

October 26, 2012

**LARSEN & TOUBRO LTD.**

BSE Code: 500510 NSE Code: LT Reuters Code: LART.NS Bloomberg Code: LT.IN

Larsen & Toubro (LT) was incorporated in 1946, is a technology-driven \$12.8 billion company that infuses engineering with imagination and offers a wide range of advanced solutions, services and products. It operates in three segments Engineering & Construction Segment, Electrical & Electronics segment, Machinery & Industrial Products, and others. LT has an international presence, with a global spread of offices. It is one of the largest and most respected companies in India's private sector.

## Investor's Rationale

### Inline performance on topline and bottom-line front on robust core Engineering & Construction (E&C) segment

LT reported inline growth in total revenue and net profit for Q2FY'13. Net revenue grew by 17.4% YoY at ₹132.0bn where, International sales contributed 21.0% of the total revenue. Further, despite of difficult environment, net profit grew by whopping 42.5% YoY at ₹11.4bn. Inline performance was mainly supported by robust performance from E&C segment contributing 19.1% growth in revenue and 20.5% growth in PBIT. Thus, NPM expanded by 151bps YoY to 8.4% as against 6.9%.

### EBITDA margin remained stable

LT's EBITDA grew by 15.5% YoY at ₹14.1bn. while, OPM declined marginally by 17bps YoY at 10.7% against 10.8% primarily on account of increase in sub-contracting charges and construction materials consumed cost (as % of sales) by 572bps and 297bps respectively. While, sales and general administration expenses declined by 115bps due to lower non linear expenses.

### Robust segmental performance

LT's E&C division registered a revenue growth of 19.1% at ₹116.7bn on healthy order book and progress on various jobs as per schedule, and its OPM improved to 12.2%. Further, E&E business sales grew by 3.8% at ₹8.8bn, as industrial demand remained sluggish. MIP business continued to show a weak performance, with 8.8% de-growth in sales at ₹5.5bn and its OPM declined at 14.7% due to reduced sales volume and inflation effect on input costs. Others segment continues to be robust, with 49.5% YoY growth in sales at ₹3.3bn and its OPM stood at 23.1%.

### Strong momentum in order Inflows

During the quarter, the company's order inflows came in at ₹210bn, with a growth of 30.0% YoY mainly contributed by Building & Factories, Infrastructure and Hydrocarbon sectors. Order Book stood healthy at ₹1585.3bn as at September 30, 2012. Where, international orders constituted 12.0% of the total Order Book. The company has maintained the order inflow guidance of 15-20.0% YoY which amounts to ₹811bn at lower band.

## Market Data

CMP (₹)	1,705.9
Target Price	1,960
Stop Loss	1,640
Duration	Short-term
52-week High-Low (₹)	1,718.4/971.0
Rise from 52WL (%)	75.7
Correction from 52WH (%)	0.7
Beta	1.6
1 year Average Volume (mn)	2.1
Stock Return (%)	3M- 29.5 6M- 39.5 9M- 29.0
Market Cap (₹bn)	1,044.7
Enterprise Value (₹bn)	1,096.7

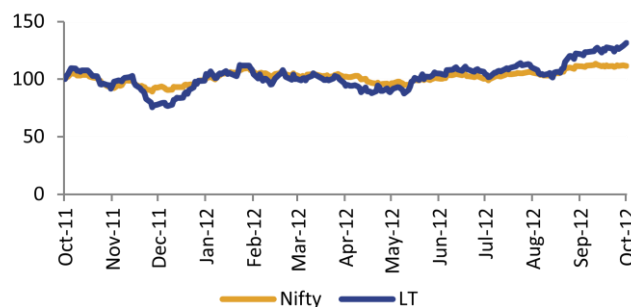
## Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	-	-	-
FII (%)	15.4	14.1	1.3
DII (%)	37.8	38.4	(0.6)
Public & Others (%)	46.8	47.5	(0.7)

## Quarterly Performance (Standalone)

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	132.0	112.4	119.6	17.4	10.4
Op. exp	117.9	100.3	108.7	17.6	8.5
EBITDA	14.1	12.2	10.9	15.5	29.3
OPM (%)	10.7	10.8	9.1	(17bps)	156bps
Net profit	11.4	8.0	8.6	42.5	31.7
NPM (%)	8.4	6.9	6.9	151bps	153bps
EPS (₹)	18.4	12.9	14.0	42.1	31.4

## One Year Price Chart





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