

## Larsen & Toubro

### Performance Highlights

#### Quarterly highlights - Standalone

Y/E March (₹ cr)	1QFY17*	1QFY16*	% chg (yoy)
Gross sales	11,973	11,299	6.0
EBITDA	787	707	11.3
Adj. PAT	597	563	6.0

Source: Company, Angel Research; \*Reported as per Ind-AS

**Standalone numbers impress:** For the quarter, L&T reported lower than expected, 6% yoy increase in its top-line to ₹11,973cr. Revenue growth on yoy basis reflects 59.7% increase in Power segment and 14.1% decrease in Others segment. L&T reported 31bps EBITDA margin expansion to 6.6%. L&T reported Adj. PAT of ₹597cr, reflecting 5.0% margins, same as the year ago levels.

Consolidated Order inflows grew 14.0% yoy to ₹21,874cr. Order backlog stands at ₹2,57,427cr, thereby giving revenue visibility for next 10 quarters.

**Roll-out of Ind-AS impacts profitability:** Roll-out of Ind-AS, led L&T take ~₹150cr of provisions towards exp. credit loss (ECL) and ~₹100cr towards employee performance linked incentives. These 2 impacted in addition to higher borrowing costs, re-classification of net actuarial gains, valuation of investments, impacted profitability. Provision for ECL is in addition to normal provisions undertaken. L&T took ₹100cr inventory write-down and another ₹180cr towards foreseeable loss in 1QFY17E. Considering the (1) strong operational performance (mainly in the Power, Heavy Eng, IT & Tech. Services, Infrastructure), (2) Order Inflow growth and strong bid pipeline, we expect L&T to have fair chance of attaining FY2017E guidance on both, the revenue and margin side (even on new Ind-AS).

**Key Positives:** Strong 14% yoy Order Inflows, Margin improvement, net WC cycle maintained at 23.5% of sales.

**Key Negatives:** Below than expected revenues for the quarter.

**Outlook and valuation:** L&T's diversified presence and an anticipated recovery in the capex cycle coupled with the company's strong balance sheet comfort us that it is well positioned to benefit from revival in the award activity environment. With order backlog expected to grow, execution should pick-up gradually. We have valued L&T using sum-of-the-parts (SoTP) methodology, to capture the value of all its businesses and investments. Ascribing separate values to its parent business (on P/E basis) and investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at FY2017E based target price of ₹1,700. We are of the view that L&T is good proxy play for investors wanting to ride on the revival of Indian Infra growth story. **Given the 13.0% upside, we maintain ACCUMULATE on the stock.**

#### Key financials (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Net Sales	51,611	56,599	57,017	59,780	67,665	77,249
% chg		9.7	0.7	4.8	13.2	14.2
Net Profit	4,385	5,493	5,056	4,191	5,380	6,399
% chg		25.3	(8.0)	(17.1)	28.4	19.0
EBITDA (%)	10.6	11.8	11.4	10.3	10.7	11.0
EPS (₹)	53	59	54	57	57	68
P/E (x)	28.4	25.5	27.8	26.6	26.3	22.1
P/BV (x)	3.2	3.0	2.8	2.6	2.4	2.3
RoE (%)	14.2	15.6	13.3	15.1	12.6	13.7
RoCE (%)	17.5	18.7	16.3	14.5	15.6	17.0
EV/Sales (x)	2.6	2.6	2.7	2.5	2.2	1.9
EV/EBITDA (x)	24.3	22.3	23.3	24.6	21.0	17.8

Source: Company, Angel Research; Note: CMP as of August 2, 2016; \* L&T has reported its 1QFY2016/17 numbers on Ind-AS

## ACCUMULATE

CMP	₹1,504
Target Price	₹1,700

Investment Period	12 Months
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#### Stock Info

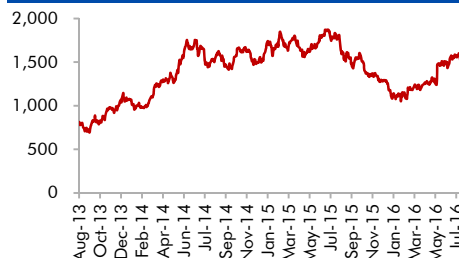
Sector	Infrastructure
Market Cap (₹ cr)	104,496
Net debt (₹ cr)	11,927
Beta	1.4
52 Week High / Low	1,844/1,017
Avg. Daily Volume	2,242,115
Face Value (₹)	2
BSE Sensex	27,982
Nifty	8,623
Reuters Code	LART.BO
Bloomberg Code	LT@IN

#### Shareholding Pattern (%)

Promoters	-
MF / Banks / Indian Fls	39.5
FII / NRIs / OCBs	17.0
Indian Public / Others	43.5

Abs. (%)	3m	1yr	3yr
Sensex	8.9	(0.4)	45.9
LT	16.2	(17.2)	84.8

#### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: Quarterly Performance (Standalone)**

Particulars (₹ cr)	1QFY17*	1QFY16*	% chg (yoy)
<b>Gross Sales</b>	<b>12,150</b>	<b>11,444</b>	<b>6.2</b>
<b>Total Expenditure</b>	<b>11,186</b>	<b>10,592</b>	<b>5.6</b>
Operating Expenses	9,244	8,842	4.5
Employee benefits Expense	1,290	1,145	12.6
Sales, Admin & Other Expenses	652	605	7.8
<b>EBITDA</b>	<b>964</b>	<b>852</b>	<b>13.2</b>
EBITDA %	7.9	7.4	
Depreciation	279	269	3.9
EBIT	685	583	17.5
Interest and Financial Charges	331	315	5.0
Other Income	483	522	(7.6)
PBT before Exceptional Items	836	790	5.9
Exceptional Items	50	0	
PBT after Exceptional Items	786	790	(0.4)
Tax	240	226	5.9
% of PBT	30.5	28.7	
<b>PAT</b>	<b>547</b>	<b>563</b>	<b>(2.9)</b>
Other Comprehensive Income	(46)	(8)	
<b>Total Comprehensive Income</b>	<b>500</b>	<b>556</b>	<b>(9.9)</b>
<b>Adj. PAT (for excep. Items)</b>	<b>597</b>	<b>563</b>	<b>6.0</b>
Adj. PAT %	5.0	5.0	
Dil. EPS	5.85	6.02	(2.8)

Source: Company, Angel Research; \*Reported as per Ind AS, #FY16 numbers & other remaining quarters continue to be reported as per Indian GAAP; It needs to be noted that yoy growth for FY2017E/FY2016 is not comparable as FY2016 continues to be reported under Indian GAAP

**Standalone business**
**Revenues grew 6.0% yoy**

L&T reported 6.0% yoy increase in its top-line to ₹11,973cr, reflecting (1) 3.0% increase in Infrastructure (66.5% of Income), (2) 59.7% increase in Power (14.2% of Income), and (3) 14.1% decline in Other's segment (8.9% of Income).

**Exhibit 2: Segment-wise Segmental Income (Standalone)**

Particulars (₹ cr)	1QFY17	1QFY16	% chg (yoy)
Infrastructure	8,074	7,839	3.0
Power	1,723	1,079	59.7
Heavy Engineering	675	600	12.4
Electrical & Automation	844	847	(0.5)
Others	1,086	1,264	(14.1)
Less: Inter-segment Revenues	250	186	34.4
<b>Net Segmental Income</b>	<b>12,150</b>	<b>11,444</b>	<b>6.2</b>

Source: Company, Angel Research; \*Reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP

Notably, MM&H segment (earlier reported separately till 4QFY2016) in 1QFY2017 has been clubbed with Other's segment.

**Exhibit 3: Segment-wise Unadj. EBIT & EBIT Margins (Standalone)**

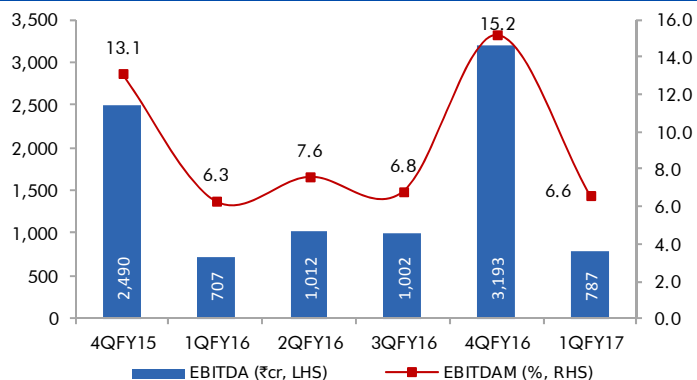
Particulars (₹ cr)	1QFY17*	1QFY16*	% chg (yoy)
Infrastructure	614	589	4.2
EBIT Margin (%)	7.6	7.5	
Power	89	(8)	NM
EBIT Margin (%)	5.2	(0.8)	
Heavy Engineering	70	35	101.4
EBIT Margin (%)	10.4	5.8	
Electrical & Automation	78	64	23.3
EBIT Margin (%)	9.3	7.5	
Others	(3.3)	42	NM
EBIT Margin (%)	(0.3)	3.3	
<b>Net Segmental EBIT (unadj.)</b>	<b>849</b>	<b>721</b>	<b>17.6</b>

Source: Company, Angel Research; NM- Not Meaningful; \*Reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP

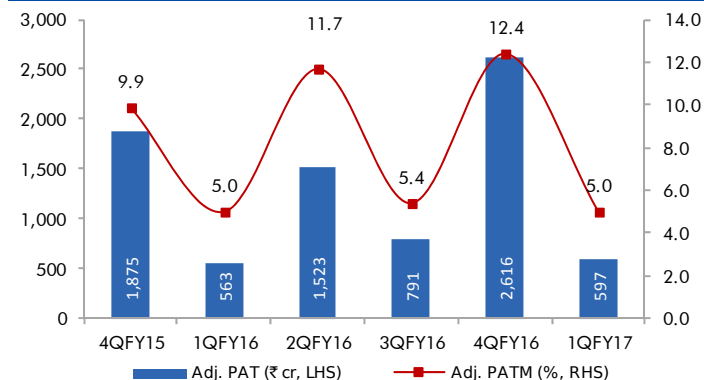
**Reports 6.6% EBITDA margins**

L&T reported 31bps yoy improvement in its EBITDA margin to 6.6% in 1QFY2017. A restricted 4.5% yoy increase in Operating expenses (to ₹787cr), lower than the 1QFY2017 top-line growth, helped L&T report yoy EBITDA margin expansion.

EBIT level turn-around in Power segment (5.2% EBIT margins in 1QFY2017 vs. negative 0.8% in 1QFY2016), was negated by Other's segment margin, which turned red (reported negative 0.3% margins in 1QFY2017 vs 3.3% in 1QFY2016).

**Exhibit 4: EBITDA margin at 6.6%**


Source: Company, Angel Research; 1QFY2016 & 1QFY2017 numbers reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP

**Exhibit 5: Adj. PAT margin flat at 12.4%**


Source: Company, Angel Research; 1QFY2016 & 1QFY2017 numbers reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian

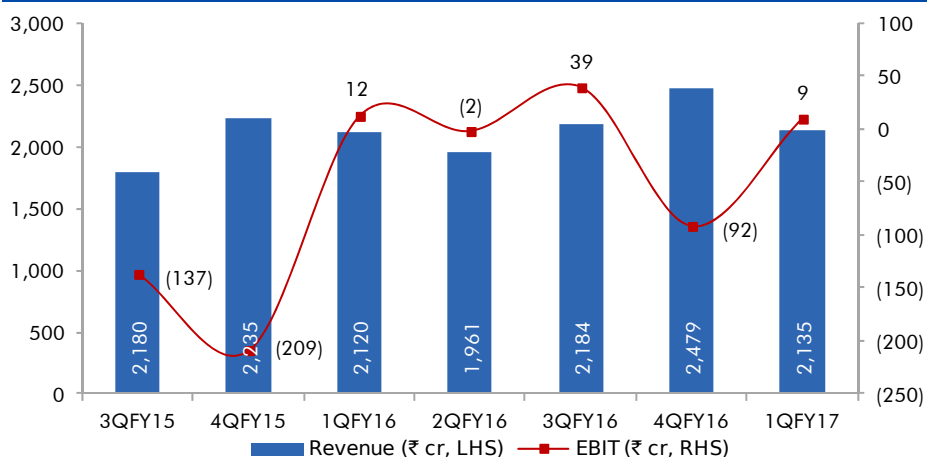
**Adj. PAT numbers report strong yoy growth**

L&T for 1QFY2017 reported a PAT of ₹547cr. On adjusting for provision for impairment of investment in subsidiary company (₹50cr), Adjusted PAT stood at ₹597cr. Despite 11.3% yoy increase in EBITDA, increase in tax rate (from 28.7% a year ago to 30.5% in 1QFY2017) and 1.0% decrease in other income (to ₹660cr), led to 6.0% yoy increase in Adj. PAT. Adj. PAT margin of the company stood flat on yoy basis at 5.0%.

## Hydro-Carbon business out of the woods...

Hydro-Carbons business reported 0.7% yoy increase in revenues to ₹2,135cr, reflecting delays in Order Book replenishment. EBIT was down 22.1% owing to provision of closure cost related to one last legacy project.

**Exhibit 6: Hydro-Carbon- Quarterly Revenues & EBIT**



Source: Company, Angel Research; 1QFY2016 & 1QFY2017 numbers are reported as per Ind AS, Other quarter numbers continue to be reported as per Indian GAAP.

## IT & Technology Services business report strong growth

L&T's IT & Technology Services business reported strong 15.1% yoy increase in revenue for the quarter to ₹2,375cr. Top-line growth was driven by sectors, like Insurance, Auto & Aero, Transportation and Industrial Products. On the operating front, EBIT margins expanded by 365bp yoy to 19.2%, on the back of favourable exchange rate and operational efficiencies.

## Consolidated Business Performance

### Revenue grew 9.3% yoy

L&T reported 9.3% yoy growth in its consolidated business' top-line to ₹21,719cr. Revenue growth on yoy basis, reflects (1) strong execution across Infrastructure segment (9% revenue growth to ₹9,288cr), (2) projects under execution achieving substantial progress at Power segment (59.7% increase in revenue to ₹1,723cr), and (3) 13.9% increase in Heavy Engineering segment to ₹734cr.

Infrastructure segment (42.5% of consol. Income) benefitted from the execution of Civil Infra, Transportation, Power T&D & Water & Effluent treatment projects. Revenues from the Buildings & factories sub-vertical was flat on yoy basis. Growth in yoy International revenues is on account of strong execution seen across Riyadh & Doha Metro projects.

Strong yoy growth across Power segment was on the back of improved execution of both, the Domestic and International projects (strong execution was across the 2 gas based Bangladesh power projects won in FY2016).

Development Projects reported 17.0% yoy increase in revenues to ₹1,154cr, owing to 90% PLF seen across their Nabha Power plant and commencement of 2 BOT road projects. Revenue from this segment also includes contract revenues/profits from 3<sup>rd</sup> party contracts (non L&T related) related to the Hyderabad Metro project.

**Exhibit 7: Quarterly Performance (Consolidated)**

Particulars (₹ cr)	1QFY17*	1QFY16*	% chg (yoy)
<b>Gross Sales</b>	<b>21,719</b>	<b>19,866</b>	<b>9.3</b>
<b>Total Expenditure</b>	<b>19,969</b>	<b>18,407</b>	<b>8.5</b>
Man. Cons. & Opex Exp. (MCO)	14,975	13,901	7.7
Employee benefits Expense	3,420	3,149	8.6
Sales, Admin & Other Expenses	1,574	1,357	16.0
<b>EBITDA</b>	<b>1,750</b>	<b>1,459</b>	<b>20.0</b>
EBITDA %	8.1	7.3	
Depreciation	465	466	(0.2)
<b>EBIT</b>	<b>1,285</b>	<b>993</b>	<b>29.4</b>
Interest and Financial Charges	337	389	(13.3)
Other Income	458	466	(1.8)
PBT before Exceptional Items	1,405	1,069	31.4
Exceptional Items	0	0	
PBT after Exceptional Items	1,405	1,069	31.4
Tax	549	428	28.2
% of PBT	39.1	40.1	
<b>PAT before Minority Int.</b>	<b>856</b>	<b>641</b>	<b>33.6</b>
Share in profit of Associates (net)	(174)	(196)	
Adj. of Minority Interests	(73)	(26)	
Other Comprehensive Income	(116)	(6)	
<b>PAT</b>	<b>494</b>	<b>413</b>	<b>19.6</b>
<b>Adj. PAT (for excep. Items)</b>	<b>494</b>	<b>413</b>	<b>19.6</b>
Adj. PAT %	2.3	2.1	
Dil. EPS	6.52	4.48	45.5

Source: Company, Angel Research; 1QFY2016 & 1QFY2017 numbers are reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP.

**EBITDA margin expands yoy to 8.1%**

L&T reported 71bp yoy EBITDA margins expansion in 1QFY2017 to 8.1%. Surge in margins is owing to restricted (1) 7.7% increase in Man. Cons. & Opex Exp. (MCO) to ₹14,975cr and (2) 8.6% increase in Employee expenses to ₹3,420cr. Surge in employee expenses is on account of manpower augmentation and higher staff mix from International operations. Sales Administration & Other (SAO) expenses increased 16% yoy owing to higher provisions for NPAs and Other receivables.

Further, if we look at segment-wise details, then yoy EBIT margins benefitted from expansion of segment margins across Heavy Engineering (542bps; as certain cost provisions incurred in 1QFY2016 were not seen in 1QFY2017), Power (595bps) and IT & Technology Services (365bps). Benefits of margin expansion across segments was negated up to certain extent by sharp EBIT level loss margins seen across Others segment (4% in 1QFY2017 vs 7.3% in 1QFY2016).

The 325bps yoy EBIT margin improvement at Developmental Projects segment is on account of earnings from Kattupalli port operator. Margin benefits were negated by ₹100cr provision towards Shipbuilding segment inventory write-downs (Arbitration proceedings are ongoing in Singapore).

### Adj. PAT margin expands marginally to 7.3%

L&T reported PAT (before Other Comprehensive Income) of ₹610cr, up 46% yoy in the restated numbers. Similarly, PAT after OCI stood at ₹494cr in 1QFY2017, up 20% yoy. Core business PAT margins were at 2.8%, better than the previous year's 2.1%.

High provisioning in restated 1QFY2016 numbers was key reasons for fall in the 1QFY2016 PAT numbers from ₹606cr under IGAAP to ₹419cr under Ind-AS. As per Ind-AS guidelines, L&T has started recognizing provisions for: **Expected Credit Loss (ECL)**. This provision includes (1) provision for actual credit losses, where recovery is unfeasible and (2) on account of receivables bucket ageing (time value of delayed collections). L&T recognized ECL provision of ₹169cr in 1QFY2016. This is in addition to ₹1,000cr hit taken at FY2016 opening balance sheet. L&T management highlighted that 1QFY2017 ECL provisions were at ₹170cr. **Provision for employee benefits based on constructive obligations**. L&T provided for ₹99cr in 1QFY2016 on account of employee benefits based on constructive obligations and a similar amount is provisioned in 1QFY2017 as well.

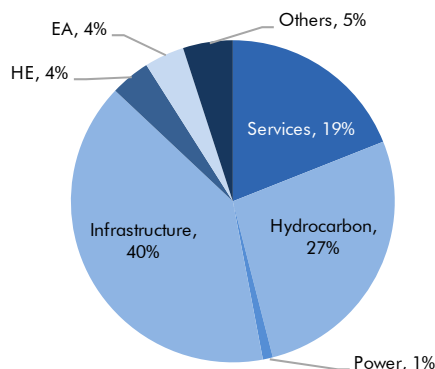
#### Exhibit 8: Reconciliation of net PAT under IND-AS and IND-GAAP

Particulars (₹ cr)	Adj.	1QFY2016
Net Profit as per previous IGAAP		606
Prov. for expected credit losses	(169)	
Prov. for employee benefits based on constructive obligations	(99)	
Gain on fair value of investments	62	
Inc. in borrowing cost pursuant to application of Effective Interest rate method	(12)	
Reclassification of net actuarial gain on employee defined benefit obligations to other comprehensive income	(20)	
Increase in borrowings cost due to initial fair valuation of long-term financial liabilities	(39)	
Others	14	
Deferred & Current taxes in respect of above adj.	75	(187)
PAT before Other Comprehensive Inc. as per IND AS		419

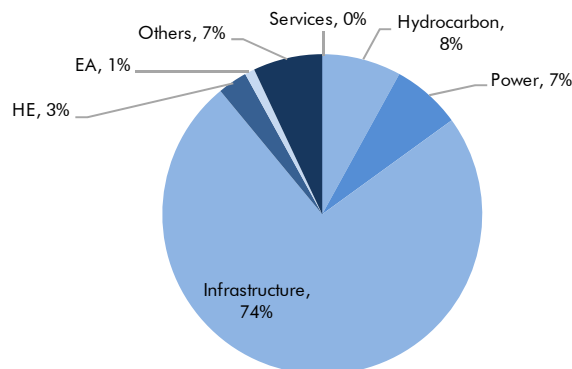
Source: Company, Angel Research

### Order inflow growth in-line with our expectation...

Consolidated order inflow for the quarter grew 14.0% yoy to ₹29,702cr. Majority of 1QFY2017 Orders won were from the domestic Infrastructure and International Hydro-Carbon segment.

**Exhibit 9: 1QFY17 Order Inflows mix (consol.)**


Source: Company, Angel Research

**Exhibit 10: 1QFY17 Order Book mix (consol.)**


Source: Company, Angel Research

L&T's order book currently stands at ₹2,57,427cr, indicating 8% yoy growth. As of 1QFY2017, L&T's order book is majorly dominated by Infra (74%), followed by Hydro-carbon (8%) and Power (7%) segments. International order book constitutes 29% of total order book. The current order book gives revenue visibility for over the next 10 quarters.

Management has maintained its 15% Order Inflow guidance for FY2017E, on the back of strong pipeline of projects coming-up for awarding. L&T management claims that ~₹425,000cr of projects would come up for awarding in FY2017E.

### Key Concall Takeaways

- As per New Ind-AS, FY2016 consolidated revenues (ex-services business) and EBITDA margins would be close to ₹1,00,000cr and ~9.5% (vs 9.9% under Ind-GAAP), respectively. Decline in FY2016 EBITDA margins is owing to Prov. For Expected Credit Loss (ECL).
- Post roll out of new Ind-AS, L&T has maintained its 10-15% revenue guidance and 50bps EBITDA margin swing.
- ECL for 1QFY17 at ₹170cr is same as in 1QFY16. This includes expectation of ageing assets, credit loss of new receivables added during the quarter. In addition to this ECL created for the receivables at FY2016-end is ~₹1,000cr (taken through reserves in balance sheet). Notably, cost provisions account has grown by an additional ₹170cr in 1QF2017 (shown as charge in Selling & Administrative expenses).
- Some of the key JVs are not contributing to Consolidated (ex services) PAT, it includes (1) Mitsubishi-Hitachi Power Systems JV, earlier accounted in Power business, (2) Road SPV's reported under IDPL, (3) Forgings JV earlier accounted in Heavy Engineering business (as NPCIL with 26% stake has participatory rights), (3) L&T Sapura earlier accounted in Hydrocarbon segment, and (4) other 50:50 JVs.
- As per Ind-AS, Order wins by JVs would contribute in proportion to stake held by L&T in the JV.
- Working capital levels at 1QFY2017-end is same as in 1QFY2016 levels at 23.5% of sales (based on reclassified numbers).

## Valuation

### We maintain ACCUMULATE with target price of ₹1,700

We have valued the company using sum-of-the-parts (SOTP) methodology to capture the value of all its businesses and investments. Ascribing separate values to its parent business on a P/E basis and investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at a FY2017E target price of ₹1,700. At the current market price of ₹1,504, the standalone entity is trading at an implied P/E multiple of 12.7x, which is attractive. We are of the view that L&T is proxy play for investors wanting to play on the revival in the Indian infrastructure growth story. **Given the 13% upside, we maintain ACCUMULATE rating on the stock.**

#### Exhibit 11: Derivation of SOTP-based target price for L&T (FY2017E)

Business Segment	Methodology	Remarks	₹ cr	₹/share	% to TP
<b>L&amp;T- Parent</b>	P/E	15.0x FY2018E Earnings	100,276	1,061	62.4
<b>Infrastructure Subsidiaries</b>					
IDPL	P/BV	1.5x FY2017E BV	11,431	121	7.1
<b>Key Subsidiaries - Services</b>					
L&T InfoTech	P/E	15.0x FY2017E Earnings	27,127	287	16.9
L&T Finance	M-cap Basis	20% holding company discount	6,973	74	4.3
<b>Realty Space</b>					
L&T Realty (inc. Seawoods Realty)	P/BV	1.0x FY2017E BV	4,000	43	2.5
<b>Hydro-Carbons Business</b>					
Hydro-Carbons	P/BV	1.5x FY2017E BV	2,100	22	1.3
<b>Key Subsidiaries - Manufacturing</b>					
L&T Power-equipment JVs	P/BV	1.0x FY2017E BV	700	7	0.4
Other Associate Companies	P/BV	1.0x FY2017E BV	5,500	59	3.5
<b>International Business</b>					
International Subsidiaries	P/BV	1.5x FY2017E BV	2,400	26	1.5
<b>Grand Total</b>			<b>160,507</b>	<b>1,700</b>	<b>100</b>
<b>Upside</b>				<b>13.0%</b>	
<b>CMP</b>				1,504	

Source: Company, Angel Research

## Investment arguments

- **Indian capex recovery is a matter of time:** Regular announcements on the policy front eases environment for capex revival. This along with ongoing rate cuts makes us believe that recovery is very much on cards. Considering that the awarding activity revival should further pick-up, we see better visibility on recovery to be seen from 2HFY2017E onwards. Further we expect improvement in L&T's execution, margin expansion from FY2017E onwards.

Uptick in the domestic Order Inflow environment should lead to shift in order inflow mix more towards the domestic markets, going forward. On the back of shift in order book towards domestic markets, we expect uptick in execution. Accordingly, we have modeled a 13.7% top-line CAGR over FY2016-2018E.

Given that L&T's current Order Book gives revenue visibility for 10+ quarters, considering shift in order inflow mix, L&T would see faster margin recovery.



We expect EBITDA margins to expand from 10.3% in FY2016 to 11.0% in FY2018E.

- **Best stock to play the Indian infrastructure theme:** We are of the view that L&T is very well positioned to benefit from gradual recovery in the domestic capex cycle, given its diverse range of sectoral exposure, strong balance sheet and better cash flow generating potential in comparison to its peers, which are struggling with higher leverage, and strained cash flows.

## Company background

L&T, the largest Indian infrastructure conglomerate, is present across almost all the infrastructure segments and is at the forefront of the Indian infra growth story. Over the years, the company has diversified across various segments to encash the untapped infra opportunity, not only in India but in other geographies as well, and has an excellent track record of achieving the same. Currently, L&T manufactures and services its business in over 30 countries worldwide.

**Profit & loss statement (Standalone)**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Net Sales</b>	<b>51,611</b>	<b>56,599</b>	<b>57,017</b>	<b>59,780</b>	<b>67,665</b>	<b>77,249</b>
% Chg		9.7	0.7	4.8	13.2	14.2
Total Expenditure	46,138	49,932	50,530	53,609	60,459	68,790
RM & Contracting Exp.	40,205	43,346	44,397	46,629	52,610	60,023
Employee benefits Expense	3,861	4,662	4,151	4,480	5,075	5,794
Sales, Admin. & Other Exp.	2,072	1,923	1,982	2,500	2,774	2,974
<b>EBITDA</b>	<b>5,473</b>	<b>6,667</b>	<b>6,488</b>	<b>6,171</b>	<b>7,206</b>	<b>8,459</b>
% Chg		22	(3)	(5)	17	17
EBIDTA %	10.6	11.8	11.4	10.3	10.7	11.0
Depreciation	728	792	1,008	999	1,035	1,078
EBIT	4,745	5,875	5,480	5,172	6,171	7,381
% Chg		23.8	(6.7)	(5.6)	19.3	19.6
Int. and Financial Charges	955	1,076	1,419	1,449	1,508	1,531
Other Income	1,887	1,881	2,283	2,406	2,607	2,798
PBT	5,678	6,679	6,344	6,129	7,270	8,648
Exceptional Item	(176)	(589)	(357)	560	0	0
PBT after Exceptional Item	5,854	7,268	6,701	5,569	7,270	8,648
Tax Expenses	1,541	1,775	1,645	1,378	1,890	2,248
% of PBT	27.1	26.6	25.9	22.5	26.0	26.0
PAT before Extra-Ordinary Items	4,313	5,493	5,056	4,191	5,380	6,399
Extra-Ordinary Item	(72)	0	0	0	0	0
<b>Rep. PAT</b>	<b>4,385</b>	<b>5,493</b>	<b>5,056</b>	<b>4,191</b>	<b>5,380</b>	<b>6,399</b>
% Chg		25.3	(8.0)	(17.1)	28.4	19.0
PAT %	8.5	9.7	8.9	7.0	8.0	8.3
Diluted EPS (after Extra-ord. Items)	53	59	54	57	57	68
% Chg		11.6	(8.3)	4.6	1.3	19.0

Note: 1QFY2016 & 1QFY2017 numbers are reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP.

**Balance Sheet (Standalone)**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Sources of Funds</b>						
Equity Capital	123	185	186	186	186	186
Reserves Total	29,020	33,476	36,899	40,532	44,162	48,781
<b>Networth</b>	<b>29,143</b>	<b>33,662</b>	<b>37,085</b>	<b>40,718</b>	<b>44,348</b>	<b>48,967</b>
Total Debt	8,834	11,459	12,937	13,608	13,700	12,500
Other Long-term Liabilities	788	393	470	523	569	611
Deferred Tax Liability	242	410	363	203	203	203
<b>Total Liabilities</b>	<b>39,007</b>	<b>45,924</b>	<b>50,854</b>	<b>55,053</b>	<b>58,820</b>	<b>62,282</b>
<b>Application of Funds</b>						
Gross Block	11,855	11,397	12,604	13,461	14,511	15,631
Accumulated Depreciation	3,550	3,836	4,844	5,843	6,878	7,956
<b>Net Block</b>	<b>8,305</b>	<b>7,561</b>	<b>7,760</b>	<b>7,619</b>	<b>7,634</b>	<b>7,676</b>
Capital WIP	597	676	222	50	60	65
<b>Investments</b>	<b>16,103</b>	<b>19,215</b>	<b>23,053</b>	<b>24,569</b>	<b>25,359</b>	<b>27,439</b>
Current Assets	47,419	50,853	55,869	64,832	65,628	68,655
Inventories	2,064	1,983	2,208	1,888	2,275	2,355
Sundry Debtors	22,613	21,539	23,051	26,309	25,000	25,500
Cash and Bank Balance	1,456	1,783	1,516	1,681	1,797	2,063
Loans & Advances	9,413	10,067	10,533	13,237	14,279	15,450
Other Current Asset	11,873	15,481	18,562	21,717	22,277	23,287
Current Liabilities	33,417	32,381	36,050	42,017	39,860	41,553
<b>Net Current Assets</b>	<b>14,002</b>	<b>18,472</b>	<b>19,820</b>	<b>22,815</b>	<b>25,768</b>	<b>27,102</b>
<b>Total Assets</b>	<b>39,007</b>	<b>45,924</b>	<b>50,854</b>	<b>55,053</b>	<b>58,820</b>	<b>62,282</b>

Note: 1QFY2016 & 1QFY2017 numbers are reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP.

**Cash Flow Statement (Standalone)**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Profit before tax	5,678	6,679	6,344	6,129	7,270	8,648
Depreciation	728	792	1,008	999	1,035	1,078
Change in Working Capital	(3,703)	(5,029)	(1,579)	(3,730)	(3,748)	(1,986)
Net Int. & Financial Chrg.	422	581	909	929	973	996
Direct taxes paid	(1,653)	(1,977)	(1,645)	(1,378)	(1,890)	(2,248)
<b>Cash Flow from Operations</b>	<b>1,472</b>	<b>1,047</b>	<b>5,037</b>	<b>2,949</b>	<b>3,640</b>	<b>6,487</b>
(Inc)/ Dec in Fixed Assets	(1,000)	(962)	(1,655)	(1,030)	(1,040)	(1,115)
(Inc)/ Dec in Investments	1,657	(252)	(2,345)	508	528	(780)
<b>Cash Flow from Investing</b>	<b>657</b>	<b>(1,214)</b>	<b>(3,999)</b>	<b>(521)</b>	<b>(512)</b>	<b>(1,895)</b>
Issue/ (Buy Back) of Equity	163	144	0	0	0	0
Inc./ (Dec.) in Loans	(1,515)	2,612	1,478	672	92	(1,200)
Dividend Paid (Incl. Tax)	(1,115)	(1,227)	(1,375)	(1,485)	(1,595)	(1,595)
Interest Expenses	(850)	(1,025)	(1,419)	(1,449)	(1,508)	(1,531)
<b>Cash Flow from Financing</b>	<b>(3,316)</b>	<b>504</b>	<b>(1,316)</b>	<b>(2,262)</b>	<b>(3,012)</b>	<b>(4,326)</b>
Inc./ (Dec.) in Cash (inc. of Disc. Operat.)	(410)	337	(278)	165	116	266
<b>Opening Cash balances</b>	<b>1,906</b>	<b>1,496</b>	<b>1,794</b>	<b>1,516</b>	<b>1,681</b>	<b>1,797</b>
<b>Closing Cash balances</b>	<b>1,496</b>	<b>1,794</b>	<b>1,516</b>	<b>1,681</b>	<b>1,797</b>	<b>2,063</b>

Note: 1QFY2016 & 1QFY2017 numbers are reported as per Ind AS, FY2016 numbers & other quarters continue to be reported as per Indian GAAP.

**Key Ratios (Standalone)**

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	28.4	25.5	27.8	26.6	26.3	22.1
P/CEPS	25.1	22.3	23.3	22.4	22.0	18.9
Dividend yield (%)	0.8	0.8	0.9	1.0	1.0	1.0
EV/Sales	2.6	2.6	2.7	2.5	2.2	1.9
EV/EBITDA	24.3	22.3	23.3	24.6	21.0	17.8
EV / Total Assets	3.4	3.2	3.0	2.8	2.6	2.4
<b>Per Share Data (₹)</b>						
EPS (fully diluted)	52.9	59.0	54.1	56.6	57.3	68.1
Cash EPS	59.9	67.5	64.6	67.2	68.3	79.6
DPS	12.0	12.3	13.3	14.4	15.4	15.4
Book Value	464	493	542	586	626	663
<b>Returns (%)</b>						
RoCE (Pre-tax)	17.5	18.7	16.3	14.5	15.6	17.0
Angel RoIC (Pre-tax)	17.5	17.2	15.5	13.9	15.1	16.6
RoE	14.2	15.6	13.3	15.1	12.6	13.7
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block) (X)	4.4	4.9	4.8	4.6	4.8	5.1
Inventory / Sales (days)	15	13	13	13	11	11
Receivables (days)	160	142	143	151	138	119
Payables (days)	134	122	127	139	129	111
<b>Leverage Ratios (x)</b>						
D/E ratio (x)	0.3	0.3	0.3	0.3	0.3	0.3
<b>Interest Coverage Ratio (x)</b>	<b>6.9</b>	<b>7.2</b>	<b>5.5</b>	<b>5.2</b>	<b>5.8</b>	<b>6.6</b>

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2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)