



CMP: ₹1780-1845

BUY

TP: ₹2192

Upside: 21%

- L&T is India's largest engineering and construction company with no real peers when compared on breadth and depth of offerings.
- On the back of strong sector tailwinds and outperformance of L&T's listed IT subsidiaries (LTI, LTTS, MTCL) driving an earnings upgrade, we raise consol. EPS for L&T by 4/6/5% for FY22/23/24. Value of listed subs has increased to Rs1,062/sh (vs Rs727 in Aug21), now contributing to 48% of the share in L&T's SOTP valuation, up from 40% in Aug-21
- Normalcy in business operations, expects execution and orders to accelerate in 2H to deliver a mid-teen growth in FY22.
- L&T group aims to invest in implementation of green energy in manufacturing and construction sites and also offer solutions to customers in areas such as hydrogen, decarbonisation, bio-fuels in its journey of energy transition.
- Pick up in execution, expertise in managing costs, improving NWC cycle and balance-sheet repair should aid 19% EPS CAGR (ex-services) in FY22-24. Core valuations are attractive at 13x FY23ii EPS. L&T now trades at 15x/13x FY22/23ii EPS (~10% cheaper vs Aug-21).

Financial Summary

Consolidated (`mn)	Revenue	EBITDA Margin (%)	EPS	EPS growth (%)	P/E (x)	RoE (%)
FY22E	1,582,414	12.2	68.9	38.9	26.0	12.2
FY23E	1,856,629	12.4	86.5	25.5	20.7	14.0



Disclaimer:

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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Investment

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