16.6	18.5	19.7
P/E (x)	22.2	19.3	15.5
P/BV (x)	3.6	3.2	2.9

Estimate change	⟷
TP change	↓
Rating change	⟷

CMP: INR1,431 TP: INR1,830 (+28%) Buy

Domestic execution robust despite tough macros

Core E&C margin recovery is key re-rating catalyst hereon

- **Like-for-like PBT growth flattish, lower tax rate leads to earnings beat:** Including the consolidation of MindTree, revenue grew 15.2% YoY to INR353b. EBITDA increased 13.6% YoY to INR40.2b with the margin at 11.4% (-10bp YoY). Reported PBT increased 7% YoY; however, excluding MindTree acquisition, growth was flattish at 1.5% YoY. LT availed the benefits of lower tax rates, as a result of which adj. PAT increased 28.4% YoY to INR23b. Including the discontinued E&A business, reported PAT came in at INR25.3b (+13.3% YoY), 15% ahead of our estimate. **1HFY20 performance:** For 1HFY20, revenue grew 12.6% to INR650b, whereas EBITDA grew 16.5% YoY to INR73.4b. Helped by lower tax rate of 26.6% for 1H, adj, PAT growth stood at strong 28.5%.
- **Core E&C performance below expectation:** Core E&C revenue growth of 8.4% YoY trailed our estimate of 12.3%, particularly as ~INR160b of orders pertaining to Andhra Pradesh and Mumbai coastal road projects are slow moving. However, we note that despite the adverse macro environment and the tight liquidity conditions, the domestic E&C business grew at 14% YoY, driven by growth of 13% in the domestic infra segment and 46% in the domestic hydrocarbon segment – a key positive takeaway. Core E&C EBITDA margin was flat YoY at 8%, due to which the operating performance in the core business was below our expectation.
- **Well placed to meet its order inflow guidance:** Order inflows surprised positively with growth of 20% YoY to INR483b in the quarter. Core E&C order inflow growth was robust at 16% YoY. We believe LT is well placed to meet its order inflow guidance of 10-12% YoY for FY20. This implies an ask rate of 6-10% in the remaining six months. The bid pipeline remains strong at INR5.2t, of which the infrastructure segment accounts for INR4.5t, power for INR200b, hydrocarbon for INR400b, MMH for INR100b, and heavy engineering and defence for INR100b together. Order inflow continues to be driven by public investment, while private capex remains weak and limited to segments like roads and airports.
- **We expect working capital cycle to return to normalcy:** Working capital as a percentage of sales deteriorated to 23% from 20% in 1HFY19 (FY19: 18%). This is largely attributable to the liquidity crunch for the industry and as LT had to support its suppliers. The company has not witnessed any deterioration in receivables. Also, there is seasonality in the working capital cycle as it tends to rise in the first half of the fiscal year. LT has demonstrated superior working capital management over the past five years, with working capital declining from 25% in FY15 to 18% in FY19. We believe that once the liquidity scenario eases out, working capital will be back to normalcy.
- **Valuation and view:** We cut our core E&C EPS estimate by 3.4%/2.6% for FY20/21, incorporating the miss on the operating performance. Consol. EPS remains largely unchanged. We continue valuing LT's core E&C business at FY21E target multiple of 22x. Accounting for the current market price of listed subsidiaries, our TP stands at INR1,830 (prior: INR1,900). **Buy**.

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Quarterly Performance (Consolidated) **(INR Million)**

Y/E March	FY19				FY20E				FY19	FY20E		
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	% Var
Sales	**2,70,048**	**3,06,781**	**3,42,340**	**4,33,034**	**2,96,360**	**3,53,285**	**4,04,500**	**5,24,812**	**13,52,203**	**15,78,956**	**3,59,500**	**-1.7%**
Change (%)	13.4	16.0	19.1	6.5	9.7	15.2	18.2	21.2	13.0	16.8	12.1	
EBITDA	**27,577**	**35,415**	**37,514**	**52,791**	**33,189**	**40,219**	**46,518**	**75,574**	**1,53,296**	**1,95,500**	**42,781**	**-6.0%**
Change (%)	32.9	19.6	19.4	-2.1	20.4	13.6	24.0	43.2	13.0	27.5	13.5	
Margin (%)	10.2	11.5	11.0	12.2	11.2	11.4	11.5	14.4	11.3	12.4	11.9	
Depreciation	6,047	4,776	4,053	4,354	4,615	6,297	5,000	4,399	19,230	20,310	5,400	16.6%
Interest	3,637	3,984	5,340	5,065	5,867	6,859	7,500	7,849	18,026	28,074	6,500	5.5%
Other Income	2,280	4,085	5,891	6,110	3,844	5,964	4,000	3,730	18,365	17,538	3,500	70.4%
PBT	**20,173**	**30,740**	**34,012**	**49,481**	**26,552**	**33,028**	**38,018**	**67,057**	**1,34,406**	**1,64,654**	**34,381**	**-3.9%**
Tax	8,896	8,171	11,261	12,344	7,948	7,911	9,885	16,448	40,671	42,192	8,939	
Effective Tax Rate (%)	44.1	26.6	33.1	24.9	29.9	24.0	26.0	24.5	30.3	25.6	26.0	
Adjusted PAT (Before MI & AI)	**11,277**	**22,569**	**22,751**	**37,137**	**18,604**	**25,116**	**28,133**	**50,609**	**93,735**	**1,22,463**	**25,442**	**-1.3%**
Reported PAT	**12,148**	**22,305**	**20,416**	**34,182**	**14,726**	**25,273**	**26,556**	**43,896**	**89,051**	**1,10,450**	**21,942**	**15.2%**
Change (%)	36.1	22.6	37.0	7.9	21.2	13.3	30.1	28.4	20.8	24.0	-1.6	
EO Inc/(Exp) – incl. discontinued operations	854	4,327	1,436	2,024	185	2,188	1,723	2,370	8,641	6,466	0	
Adjusted PAT	**11,294**	**17,978**	**18,980**	**32,158**	**14,541**	**23,085**	**24,833**	**41,526**	**80,410**	**1,03,984**	**21,942**	**5.2%**
Change (%)	26.5	6.8	26.2	1.5	28.7	28.4	30.8	29.1	11.0	29.3	13.3	

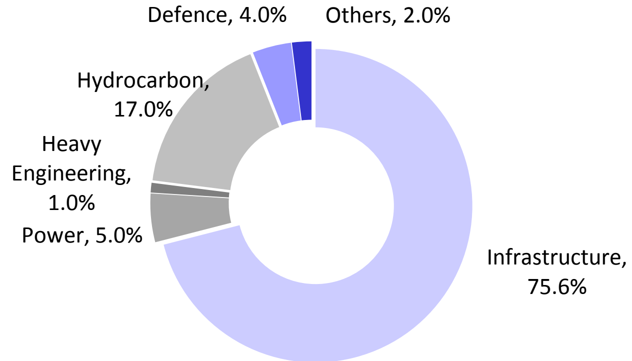
Note: We have included E&A business as continued operation for like for like comparison. L&T has classified same as discontinued operations.

Exhibit 1: Results snapshot – Core E&C and services segment

In INR m	2QFY19	1QFY19	2QFY20	YoY	QoQ	FY19	FY20E	YoY
Core E&C								
Order book (excl. E&A)	28,12,000	29,40,000	30,32,000	8%	3%	29,34,270	33,04,369	13%
Order inflow (excl. E&A)	3,38,592	3,02,247	3,76,353	11%	25%	14,47,570	15,58,223	8%
Net revenues (incl. E&A)	2,26,581	2,11,740	2,45,535	8%	16%	10,31,403	11,64,478	13%
EBITDA (incl. E&A)	18,125	15,509	19,529	8%	26%	89,796	1,14,121	27%
EBITDA margin (incl. E&A)	8.0	7.3	8.0	-5 bps	63 bps	8.7	9.8	109 bps
Services								
Order inflow	80,408	84,753	1,06,647	33%	26%	3,20,770	4,17,302	30%
Net revenues	80,200	84,620	1,07,750	34%	27%	3,20,800	4,14,478	29%
EBITDA	17,290	17,680	20,690	20%	17%	63,500	81,379	28%
EBITDA margin	21.6	20.9	19.2	-236 bps	-169 bps	19.8	19.6	-16 bps

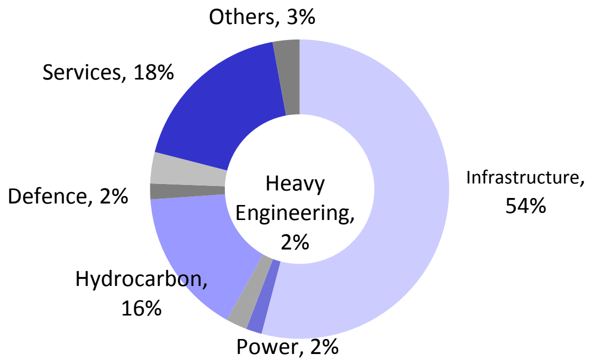
Source: MOFSL, Company

Exhibit 2: 2QFY20 order book break-up (INR3.0t; +8% YoY)



Source: MOFSL, Company

Exhibit 3: 2QFY20 order inflow (INR483b; +15% YoY)



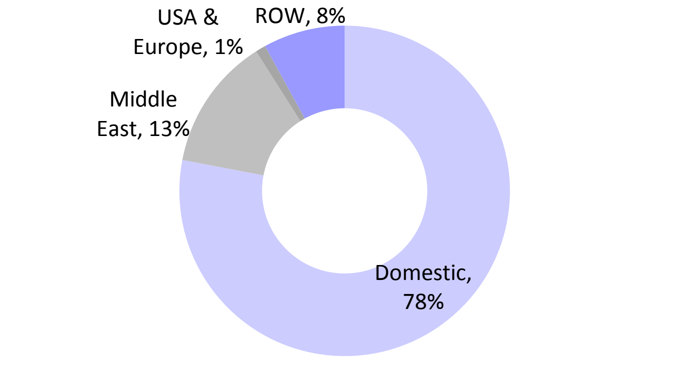
Source: MOFSL, Company

Exhibit 4: Segmental performance snapshot

Segmental analysis	2QFY19	1QFY20	2QFY20	YoY	QoQ
Infrastructure					
Order book	21,82,112	21,87,360	21,52,720	-1%	-2%
OB/Rev	3.3	2.9	2.8		
Order inflow	2,33,594	1,74,924	1,55,676	-33%	-11%
Net revenues	1,52,200	1,38,600	1,65,900	9%	20%
EBITDA	10,350	8,870	11,779	14%	33%
EBITDA margin	6.8	6.4	7.1	30 bps	70 bps
Power					
Order book	92,796	1,29,360	1,51,600	63%	17%
OB/Rev	1.9	3.7	5.2		
Order inflow	24,687	66,951	46,149	87%	-31%
Net revenues	10,600	5,600	4,800	-55%	-14%
EBITDA	636	185	202	-68%	9%
EBITDA margin	6.0	3.3	4.2	-180 bps	90 bps
Heavy Engineering					
Order book	50,616	41,160	30,320	-40%	-26%
OB/Rev	2.8	1.3	0.9		
Order inflow	13,217	1,935	6,765	-49%	250%
Net revenues	4,700	8,700	6,200	32%	-29%
EBITDA	1,137	1,697	1,544	36%	-9%
EBITDA margin	24.2	19.5	24.9	70 bps	540 bps
Hydrocarbon					
Order book	2,78,388	4,02,780	5,15,440	85%	28%
OB/Rev	2.0	2.6	3.2		
Order inflow	27,192	34,443	1,48,257	445%	330%
Net revenues	35,400	37,600	43,000	21%	14%
EBITDA	3,505	2,858	5,375	53%	88%
EBITDA margin	9.9	7.6	12.5	260 bps	490 bps
Defence					
Order book	1,20,916	1,11,720	1,21,280	0%	9%
OB/Rev	3.6	2.7	2.9		
Order inflow	11,829	4,257	4,443	-62%	4%
Net revenues	9,300	9,700	10,200	10%	5%
EBITDA	2,325	1,601	1,826	-21%	14%
EBITDA margin	25.0	16.5	17.9	-710 bps	140 bps
Others					
Order book	56,240	67,620	60,640	8%	-10%
Order inflow	11,789	19,737	15,063	28%	-24%
Net revenues	14,500	11,500	15,400	6%	34%
EBITDA	3,350	2,772	3,357	0%	21%
EBITDA margin	23.1	24.1	21.8	-130 bps	-230 bps
IT & Tech Services					
Order inflow	36,048	38,348	57,680	60%	50%
Net revenues	35,800	38,200	58,800	64%	54%
EBITDA	8,630	8,880	11,480	33%	29%
EBITDA margin	24.1	23.2	19.5	-458 bps	-372 bps
Financial Services					
Order inflow	31,389	34,621	34,445	10%	-1%
Net revenues	31,400	34,620	34,450	10%	0%
EBITDA	8,100	7,620	7,740	-4%	2%
EBITDA margin	25.8	22.0	22.5	-333 bps	46 bps
Developmental Projects					
Order inflow	12,971	11,784	14,523	12%	23%
Net revenues	13,000	11,800	14,500	12%	23%
EBITDA	560	1,180	1,470	163%	25%
EBITDA margin	4.3	10.0	10.1	583 bps	14 bps

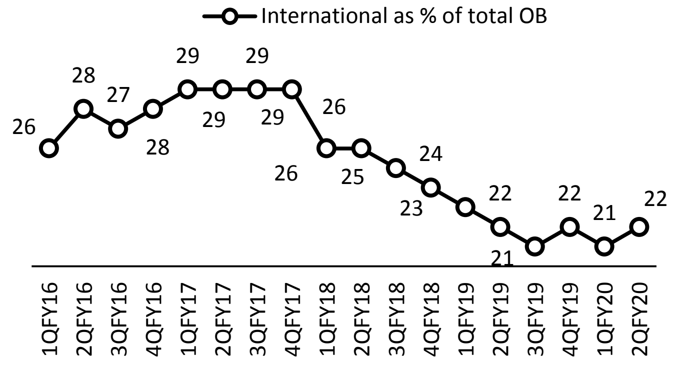
Source: MOFSL, Company

Exhibit 5: Middle East forms 13% of the order book



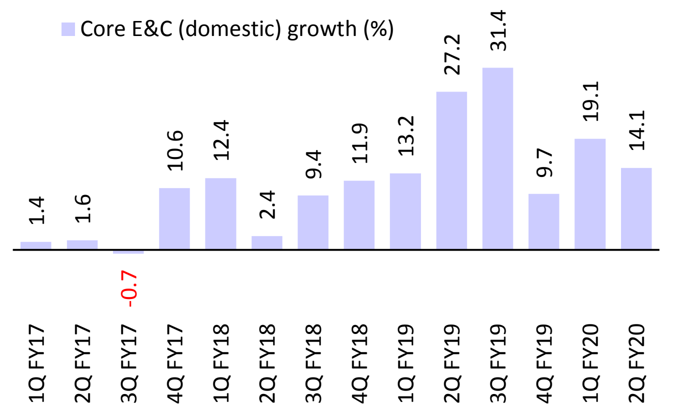
Source: MOFSL, Company

Exhibit 6: Share of international orders has declined to 22% by end-2QFY20 from ~30% in FY17 (%)



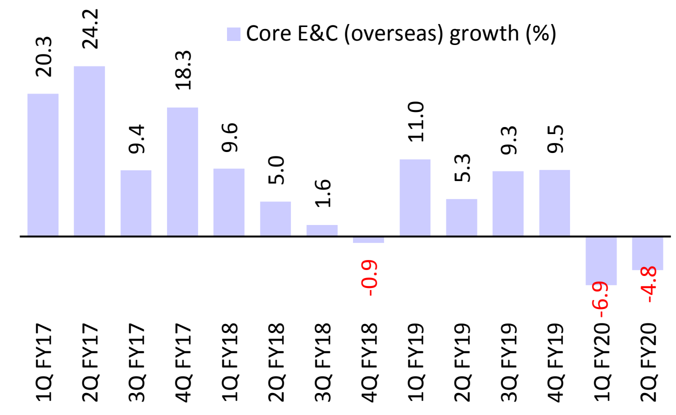
Source: MOFSL, Company

Exhibit 7: Core E&C domestic revenues form 70% of overall core E&C revenue and have grown at 14% in 2QFY20



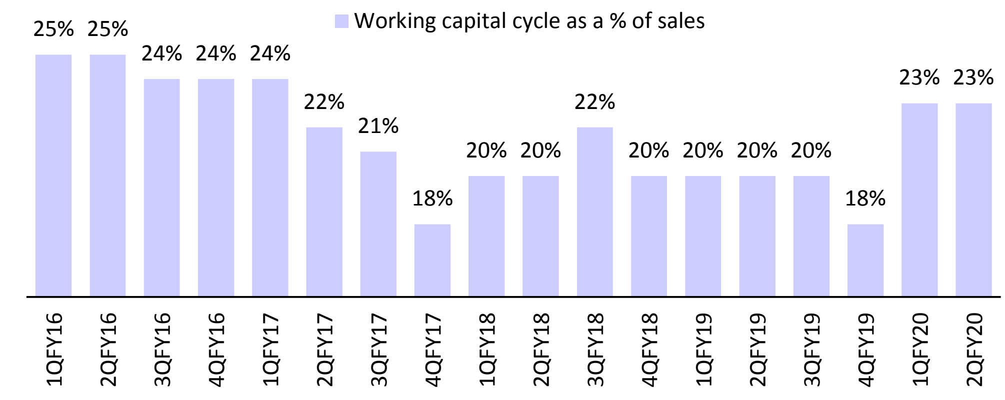
Source: MOFSL, Company

Exhibit 8: Declining growth in international E&C is on account of falling share of international orders



Source: MOFSL, Company

Exhibit 9: Working capital as % of sales stood at 23% at 2QFY20 end



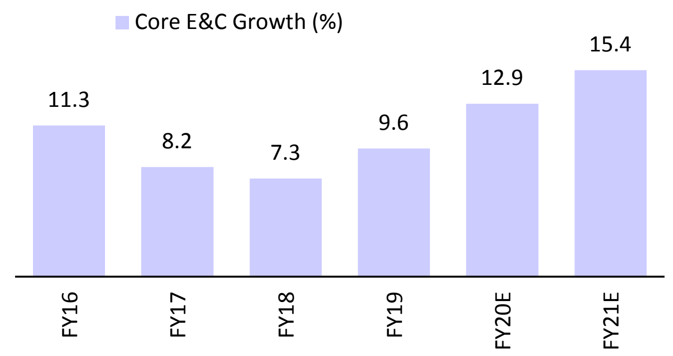
Source: MOSL, Company

Key takeaways from concall

- **Strong order inflow led by international market:** LT recorded INR483b of order inflows (+20% YoY), supported by ordering from the international market. Domestic order inflow declined by 2% YoY, whereas international ordering grew 111% YoY to INR167b.
- **FY20 guidance maintained:** The company maintained its guidance for FY20 – revenue growth of 12-15%, order inflow growth of 10-12% and core E&C margin of 10.5%.
- **INR5.2t of prospective order pipeline for 2HFY20:** Total prospects (domestic + overseas) stand at INR5.2t. Segment wise: Infrastructure forms INR4.5t, power at INR0.2t, hydrocarbon at INR0.4t, and metals and material handling and defence put together at INR0.2t.
- **Consol. revenue grew at 15% YoY.** This was led largely by domestic business as international revenue growth was muted at 1% YoY.
- Consol. margin shrank 10bp YoY to 11.4%.
- Core E&C revenue grew at 8%. Domestic E&C business grew at 14% YoY, driven by 13% growth in domestic infra segment and 46% growth in domestic hydrocarbon segment.
- **Adj. core E&C margin remained flat at 8.0%:** Core E&C EBITDA margin was flat YoY at 8%, resulting in the operating performance in the core business below our expectation.
- Hyderabad metro contributed INR3.6b of revenue, EBITDA of INR1.5b. However, at the PAT level, it made loss of INR800m.
- **Working capital deteriorates to 23% of sales:** Working capital as a percentage of sales deteriorated to 23% from 20% in 1HFY19 (FY19: 18%). This is largely attributable to the liquidity crunch for the industry and as L&T had to support its suppliers. The company has not witnessed any deterioration in receivables. Also, there is seasonality in the working capital cycle as it tends to rise in the first half of the fiscal year.
- **Other highlights:**
  - MindTree got consolidated from 2Q. Excl. the same, PBT growth was muted at 1.5%.
  - E&A division has been shown under discontinued operations. The segment delivered PAT growth of 59%.
  - Defence segment continues see slow ordering.
  - Slow moving orders worth INR160b: ~INR160b of orders pertaining to Andhra Pradesh and Mumbai coastal road project are slow moving currently and have led to the revenue miss on the core E&C business.

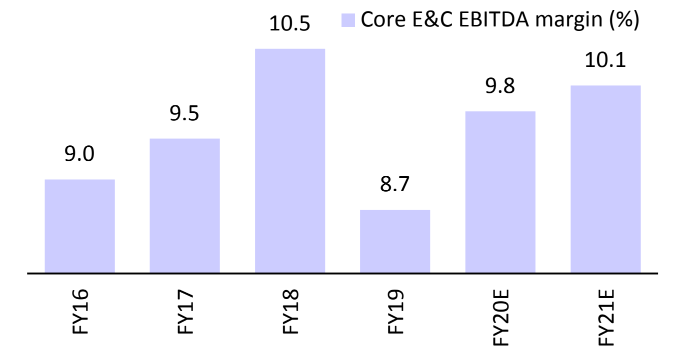
We forecast consol. revenue/EBITDA CAGR of 16%/23% over FY19-21

Exhibit 10: Expect core E&C revenue CAGR of 14.1% over next two years



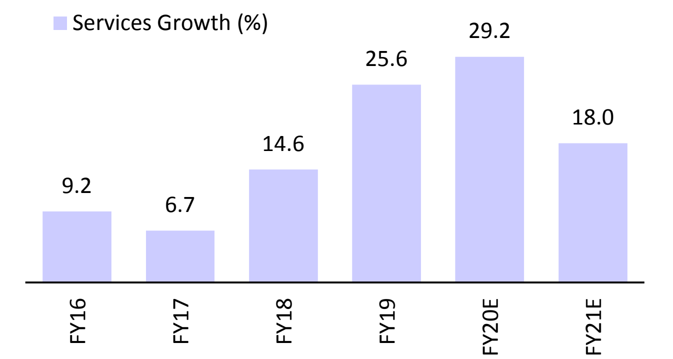
Source: MOFSL, Company

Exhibit 11: EBITDA margin to normalize at 9.8% in FY20



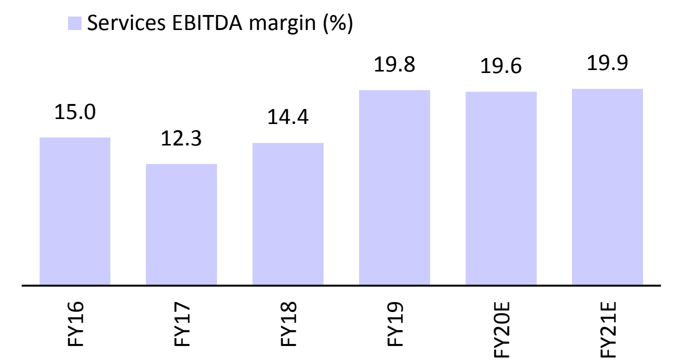
Source: MOFSL, Company

Exhibit 12: Expect Services revenue CAGR of 23.5% over next two years



Source: MOFSL, Company

Exhibit 13: Services business EBITDA margin to expand further as Hyderabad Metro becomes fully operational



Source: MOFSL, Company

Valuation and view

- **Valuation remains comfortable; core E&C performance to lead to subsequent re-rating**: Adjusted for valuation of subsidiaries, core E&C business is trading at FY20/21E P/E of 21.5x/17.3x, which is at a significant discount to its long-term one-year-forward trading multiple of 23x. Our SOTP-based TP stands at INR1,830, implying a 28% upside from CMP. Maintain Buy.

Exhibit 14: Our SOTP based TP stands at INR1,790

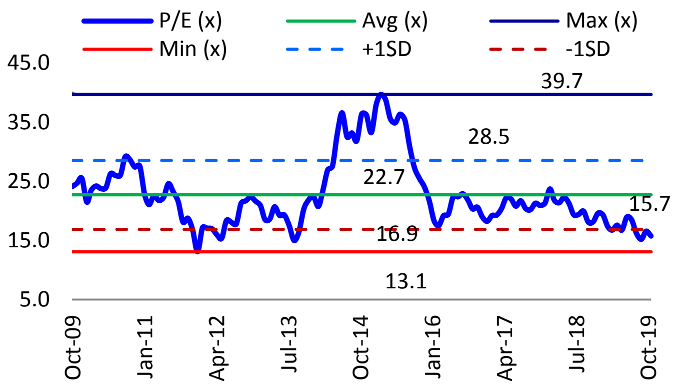
Business segment	INR/sh	Remarks
Core E&C	1,498	❖ 22x FY21 core E&C EPS + E&A sale proceeds
IT & TS + MindTree	233	❖ 20% discount to current mkt cap
Finance Holdings	63	❖ 20% discount to current mkt cap
IDPL	35	❖ P/Inv based approach
Total	**1,830**	

Source: MOFSL, Company

- **We forecast consol. EPS CAGR of 27%, core E&C EPS CAGR of 37%:** Excl. the discontinued operations, we forecast adjusted consol. EPS CAGR of 27% over FY19-21. Core E&C EPS CAGR is estimated at 37% over the same period, helped by strong execution, normalization of margins and financial leverage. Consol. RoEs should expand to 17.2% by FY21 from 15.3% in FY19.

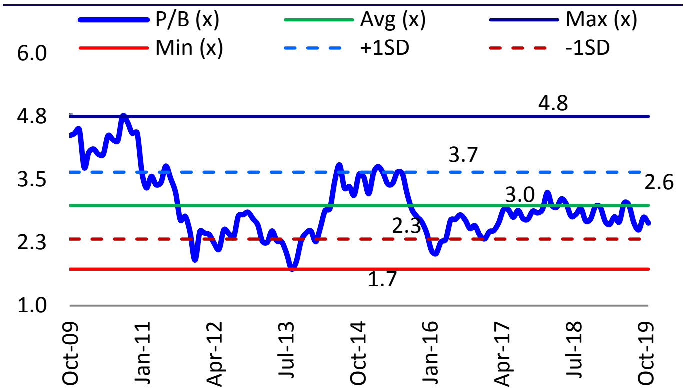
- **Hyderabad Metro losses factored in:** We have factored in Hyderabad metro losses at INR8b/7b in FY20/21. This includes real estate monetization of INR2b/3b in FY20/21. The current ridership for 55km of operational length is ~2.5lacs/day. We expect the same to rise to 6.0lacs/day in FY21 once the entire project becomes operational and ridership stabilizes. Note that real estate monetization forms ~50% of our revenue assumption of Hyderabad Metro.

Exhibit 15: One-year forward P/E



Source: MOFSL

Exhibit 16: One-year forward P/B



Source: MOFSL

Exhibit 17: Earnings change summary - We have moved E&A business to discontinued operations and consolidated MindTree

	Old		New		Change	
(In INR m)	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**
CONSOLIDATED FINANCIALS						
Order book	**32,91,519**	**36,41,654**	**33,04,369**	**36,70,618**	**0.4%**	**0.8%**
Growth (%)	*12.2*	*10.6*	*12.6*	*11.1*		
OB/Rev (x)	*2.6*	*2.5*	*2.8*	*2.7*		
Order inflow	**19,71,209**	**22,16,401**	**19,75,525**	**21,99,286**	**0.2%**	**-0.8%**
Growth (%)	*11.5*	*12.4*	*11.7*	*11.3*		
Total Revenues	**16,13,960**	**18,66,266**	**15,78,956**	**18,33,036**	**-2.2%**	**-1.8%**
Growth (%)	*14.5*	*15.6*	*16.8*	*16.1*		
EBITDA	**2,01,880**	**2,41,271**	**1,95,500**	**2,33,092**	**-3.2%**	**-3.4%**
Growth (%)	*23.7*	*19.5*	*27.5*	*19.2*		
EBITDA Margin (%)	*12.5*	*12.9*	*12.4*	*12.7*		
Adjusted PAT	**1,10,462**	**1,39,697**	**1,03,984**	**1,29,824**	**-5.9%**	**-7.1%**
Growth (%)	*28.3*	*26.5*	*29.3*	*24.8*		
E/O items	-936	0	6,466	8,882	NA	NA
Reported PAT	**1,09,527**	**1,39,697**	**1,10,450**	**1,38,706**	**0.8%**	**-0.7%**
Growth (%)	*23.0*	*27.5*	*24.0*	*25.6*		
Reported EPS	*78.1*	*99.6*	*78.7*	*98.9*	**0.8%**	**-0.7%**
Adjusted EPS	*78.7*	*99.6*	*74.1*	*92.5*	**-5.9%**	**-7.1%**
EX-SERVICES						
Total Revenues	**12,47,751**	**14,32,145**	**11,64,478**	**13,43,827**	**-6.7%**	**-6.2%**
Growth (%)	*14.5*	*14.8*	*12.9*	*15.4*		
EBIDTA	**1,28,950**	**1,52,015**	**1,14,121**	**1,35,594**	**-11.5%**	**-10.8%**
Growth (%)	*29.3*	*17.9*	*27.1*	*18.8*		
EBIDTA %	*10.3*	*10.6*	*9.8*	*10.1*		
Adjusted PAT	**82,148**	**1,00,727**	**71,950**	**89,179**	**-12.4%**	**-11.5%**
Growth (%)	*54.1*	*22.6*	*51.1*	*23.9*		
E/O items	-936	0	6,466	8,882	NA	NA
Reported PAT	**81,213**	**1,00,727**	**78,416**	**98,061**	**-3.4%**	**-2.6%**
Growth (%)	*44.3*	*24.0*	*39.4*	*25.1*		
Reported EPS	*57.9*	*71.8*	*55.9*	*69.9*	**-3.4%**	**-2.6%**
Adjusted EPS	*58.6*	*71.8*	*51.3*	*63.6*	**-12.4%**	**-11.5%**

Source: MOFSL, Company

Financials and Valuations

Income Statement (INR m)

Y/E March	2015	2016	2017	2018	2019	2020E	2021E
Net Revenues	**9,20,046**	**10,19,753**	**10,93,118**	**11,96,832**	**14,10,071**	**15,78,956**	**18,33,036**
Growth Rate (%)	8.1	10.8	7.2	9.5	17.8	12.0	16.1
Adj EBIDTA	**1,13,356**	**1,04,628**	**1,11,305**	**1,35,714**	**1,63,247**	**1,95,500**	**2,33,092**
EBITDA Margin (%)	12.3	10.3	10.2	11.3	11.6	12.4	12.7
Depreciation	26,225	17,867	23,699	19,287	19,230	20,310	21,910
EBIT	**87,131**	**86,761**	**87,606**	**1,16,427**	**1,44,017**	**1,75,190**	**2,11,182**
Net Interest	28,507	16,551	13,387	15,385	18,026	28,074	28,767
Other Income	10,072	9,044	13,441	14,120	18,365	17,538	20,465
Profit before Tax	**68,696**	**79,254**	**87,659**	**1,15,162**	**1,44,356**	**1,64,654**	**2,02,880**
Tax	22,836	24,848	20,066	31,989	40,671	42,192	51,140
Effective Tax Rate (%)	33.2	31.4	22.9	27.8	28.2	25.6	25.2
Reported Profit (Before MI & AI)	**49,337**	**55,348**	**68,808**	**84,403**	**1,12,326**	**1,28,928**	**1,60,622**
Less: Minority Interest	1,710	3,118	4,443	6,346	13,115	19,178	22,617
Add: Profits of Associates	21	-9,902	-3,953	-4,359	-210	700	700
EO Adjustments	3,477	942	1,214	1,230	8,641	6,466	8,882
Adjusted Profit	**44,171**	**41,387**	**59,198**	**72,469**	**90,361**	**1,03,984**	**1,29,824**
Growth (%)	-3.3	-6.3	43.0	22.4	24.7	15.1	24.8
Cons. Profit (Reported)	**47,648**	**42,329**	**60,412**	**73,699**	**99,002**	**1,10,450**	**1,38,706**

Balance Sheet (INR m)

Y/E March	2015E	2016	2017	2018	2019	2020E	2021E
Equity Capital	1,859	1,863	1,866	2,803	2,806	2,806	2,806
Reserves and Surplus	4,10,222	4,39,941	5,00,299	5,53,767	6,20,943	7,01,093	8,00,037
Net Worth	**4,12,081**	**4,41,804**	**5,02,165**	**5,56,570**	**6,23,748**	**7,03,899**	**8,02,842**
Debt	7,67,297	8,81,352	9,39,761	10,75,241	12,55,552	14,05,552	15,70,552
Deferred Tax Liability	-3,504	-7,364	-11,252	-14,941	-31,078	-31,078	-31,078
Minority Interest	19,706	28,928	35,636	56,250	68,261	87,439	1,10,056
Capital Employed	**11,95,580**	**13,44,719**	**14,66,310**	**16,73,120**	**19,16,483**	**21,65,812**	**24,52,372**
Gross Fixed Assets	1,68,322	1,67,706	1,71,779	2,19,694	2,62,141	2,82,141	3,02,141
Less : Depreciation	6,555	23,518	38,375	57,939	74,024	94,333	1,16,243
Add : Capital WIP	1,03,416	1,51,651	1,67,374	1,58,481	1,63,017	1,63,017	1,63,017
Net Fixed Assets	**2,65,184**	**2,95,839**	**3,00,778**	**3,20,236**	**3,51,134**	**3,50,825**	**3,48,915**
Investments	1,13,089	1,10,791	1,97,530	1,53,113	2,11,203	3,11,203	3,11,203
Inventory	59,812	48,542	41,397	48,478	64,139	74,895	86,947
Sundry Debtors	2,22,544	2,60,250	2,79,696	3,46,541	3,70,382	4,32,492	5,02,087
Cash & Bank	44,126	53,899	55,725	80,325	1,17,262	85,263	1,73,081
Loans & Advances	13,491	16,889	19,547	23,536	24,890	29,064	33,741
Other Current Assets	4,16,488	4,81,865	4,88,977	5,59,215	6,14,870	7,17,978	8,33,513
Current Assets	13,13,997	15,27,390	16,05,954	19,41,245	21,94,782	24,85,389	29,31,815
Current Liabilities	4,96,690	5,89,299	6,37,950	7,41,474	8,40,637	9,81,605	11,39,561
Net Current Assets	**8,17,307**	**9,38,092**	**9,68,004**	**11,99,771**	**13,54,146**	**15,03,785**	**17,92,255**
Capital Deployed	**11,95,579**	**13,44,722**	**14,66,312**	**16,73,120**	**19,16,483**	**21,65,812**	**24,52,372**

E: MOFSL Estimates

Financials and Valuations

Ratios							
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020E**	**2021E**
Basic (INR)							
Consolidated EPS Adj	**31.5**	**29.5**	**42.2**	**51.7**	**64.4**	**74.1**	**92.5**
Growth (%)	-3.3	-6.3	43.0	22.4	24.6	15.1	24.8
Con. EPS (Fully Diluted)	**31.5**	**29.5**	**42.2**	**51.7**	**64.4**	**74.1**	**92.5**
Growth (%)	-3.3	-6.3	43.0	22.4	24.6	15.1	24.8
Cash EPS	50.2	42.3	59.1	65.5	78.1	88.6	108.2
Book Value	294.0	315.2	358.3	397.1	444.7	501.8	572.3
Dividend Per Share	8.2	8.1	8.9	15.9	18.0	23.6	29.7
Div. Payout (Incl. Div Tax) %	26.1	27.5	21.0	30.8	27.9	31.9	32.1
Valuation (x)							
P/E (Consolidated) (Fully Diluted)	45.4	48.5	33.9	27.7	22.2	19.3	15.5
Price / CEPS	28.5	33.9	24.2	21.9	18.3	16.2	13.2
EV/EBITDA	24.1	27.1	26.0	22.1	19.3	17.0	14.6
EV/ Sales	3.3	3.0	2.8	2.6	2.5	2.2	2.1
Price / Book Value	5.3	4.9	4.5	4.0	3.6	3.2	2.9
Dividend Yield	0.6	0.6	0.6	1.1	1.3	1.6	2.1
Return Ratio (%)							
RoE	11.2	9.7	12.5	13.7	15.3	15.7	17.2
RoCE	7.7	7.4	8.0	15.1	16.6	18.5	19.7
Turnover Ratios							
Debtors (Days)	88.3	93.2	93.4	105.7	95.9	100.0	100.0
Inventory (Days)	23.7	17.4	13.8	14.8	16.6	17.3	17.3
Asset Turnover (x)	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Leverage Ratio							
Current Ratio (x)	2.6	2.6	2.5	2.6	2.6	2.5	2.6
D/E (x)	2.1	1.9	1.8	1.8	1.8	1.9	1.7

Cash Flow Statement							(INR m)
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020E**	**2021E**
PBT before EO Items	**47,648**	**42,329**	**60,412**	**73,699**	**99,002**	**1,10,450**	**1,38,706**
Add : Depreciation	26,225	17,867	23,699	19,287	19,230	20,310	21,910
Change in diff tax liability	-6,879	-3,860	-3,888	-3,689	-16,137	0	0
(Inc)/Dec in WC	-1,47,185	-1,11,011	-28,086	-2,06,662	-1,17,900	-1,81,680	-2,00,652
CF from Operations	**-80,191**	**-54,675**	**52,138**	**-1,17,365**	**-15,806**	**-50,920**	**-40,037**
(Inc)/Dec in FA	1,74,351	-48,523	-28,638	-38,745	-50,128	-20,000	-20,000
Free Cash Flow	**94,161**	**-1,03,198**	**23,499**	**-1,56,110**	**-65,934**	**-70,920**	**-60,037**
(Pur)/Sale of Investments	-31,999	2,298	-86,740	44,417	-50,128	-20,000	-20,000
CF from Investments	**1,42,352**	**-46,225**	**-1,15,378**	**5,168**	**-1,07,756**	**-1,19,958**	**-20,000**
(Inc)/Dec in Net Worth	699	627	14,378	6,609	-5,352	0	0
(Inc)/Dec in Debt	-34,233	1,14,058	58,408	1,35,478	1,80,311	1,50,000	1,65,000
Change in Minority Interest	-12,086	9,222	6,708	20,614	12,011	19,178	22,617
Dividend Paid	-13,383	-13,233	-14,429	-25,902	-26,471	-30,299	-39,762
CF from Fin. Activity	**-59,002**	**1,10,674**	**65,065**	**1,36,798**	**1,60,498**	**1,38,879**	**1,47,855**
Inc/Dec of Cash	**3,160**	**9,774**	**1,825**	**24,601**	**36,937**	**-31,999**	**87,818**
Add: Beginning Balance	40,966	44,126	53,900	55,725	80,325	1,17,262	85,263
Closing Balance	**44,126**	**53,900**	**55,725**	**80,325**	**1,17,262**	**85,263**	**1,73,081**

E: MOFSL Estimates

NOTES

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UNDER REVIEW	Rating may undergo a change
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