

LT

Larsen & Turbo (LT) reported sales growth of 10% YoY and 17% QoQ to Rs.15581 bn led by strong order book execution and higher contribution from international order. Order inflow during this quarter at Rs 19545 cr registered growth of 14% YoY and cumulative order book position during this fiscal now stand at Rs. 162334 cr indicating 22% order growth in 9MFY13 as against previous year. International order constitutes 22% of total order inflow and major order came from Building & Factories, Infrastructure and Power Transmission & Distribution sectors. Management continues to maintain revenue growth guidance of 15-20% in FY13.

Higher construction material cost and higher other expenses led EBITDA growth of 10% YoY to Rs.1475 cr. Construction materials and other expenses cost increased by 38% YoY and 25% YoY to Rs 4158 cr and Rs.1316 cr respectively. EBITDA margin remain same at year on basis to 9.6% but sequential declined by 109 bps.

During quarter LT reported other income of Rs.530 cr as against Rs.449 cr in 3QFY12 and Rs.329 cr in 2QFY13. Depreciation cost increased by 11% YoY and flat on QoQ to Rs.204cr. Effective tax rate also remain flat at sequential basis to 28% while tax rate was 30% in 3QFY12.

On the back of higher other income and lower tax rate the company registered net profit growth of 13.1% YoY to Rs.1122 cr in line with street expectation.

Engineering and construction segment reported revenue growth of 11% YoY and 19% QoQ(lower than previous quarter) to Rs.13882 bn which constituted 90% of total revenue. International sales constituted 23% of total revenue as compare to 9% in 3QFY12. Fresh Order intake in E&C segment registered growth of 16% YoY to Rs.17818 cr despite to weak investment climate and intense competition. In E&C segment, international order constituted 22% of total order inflow versus 10% in 3QFY13. This segment has cumulative order of Rs.159985 cr at the end of December 2012. EBIT margin of this segment contracted by 106 bps to 9.2% as against 10.3% in 3QFY12 and 10.8% in 2QFY13.

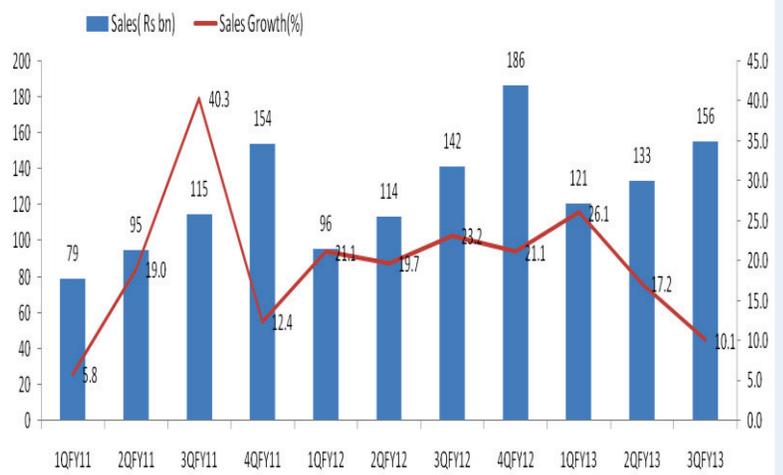
Electrical and Electronic segment reported muted sales of 5% YoY to Rs.886 cr due to decelerating domestic demand. However international sales of this segment grew by 26% YoY which constituted 11% of segmental revenue. EBIT margin of this segment improved by 265 bps YoY to 11.1% against 8.5% in 3QFY13 and 8.3% in 2QFY13.

Machinery and Industrials segment reported revenue of Rs.593 cr as against Rs.720cr in 3QFY12 and Rs.551 cr in 2QFY13. Year on year declined in revenue was due to slower growth in capital goods sector. International sales of this segment constitute 23% of total revenue as compare to 19% in 3QFY12. This segment reported operating profit margin of 18%.

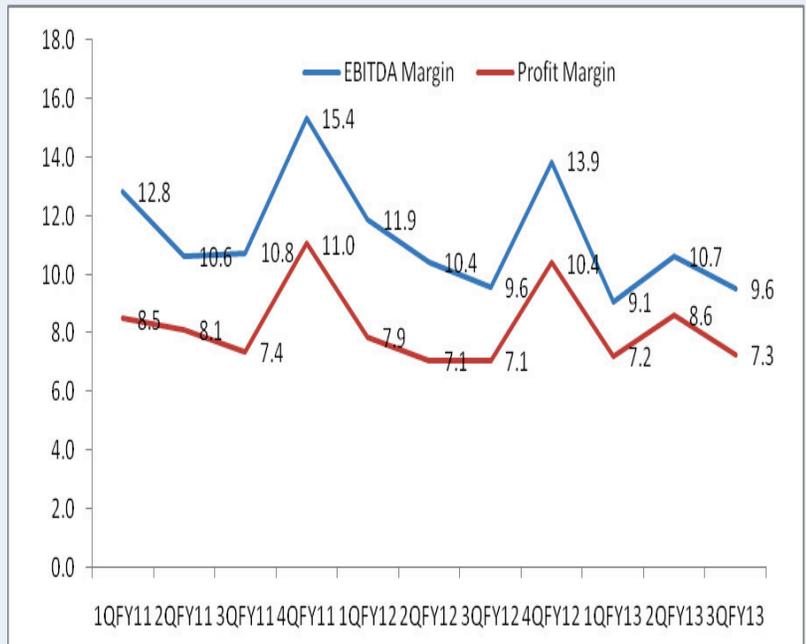
LT is on the track of meeting its full year order intake guidance of Rs.80000- 85000 cr. During this quarter the company won order worth Rs.19545cr and cumulative order of Rs.60100 cr means LT has to beg additional order of Rs.20000 to meet its guidance. At the current price of Rs.1590 stock is trading at 14 times of FY14 earnings. We recommend Buy with our target price of Rs1700 which is 15 times of one year forward earnings.



Source: Company/Eastwind



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