

L&T – BUY**Result Update**

Current Market Price (CMP)

Rs.1,468

Target Price

Rs.1,850

Our price target of Rs.1,850 offers upside of 26% from current market price.

Rationale:

- Reported a healthy and in-line operating result, Internals supportive of rerating.
- L&T's order backlog appears healthy both on execution and profitability.
- We factor 15% hit-rate in L&T's Rs9.6 lakh cr order prospects pipeline for FY22.
- L&T to deliver high-teens PAT CAGR over FY20-23 and high dividend payout ratio.
- We arrive at sum of the parts (SoTP) based fair value of Rs1,850.

Q4FY21 Earnings update:**👍 Positives:**

- 6/14% yoy growth in the core E&C business revenues & operating profit (EBITDA).
- Outperformance on margin helps more than offset for weakness in profitability.
- FY21 was a year of healthy recovery in margins, cash flows and order share gains.
- 31% of consolidated backlog comes from projects with multilateral funding.
- L&T's cash flow generation has improved meaningfully versus FY10-15 period.

👎 Negatives:

- A large deferred tax charge led to a 17% miss in reported PAT (+2% YoY).

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For detailed report dated 15th May 2021. Note: CMP & valuation may differ due to difference in dates.



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