

Larsen & Toubro Ltd.



Current Price : 1251.6(as of 05/05/2014)

52 Week High/ Low : 1540/678

Target Price : 1800

Industry Overview

The future of the Indian infrastructure sector is filled with potential, as attested by the following air transport (including air freight) in the country attracted FDI. The Railways segment generated Rs 59069.73 crore (US\$ 9.5 billion) of revenue earnings from commodity-wise freight traffic, which is an increase of 7.91 per cent on last year's Rs 53923.37 crore (US\$ 8.7 billion). India's port sector is also poised to mark great progress in the coming years. It is projected that by the end of 2017, port traffic will amount to 943.06 million tons (mt) for India's major ports and 815.20 mt for its minor ports.

Company Overview

Larsen & Toubro Limited (L&T) is a technology, engineering, construction and manufacturing company. It is one of the largest and most respected companies in India's private sector. For L&T, FY14E has been an eventful year given the inflexion point in its attempt to diversify geographically and thus reduce the concentration risk on domestic economy. Including the hydrocarbons business, we expect possible intake from overseas business at ~INR350b in FY14, up nearly 2.3x Y-o-Y and contributing ~35% to the consolidated intake (vs the previous corridor range of ~12-18%). the base order intake in domestic E&C business (excluding large project wins of INR15b+) has averaged at ~INR120b/quarter over the last 8-10 quarters. FY16E domestic E&C revenues at INR539b (up from INR432b in FY14E, CAGR of 12%); and is in-line with the adjusted order intake of ~INR560-586b in FY13/14E.

Key Ratio's

	FY13	FY14(e)	FY15(e)
EPS	79.80	44.60	55.10
P/E	4.70	28.50	23.10
ROE (%)	13.30	14.20	14.30
ROA (%)	11.60	12.10	12.60
P/BV	5.23	3.60	3.20

Peer Comparison

Name	Market Cap (Rs. Cr.)	Sales Turnover	Net Profit	Total Assets	P/E	D/E	EPS	Market Cap/ Sales Turnover
Larsen	132,352.98	60,873.26	4,910.65	37,148.28	27.76	65.04	51.37	2.17
BHEL	56,686.42	48,424.65	6,614.73	31,859.30	11.57	2.89	19.83	1.16
Adani Ports	46,576.16	4,345.78	2,016.17	14,503.28	23.50	19.33	9.56	13.84
Siemens	29,880.24	11,352.66	193.95	4,030.30	117.14	0.00	7.13	2.62
ABB	18,604.50	7,721.99	179.31	3,297.67	98.48	14.63	8.90	2.41

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Conclusion: Buy with target price of Rs. 1800

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