

## L&T – BUY

### Result Update

Current Market Price (CMP)

**Rs.1,672**

Target Price

**Rs.1,920**

**Our price target of Rs.1,920 offers upside of 14.8% from current market price.**

### Rationale:

- Healthy & In-line EBITDA (operating profit) for core E&C (Engineering & Construction).
- Normalization in execution to be swift with labor availability at desired levels.
- Uptick in ordering prospects bodes well for L&T to cover up from a weak start.
- We assume a 27% EPS growth over FY20-24, retain 17x multiple for the core E&C.
- We arrive at sum of the parts (SoTP) based fair value of Rs1,920 (from Rs1,945).

### Q1FY22 Earnings update:

#### **Positives:**

- E&C Operating profit of Rs1,600cr, up 38% yoy and 2% ahead of our estimate.
- Company expects to maintain margins at FY21 level for core E&C.
- Order book at Rs3.23 lakh cr was up 6% yoy, strong prospects for FY22.
- Given guidance of low to mid-teens order inflow and revenue growth for FY22.

#### **Negatives:**

- Miss in consolidated financials was largely driven by LTFH (Finance business) and development projects.

[Click here](#)

For detailed report dated 26<sup>th</sup> July 2021. Note: CMP & valuation may differ due to difference in dates



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>