

Larsen & Toubro

CMP: INR1,291
TP: INR1,480 (+15%)
Buy

BSE SENSEX	S&P CNX
25,881	7,935
Bloomberg	LT IN
Equity Shares (m)	926.9
M.Cap. (INR b)/(USD b)	1,196/17.8
52-Week Range (INR)	1,886/1,017
1, 6, 12 Rel. Per (%)	2/-3/-14
12M Avg Val (INR M)	3,102
Free float (%)	100.0

Financials & Valuation (INR Billion)

Y/E MAR	2016	2017E	2018E
Sales	1,026	1,131	1,296
EBITDA	123.4	150.4	181.6
Adj PAT*	47.3	55.6	67.6
EPS (INR)*	50.6	59.4	72.2
EPS Gr. (%)	7.1	17.5	21.5
BV/Sh (INR)	470.2	515.4	568.6
RoE (%)	11.1	12.1	13.3
RoCE (%)	6.9	7.2	8.2
P/E (x)*	25.5	21.7	17.9
P/BV (x)	3.0	2.7	2.5

* Consolidated

Estimate change

TP change

Rating change


- 4QFY16 performance—above estimates:** L&T's 4Q16 consolidated performance was above estimates primarily on account of the strong performance of the infrastructure segment. Revenues at INR332b (up 18% YoY, estimates of INR319b) were marginally above our estimates. Consolidated E&C sales grew 19% YoY with domestic up 21% YoY while overseas sales were up 16% YoY. Infrastructure segment witnessed a robust growth of 20% YoY as projects bagged by L&T in 4QFY15 entered execution. Key projects in Middle East (Riyadh and Doha Metro, Oman road project) are also on track and have not faced any delays in execution.
- Margin improvement supported by Infrastructure segment:** EBIDTA at INR48.6b (+34.6% YoY, estimate of INR38.1b) was above our expectation with margins at 14.7% (+180bps YoY), above our estimates of 11.9%, led by better job mix, low commodity prices helping boost EBIDTA margin of fixed price orders and cost rationalization steps undertaken by the company. E&C margins at 13.5% during the quarter were up 210bps primarily due to margin improvement in the Infrastructure segment (16.4%, +280bps YoY).
- Order intake in line with our estimate:** During 4QFY16, consolidated intake stood at INR434b (+11% YoY). This is broadly in line with our estimates of INR466b. However, unannounced orders were at INR173b (40% of total order intake) excluding the services business and IDPL. L&T typically announces project wins only post customer approval and the proportion of unannounced orders has historically been in the range of 30-50%.
- Issues guidance for FY17:** L&T has issued guidance on orders revenue and margins for FY17: order intake is guided to be up 15% YoY and EBIDTA margins are being guided to improve 50bps YoY. Revenue guidance at 12-15% growth. During FY16, the guidance for all the three segments has witnessed moderation in expectations (vs. initial estimates) largely given the sluggish investment climate.
- Maintain Buy; raise estimates and target price to INR1,480.** We raise our estimates for consolidated earnings for FY16/FY17 by 3%/6% respectively and our SOTP based target price to INR1,480.

Quarterly Performance (Consolidated)

Y/E March	FY15				FY16				(INR Million)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY15	FY16		% Var
Net Sales	189,748	211,593	238,479	280,226	202,522	233,932	258,293	331,570	920,046	1,026,317	319,203	3.9%
Change (%)	9.8	10.4	9.6	3.8	7.0	10.6	8.3	18.3	8%	12%	13.9	
EBITDA	25,153	23,341	28,900	36,090	22,902	25,917	26,499	48,592	113,356	123,427	38,101	27.5%
Change (%)	34.3	-6.8	9.8	-3.5	-8.9	8.6	-8.3	34.6	5.4	8.9	5.6	
Margin (%)	13.3	11.0	12.1	12.9	11.3	11.1	10.3	14.7	12.3	12%	11.9	
Depreciation	8,073	5,486	6,791	5,876	6,222	6,936	6,198	8,203	26,225	27,560	6,547	
Interest	7,787	6,904	9,204	4,739	7,067	8,278	7,446	7,737	28,507	30,412	7,285	
Other Income	2,770	2,145	2,347	2,808	2,574	2,191	4,517	2,182	10,072	11,830	2,479	
Extraordinary Inc/(Exp)	2,493	0	0	984	0	3,096	0	485	3,477	3,581	0	
Reported PBT	14,556	13,096	15,252	29,267	12,186	15,990	17,371	34,834	72,173	80,866	26,748	30.2%
Tax	4,490	4,692	5,693	7,961	5,458	4,936	5,555	9,537	22,836	23,782	7,578	
Effective Tax Rate (%)	30.8	35.8	37.3	27.2	44.8	30.9	32.0	27.4	31.6	33.0	28.3	
Reported PAT	9,669	8,616	8,665	20,696	6,062	9,959	10,348	24,536	47,648	50,905	18,236	34.6%
Change (%)	110.8	6.9	8.8	-27.1	-37.3	15.6	19.4	18.6	-2.9	3.8	-12.0	
Adjusted PAT	7,176	8,616	8,665	19,712	6,062	6,863	10,348	24,051	44,171	47,324	18,236	31.9%
Change (%)	67.4	6.9	16.6	5.6	-21.0	-20.3	19.4	22.0	5.2	7.9	8.7	

E: MOSL Estimates

Ankur Sharma (Ankurvsharma@MotilalOswal.com); +91 22 3982 5449

Amit Shah (Amit.Shah@MotilalOswal.com); +91 22 3029 5126

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

4QFY16 operational performance meaningfully above estimates driven by pick up in domestic infrastructure segment

- L&T's 4Q16 consolidated operating performance was above estimates primarily on account of the robust performance from the infrastructure segment. Revenues at INR332b (up 18% YoY, estimates of INR319b) were marginally above our estimates. Consolidated E&C sales grew 19% YoY with domestic up 21% YoY while overseas sales were up 16% YoY. Infrastructure segment witnessed a robust growth of 20% YoY as projects bagged by L&T in 4QFY15 entered execution. Key projects in Middle East (Riyadh and Doha Metro, Oman road project) are also on track and have not faced any delays in execution.
- EBIDTA margins at 14.7% (+180bps YoY) were above our estimates of 11.9%. EBIDTA at INR48.6b (+34.6% YoY, estimate of INR38.1b) was above our expectation, led by better job mix, low commodity prices helping boost EBIDTA margin of fixed price orders and cost rationalization steps undertaken by the company.
- PAT at INR24.1b (+8.7% YoY) in 4QFY16 vs. our estimate of INR18.2b. The beat at the EBIDTA level percolated to the PAT level. Interest cost during the quarter was up 65% led by commissioning of 3 developmental projects. Depreciation cost also increased 40% YoY led by INR1.6b impairment cost for P&G road project charged during the quarter.
- Standalone performance was meaningfully above estimates, with revenues at INR211b (+11% YoY, in line with our estimate of INR207b) primarily on strong execution in the domestic infrastructure (+12%) and power (+34%) segment. Infrastructure segment witnessed strong growth of 12% in sales to INR159b as key projects won in 4QFY15 entered the execution cycle.
- Standalone EBIDTA margins at 15.2% (+210bps YoY, above our estimates of 11.6%). Margin improvement at the standalone level primarily due to improvement in margins in the E&C segment which were up 220bps YoY to 14.6% and the. PAT at INR25.4b (+23% YoY) was above our estimates of INR20.1b.

Exhibit 1: Quarterly Performance (Standalone)

Y/E March	(INR Million)											
	FY15				FY16E				FY15	FY16E	FY16	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	% Var
Net Sales	103,376	127,168	149,950	189,679	107,102	132,343	147,739	210,613	570,173	597,796	207,928	1.3%
Change (%)	5.2	3.3	4.2	-5.5	3.6	4.1	-1.5	11.0	1%	3.6	9.6	
Other operational income												
EBITDA	10,873	13,412	15,694	24,899	9,746	10,124	10,019	31,932	64,878	61,708	24,161	32.2%
Change (%)	21.9	13.1	-6	-14.2	-10.4	-24.5	-36	28.2	-3%	-5%	-3.0	
Margin (%)	10.5	10.5	10.5	13.1	9.1	7.6	6.8	15.2	11.4	10.3	11.6	
Depreciation	2,609	2,376	2,638	2,458	2,463	2,536	2,444	2,545	10,082	9,989	2,638	
Interest	2,719	3,126	5,004	3,341	2,872	3,834	3,812	3,973	-14,190	14,490	3,932	
Other Income	4,880	6,033	6,219	5,701	5,535	4,875	6,171	7,367	22,834	24,060	5,942	
Extraordinary Inc/(Exp)	1,714	0	0	1,857	0	5,459	917	-773	0	0	0	
Reported PBT	10,425	13,943	14,271	24,801	9,946	8,628	9,934	32,780	63,440	61,288	23,533	39.3%
Tax	3,204	3,522	3,673	6,052	2,936	2,203	2,022	6,616	16,450	13,777	6,334	
Effective Tax Rate (%)	30.7	25.3	25.7	24.4	29.5	25.5	20.4	20.2	25.9	22.5	26.1	
Reported PAT	8,936	10,422	10,598	20,607	7,010	11,884	8,829	25,391	46,990	47,512	17,199	
Adjusted PAT	7,221	10,422	10,598	18,749	7,010	6,426	7,912	26,164	46,990	47,512	17,199	52.1%
Change (%)	8.7	20.5	-6.7	-16.3	-2.9	-38.3	-25.3	39.5		1%	-6.6	

E: MOSL Estimates Source: MOSL, Company

Consolidated E&C reports robust performance led by pick up in execution of the infrastructure projects

- Consolidated E&C sales growth at 19% in 4Q16 was on account of the strong growth in the domestic (+21% YoY) as well as smooth execution in the overseas market (+16% YoY). Within the E&C segment, Infrastructure revenues were up a 20% as domestic segment registered 22% jump, whereas overseas Infra sales were up by a 14%. Domestic execution picked up as key projects that L&T had won in 4QFY15 entered execution phase, whereas overseas infrastructure growth was supported by smooth execution of key projects like Riyadh and Doha Metro. Riyadh Metro has been 45% completed whereas Doha metro's tunneling work has got completed. Power segment sales jumped 51% YoY to INR22b on strong execution in both domestic and overseas projects won over the past year. Hydrocarbon sales grew 12% YoY to INR25b.
- Services business (IT&TS, Financial Services) along with developmental projects continued to witness robust growth. IT &TS sales at INR23b (+13% YoY) saw robust growth across its end markets (BFSI, Auto, industrial products and process engineering sector). Financial services sales at INR20b (+22% YoY) as it benefitted from its continued focus on the B2C segment, SME finance and select road and renewable projects. Developmental projects sales at INR14b (+58% YoY) saw a strong growth due to commissioning of new road concessions, increase in road traffic and higher PLF in Nabha power.
- Others segment sales at INR18.4b improved 21% YoY. Revenue growth was supported by construction and mining, valves and reality segment.

Exhibit 2: Segmental Details (Consolidated) INR m

	FY15				FY16			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Revenues								
Infrastructure	71,130	95,900	115,200	150,700	82,800	106,400	117,200	180,500
Hydrocarbon	15,530	18,010	17,700	22,060	21,900	19,300	21,700	24,800
Power	9,800	11,600	11,300	14,400	11,100	14,000	22,800	21,700
Metallurgical & Material Handling	9,160	7,700	6,800	7,840	4,800	5,600	5,800	7,600
Heavy Engineering	8,210	8,000	8,000	9,790	6,200	6,200	8,600	9,500
E&C total	113,830	141,210	159,000	204,790	126,800	151,500	176,100	244,100
Electricals & Automation	9,590	11,500	12,100	14,710	9,800	11,200	12,100	13,400
IT&TS	17,380	18,500	19,700	20,320	21,000	22,900	22,700	22,900
Financial Services	14,820	15,518	16,832	16,346	18,022	18,438	18,980	19,960
Development Projects	21,610	9,800	11,400	8,690	12,000	13,600	12,900	13,700
Others	12,520	14,400	19,800	15,180	14,900	16,300	15,600	18,400
Total Revenues	189,750	210,928	238,832	280,036	202,522	233,938	258,380	332,460
% YoY								
Infrastructure	17.4%	26.9%	22.3%	12.3%	16.4%	10.9%	1.7%	19.8%
Hydrocarbon	-48.9%	-24.2%	-25.9%	1.1%	41.0%	7.2%	22.6%	12.4%
Power	-32.3%	-19.4%	-30.2%	-7.7%	13.3%	20.7%	101.8%	50.7%
Metallurgical & Material Handling	-12.9%	-31.9%	-56.1%	-55.1%	-47.6%	-27.3%	-14.7%	-3.1%
Heavy Engineering	-4.2%	-20.8%	-25.2%	-31.7%	-24.5%	-22.5%	7.5%	-3.0%
E&C total	-8.6%	4.5%	-0.9%	0.7%	11.4%	7.3%	10.8%	19.2%
Electricals & Automation	10.2%	2.7%	3.4%	5.8%	2.2%	-2.6%	0.0%	-8.9%
IT&TS	22.1%	14.2%	21.6%	20.5%	20.8%	23.8%	15.2%	12.7%
Financial Services	-180.1%	25.9%	31.9%	-64.3%	21.6%	18.8%	12.8%	22.1%
Development Projects	569.0%	78.2%	225.7%	174.1%	-44.5%	38.8%	13.2%	57.7%
Others	28.0%	6.7%	63.6%	-11.8%	19.0%	13.2%	-21.2%	21.2%

Source: MOSL, Company

Margin improvement supported by infrastructure segment performance

- E&C margins at 13.5% during the quarter were up 210bps primarily due to margin improvement in the Infrastructure segment (16.4%, +280bps YoY). The management highlighted that large proportion of projects in the infrastructure segment that L&T had won in 4QFY15 has reached the margin recognition threshold limit thus significantly contributing to the margins. Moreover, infrastructure execution is primarily being driven by the domestic business where margins typically tend to be better than overseas margins.
- Power segment margins were at 11.6%(-200bps YoY) despite a sharp 51% jump in the sales. Margins declined due to: a) Some large domestic power projects not reaching the margins threshold level, b) 4QFY15 was benefitted by end of the project margin accruals.
- Heavy Engineering margins at -0.7% (12.3% in 4QFY15) were negatively impacted by time and cost overrun in certain process plant and nuclear projects, provisioning for doubtful debts and continued under recoveries in the forging joint venture business.
- Margins in IT&TS at 21.6% (+120bps) were primarily driven by a favorable currency impact and higher manpower utilization.
- Hydrocarbon margins in 4Q16 stood at -1.7% vs. the -6.8% margin in 4QFY15. Losses were primarily on account of the close out cost in the international business and under recovery in the fabrication yard. However management guided that most of the legacy projects are over and thus the segment should report positive EBIDTA numbers.

Exhibit 3: Segmental EBITDA margins

	FY15				FY16			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
EBITDA								
Infrastructure	7,330	9,700	10,368	20,495	8,800	9,150	9,259	29,602
Hydrocarbon	-8,910	-20	-850	-1,508	900	560	911	-422
Power	1,990	1,500	2,226	1,984	1,100	2,254	2,394	2,496
Metallurgical & Material Handling	1,150	700	632	858	0	308	-17	1,034
Heavy Engineering	1,040	1,000	832	1,288	400	-986	138	238
E&C total	2,600	12,880	13,209	23,116	11,200	11,286	12,684	32,947
Electricals & Automation	850	1,600	1,936	2,714	1,000	1,445	1,500	2,479
IT&TS	3,520	3,500	3,881	4,579	4,500	4,832	5,176	4,901
Financial Services	2,070	2,200	2,410	2,465	2,555	2,915	2,590	2,080
Developmental Projects	14,670	873	2,439	1,246	2,127	2,392	1,078	4,100
Others	2,580	2,700	5,485	3,410	3,200	3,081	4,072	3,220
Total EBITDA	26,290	24,480	30,416	38,105	25,555	27,059	29,022	49,727
EBIDTA margins (%)								
Infrastructure	10.3	10.1	9.0	13.6	10.6	8.6	7.9	16.4
Hydrocarbon	-57.4	-0.1	-4.8	-6.8	4.1	2.9	4.2	-1.7
Power	20.3	12.9	19.7	13.8	9.9	16.1	10.5	11.5
Metallurgical & Material Handling	12.6	9.1	9.3	10.9	0.0	5.5	-0.3	13.6
Heavy Engineering	12.7	12.5	10.4	13.2	6.5	-15.9	1.6	2.5
E&C total	2.3	9.1	8.3	11.3	8.8	7.4	7.2	13.5
Electricals & Automation	8.9	13.9	16.0	18.5	10.2	12.9	12.4	18.5
IT&TS	20.3	18.9	19.7	22.5	21.4	21.1	22.8	21.4
Financial Services	14.0	14.2	14.3	15.1	14.2	15.8	13.6	10.4
Developmental Projects	67.9	8.9	21.4	14.3	17.7	17.6	8.4	29.9
Others	20.6	18.8	27.7	22.5	21.5	18.9	26.1	17.5
Total	13.9	11.6	12.7	13.6	12.6	11.6	11.2	15.0

Source: MOSL, Company

Consolidated E&C: Performance improvement supported by pick up in domestic execution

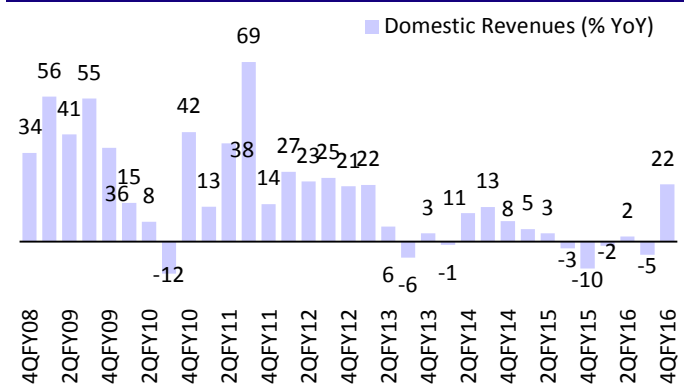
During 4QFY16 - domestic E&C revenues were up 21% YoY and overseas up 16% YoY. Pick-up in domestic execution is supported by key large projects that Larsen had booked in 4QFY15 has entered the execution phase. Overseas execution is being supported by large project wins like Riyadh Metro, Doha Metro and road projects in Oman. There have not been any delays which are being faced by L&T in the execution of its large projects in the overseas markets despite the sharp fall in oil prices.

Exhibit 4: L&T - Key infrastructure project wins in overseas market have started contributing to revenues

Award	Project Details	INR m	Country
2QFY14	Al Bathinah Expressway, Package 4	20,850	Oman
2QFY14	Riyadh Metro Project	82,500	Saudi
4QFY14	Bidbid Sur Section Road	15,500	Oman
4QFY14	Al-Wakrah Bypass	36,550	Qatar
1QFY15	Doha Metro Project	45,100	Qatar

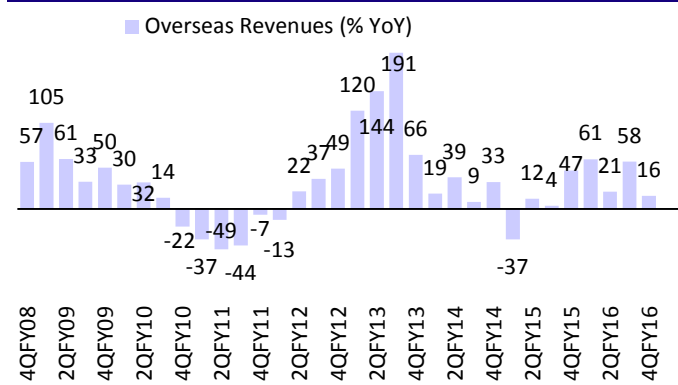
Source: MOSL, Company

Exhibit 5: Domestic E&C execution growth picks up, given orders received in 4QFY15 enters execution phase



Source: MOSL, Company

Exhibit 6: Overseas E&C revenue growth supported by smooth execution of Riyadh and Doha metro projects



Source: MOSL, Company

4QFY16 intake in line with expectation; Management issues 15% YoY growth guidance for FY17

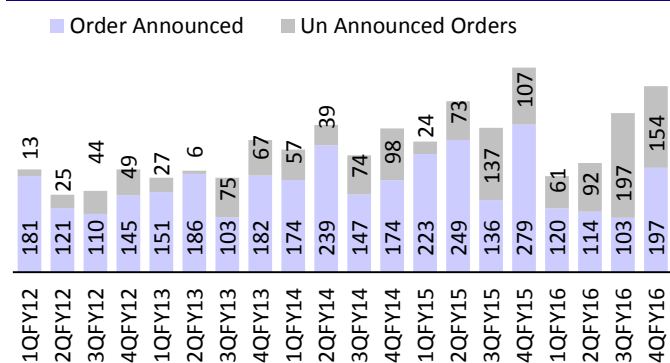
- During 4QFY16, consolidated intake stood at INR434b (+11% YoY). This is broadly in line with our estimates of INR466b. However, unannounced orders were at INR234b (54% of total order intake) excluding the services business and IDPL. L&T typically announces project wins only post customer approval and the proportion of unannounced orders has historically been in the range of 30-50%.
- For FY17, the management has issued an guidance for consolidated intake 15% YoY growth (INR1.6trn. Management guided that incremental order inflow growth would be supported by pick up in ordering activity in the power, railways, hydrocarbon and defence segment.
- The management remains optimistic on achieving its guidance, and highlighted that the bid pipeline remains robust at INR5.0t comprising of Infrastructure projects (INR2.5t), Power projects (INR1.0t), Hydrocarbons (INR1.0t), defence (INR500b).

Exhibit 7: 4QFY16 consolidated intake in line of estimates (INR b)

	1QFY15	2QFY15	3QFY15	4QFY15	FY15	1QFY16	2QFY16	3QFY16	4QFY16
E&C	246	323	272	386	1,227	181	207	300	352
- Domestic	121	283	234	306	944	135	127	226	246
- Overseas	125	40	38	80	284	47	80	74	105
Electrical	13	16	13	20	62	11	12	15	17
Services	53	42	47	44	186	50	54	54	60
Others	20	17	20	21	78	21	11	14	8
Consolidated Intake	334	398	346	476	1,554	264	286	385	433

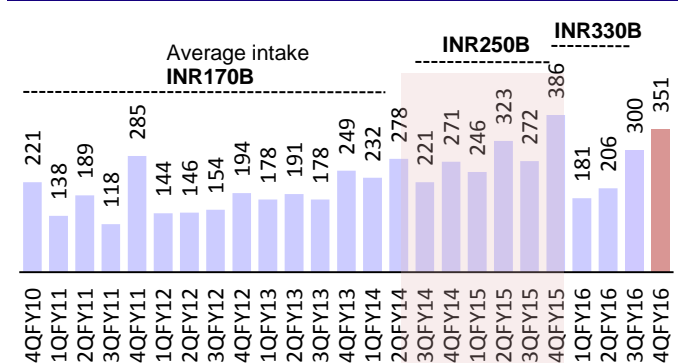
Source: Company, MOSL

Exhibit 8: E&C consolidated intake (INR b): Announced orders at just INR197b



Source: MOSL, Company

Exhibit 9: E&C consolidated intake sees strong growth in 4QFY16 (INR b)



Source: MOSL, Company

Domestic E&C ordering declines during 4QFY16 led by weak finalization of large orders

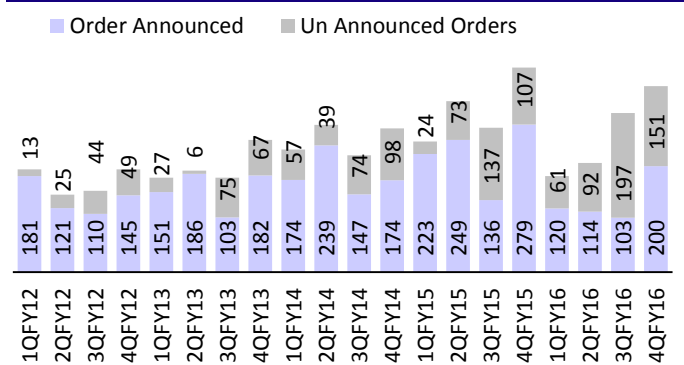
- During 4Q16, announced order intake by L&T has come in at Rs197bn with large project (>Rs15bn) worth INR91b announced through during the quarter. This is meaningfully lower than the INR140bn of orders which were announced during Q416
- Overall E&C order are at INR351b in 4QFY16 (-9% YoY) within which domestic orders are down 19% while overseas E&C orders are up 30% which clearly indicate that domestic order wins have slowed down considerably over the past year
- For L&T, the base orders intake in domestic E&C (excluding large project wins of INR15b+) averaged at ~INR135b / qtr over the last 10-12 quarters and has remained in a range. The volatility in reported intake is largely a function of the large project wins, and thus, the pick-up in intake will also be led by large sized projects in segments like Transport Infra (Metros, Railways, Roads, Ports), Process Industries (Metals, Material Handling), Power (Thermal, Hydro), Hydrocarbons, Defense, etc.

Exhibit 10: Large project wins (INR15b+) of INR410b in FY15; INR133b in FY16

Period	Project Description	Customer	INR B
1QFY15	Optical Fibre Cable network for Defence	BSNL	24
2QFY15	EPC 1320MW, Shree Singaji	MP Genco	51
2QFY15	Well Head Platforms	ONGC	13
2QFY15	Boilers, 1320MW Tanda	NTPC	19
2QFY15	Six lane Expressway	UP	16
2QFY15	Statue of Unity	Gujarat	30
3QFY15	Electrification	Western DFCC	26
3QFY15	Classified Contract		~90#
4QFY15	Barapullah Elevated Corridor	PWD Delhi	17
4QFY15	Offshore Patrol Vessels	Coast Guard	14
4QFY15	EPC 1320MW Khargone	NTPC	56
4QFY15	MP Road Projects	NHAI	27
4QFY15	3.5msf Mixed Use Development, Mumbai		28
1QFY16	Offshore contract for Bassien Development	ONGC	27
2QFY16	Water Supply order from Telangana and Rajasthan		15
4QFY16	Turnkey order for the residential project		20
4QFY16	Turnkey for a mixed use project in Delhi		15
4QFY16	JV order for constructing 6 Lane bridge across Patna on river Ganga		31
4QFY16	Two orders from PDO, Oman-EPC to overcome pressure depletion		24

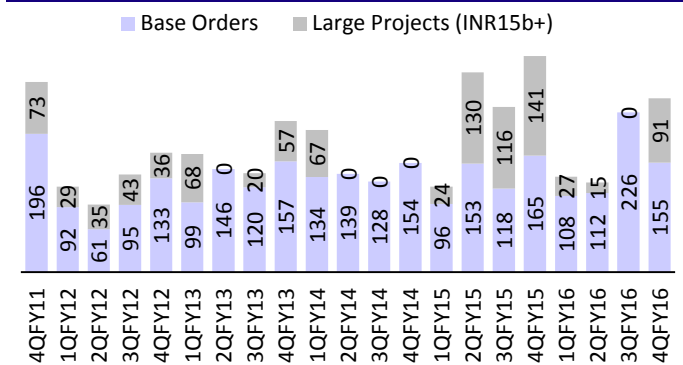
#MOSL EstimateSource: MOSL, Company

Exhibit 11: Consolidated E&C order intake (incl. unannounced orders), INR b



Source: MOSL, Company

Domestic E&C: base orders supports the inflow in 4Q16; large orders continues to remain weak INR b



Source: MOSL, Company

Exhibit 12: Key orders bagged by L&T during 4QFY16

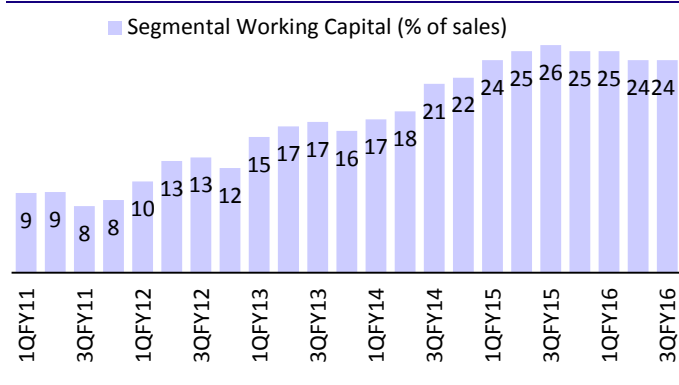
	INR M
L&T-Daewoo JV win 22km 6 lane bridge across Patna on River Ganga	31,150
L&T Sojitz JV win electrification contract for WDFCC for 422km section from Vadodara to JNPT. This is in continuation of	12,130
A major order for electrification upgrade from the M East and another order by L&T Oman from Oman Electricity	10,140
Additional order for ongoing metro job in overseas market	3,900
NHAI order for construction of Kerala/Tnadu - Villikuri-Kanyakumair section of NH47/47B on EPC in 24 months	10,780
EPC order from Sarawak Energy in East Malaysia for 2 275/132/33kv substation for a GIS. L&T Oman order for 400kv	10,010
EPC order of Rs134cr from AP Capital Region Development Authority for construction of interim government complexes	1,340
Order from UP Avas Vikas Parisad for EPC of a muti storied residential project in Lucknow. Also, EPC order from	9,670
EPC order from Ethipian Electric Power for 400/230/15kv substation and 3 230/15kv substansions. Another order in SE	5,800
Additional water order from ongoing water and effluent plants	1,250
Major turnkey order for a residential project from a leading developer in Mumbai. Civil structural and MEP for 6 towers	20,180
Orders from PGCIL for 400kv DC transmission line	7,100
Addl order in Heavy Civil business	3,000
AHP for NTPC Tanda for first time	1,770
Turnkey order for a mixed use project in Delhi. Project for a convention centre, business centre and two hotel towers. It	15,000
Construction of up gradation works at Air Force Academy, Hyderabad/. Resurfacing and extension of main runway and	4,500
Order from Electricity Generating Authorit of Thailand	3,210
NHAI order for 4 laning of Addahole to Bantwai cross of NH75 in Karnataka and is 63kms in length and 30 months	8,210
Design and implementation of safe cities using integrated security systems and traffic management systems	7,610
Addl. Orders worth Rs543cr from ongoing jobs in T&D	5,430
Won 2 orders from PDO, Oman - EPC of Saih Nihaydah Depletion Compression Phase 2 and Kauther Depletion	24,420

Source: MOSL, Company

NWC stable at 24% of sales; Operating Cash Flows at INR36b

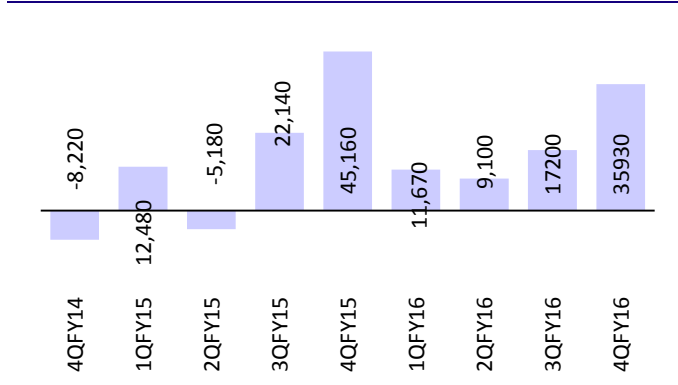
- NWC has been sustained at 24% of sales which is flat sequentially.
- Consolidated operating cash flows at INR36b in 4Q16 is also flat on YoY basis.
- We believe that the changes in net working capital are led by cyclical factors of customer advances/retention money; thus, with improved intake, these factors should correct in FY17.

Exhibit 13: Working capital has been stable for four quarters

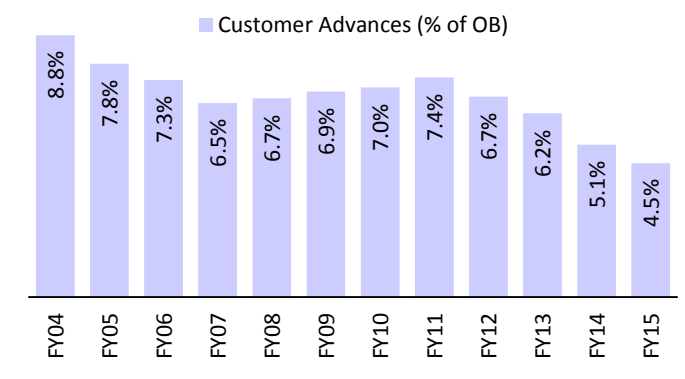


FY15 data points are consolidated; Source: MOSL, Company

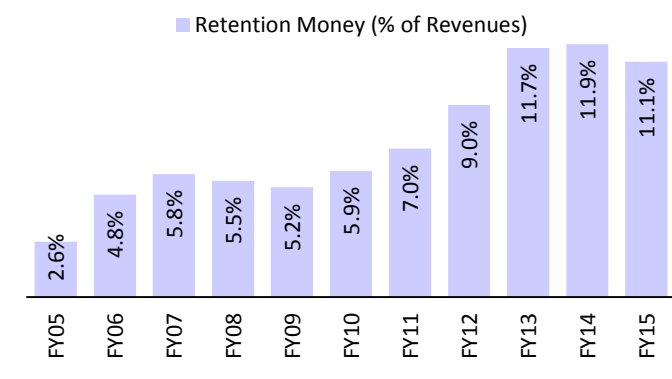
Exhibit 14: Operating cash flow stable YoY (INR m)



Source: MOSL, Company

Exhibit 15: Customer Advances (% of order book) has deteriorated

Source: MOSL, Company

Exhibit 16: Retention Money (% of revenues) remains at elevated levels

Source: MOSL, Company

Management issues FY17 guidance

L&T has given guidance on orders revenue and margins for FY17: order intake is guided to be up 15% YoY and EBIDTA margins are being guided to improve 50bps YoY. Revenue guidance at 12-15% growth. During FY16, the guidance for all the three segments has witnessed moderation in expectations (vs initial estimates) largely given the sluggish investment climate

Exhibit 17: L&T issues FY17 Guidance on orders revenues and margins

(% YoY)	1QFY15	2QFY15	3QFY15	FY15A	FY16 Guidance	2QFY16	3QFY16	FY16A	FY17 Guidance
Revenues	+15%	+10-15%	+10-15%	8.1%	+15%	10-15%	10-15%	12%	12-15%
Order Intake	+20%	+20%	+15-20%	22.4%	+15%	5-7%	Flat	-12%	15%
Margins	-150bps	-150bps	-200bps	-218bps	+100bps	+100bps	+++	-30bps	50bps

Source: MOSL, Company

L&T's Guidance Composition: A Recap

- Revenue and Order Intake guidance is for consolidated entity.
- EBIDTA margin guidance is for consolidated entity, excluding IT Services, Financial business and Developmental projects. Thus, this largely captures the margins in E&C business, Products (including electrical, machinery), Manufacturing business (including Ship building, Power BTG,), Real Estate, etc.

Valuation and View

- L&T is exposed to several levers across business/geographic segments and has emerged as the E&C partner of choice in India, which provides a robust foundation to capitalize on the next leg of investment cycle.
- Management intent is to improve consolidated ROE to 20% (15.5% in FY14) and ROCE to 15% (10% in FY14) in the medium term. Capping investments in concession business / asset monetization are important parts of this strategy.
- Manufacturing businesses (like Shipyard, Power BTG, Forgings etc) also present interesting possibilities in the longer term. Many of these businesses are difficult to replicate and L&T is strongly positioned as a dominant player.

Target price of INR1,480; Maintain Buy increase our estimates and TP

- We maintain **Buy** with a revised SOTP based price target of INR1,480/sh (E&C business at 18x FY18E). We increase our consolidated earnings by 3%/6%. We assign a 18x multiple to the standalone business.
- We believe that a our target price is justified, given near term weakness in the ordering activity however we believe that in the medium term strong pipeline of projects is building-up in segments like Metro Rails, Hydrocarbons, Fertilizers, Nuclear Power, Defence, Power BTG, etc. Our target PER multiple of 18x is lower than the average multiple during FY07-11 of 25x, a period when the domestic project ordering was quite robust.
- Manufacturing businesses like Power BTG, Shipbuilding and Special Forgings are expected to witness sharp improvement in order intake in FY17, led by pick-up in project awards in Power BTG, Defence and Nuclear segments.

Exhibit 18: Revision in estimates

(INR m)	FY16A	New Estimates		Old Estimates		Change in estimates	
		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Sales	1,026,317	1,131,267	1,295,947	1,158,396	1,305,178	-2%	-1%
EBITDA	123,427	150,414	181,561	144,756	170,942	4%	6%
EBITDA (margins %)	12.0%	13.3%	14.0%	11.9%	12.9%	1.4%	1.1%
PAT	47,324	55,599	67,559	53,851	63,548	3%	6%
EPS	50.6	59.4	72.2	57.6	67.9	3%	6%

Source: MOSL, Company

Exhibit 19: L&T SOTP value

	Method	Valuation multiple	Value (INR b)	Value (INR/sh)	Rationale
Construction Business					
L&T Standalone	FY18E PER (x)	18.0	986	1,054	Lower multiple on slow down in order inflow
L&T Hydrocarbons	FY18E EPS	18.0	34	36	
International Ventures (L&T FZE)	FY18E PBV (x)	1.0	11	12	
Service Segments					
L&T Infotech	FY18E PER (x)	11.0	132	141	At par to mid tier IT companies
L&T Technology Services	FY18E PER (x)	11.0	62	66	At par to mid tier IT companies
Finance Services incl. general insurance	FY18E PBV (x)	1.5	132	90	At discount to peer group given relatively lower ratios
Sapura Shipping	FY18E PBV (x)	1.5	1	2	
L&T Realty	FY18E PER (x)	15.0	33	35	
Asset Ownership / Project Developer					
Infrastructure Development Projects	FY18E PBV (x)	0.5	34	37	At 0.5x Book Value to capture the macro volatility and losses
Power Development Projects	FY18E PBV (x)	1.0	27	29	At Book Value, given Case 2 bid
Manufacturing Ventures					
Power Equipments	FY18E PER (x)	15	40	43	Expect industry project awards to sustain at 15-18GW pa
Shipbuilding / Container Port	FY18E PBV (x)	1.0	20	21	Increased possibility of Defence (Naval) orders
Special Steel and Heavy Forgings	FY18E PBV (x)	1.0	8	9	Possibility of Nuclear project awards to commence in FY17
Less: Holding Company Discount of 20%				-95	
Total				1,482	

Source: MOSL, Company

Operating metrics

	INR Billion						
	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Consolidated E&C Business, incl Hydrocarbons							
Order Intake	689	815	1,020	1,227	1,039	1,174	1,257
- Domestic	536	670	628	943	731	914	1,006
- Overseas	153	145	383	284	308	260	251
Order Intake, % YoY	-6.4%	18.3%	24.1%	21.4%	-15.3%	13.0%	7.0%
- Domestic	-19.9%	25.0%	-6.2%	50.2%	-22.5%	25.0%	10.0%
- Overseas	128.1%	-5.0%	163.7%	-25.8%	8.4%	-15.6%	-3.4%
Revenues	465	597	624	619	698	764	867
- Domestic	419	467	471	457	475	522	601
- Overseas	46	130	153	162	224	242	267
Revenues, % YoY	23.4%	28.6%	7.4%	-0.8%	12.8%	9.4%	13.5%
- Domestic	23.1%	11.4%	4.2%	-3.0%	3.9%	10.0%	15.0%
- Overseas	26.0%	184.3%	19.0%	6.0%	38.0%	8.2%	10.2%
Analyzing Domestic Intake	536	670	628	943	731	914	1,006
Large Projects (INR15b+)	143	145	67	411	133	364	456
Base Orders (sub INR15b)	393	525	561	532	599	550	550
Consolidated Order Intake	842	1,029	1,272	1,554	1,369	1,630	1,773
% YoY		22.2%	23.6%	22%	-12%	19%	9%
Consolidated Revenues	642	745	851	920	1,026	1,131	1,296
% YoY		15.8%	14.2%	8.0%	11.6%	10.2%	14.6%
EBIDTA Margins							
E&C, Consolidated	13.1%	11.9%	12.0%	8.4%	9.5%	10.3%	10.9%
E&C, Standalone	11.3%	12.1%	13.1%	11.6%	10.9%	11.3%	11.6%
Standalone EPS*	44.9	38.3	43.7	41.1	41.7	47.7	58.5
Consolidated EPS	49.1	51.8	49.3	47.2	50.6	59.4	72.2
Cons. EPS Composition (INR/share)							
Infotech	4.7	6.2	6.9	11.9	14.1	16.9	19.1
Finance	4.7	5.8	4.0	4.9	5.3	5.2	6.0
Manufacturing - BTG, Forging, Shipbuilding	-1.1	-3.0	-7.2	-6.5	-5.8	-5.9	-2.4
Developmental Business	-2.9	-2.9	-4.5	4.8	-5.8	-9.0	-11.3
E&C / Electrical Products, etc	43.9	45.6	50.0	32.1	42.8	52.3	60.7
ROE (%) [Standalone]	16.8	14.2	15.6	13.3	12.2	12.5	13.6
ROE (%) [Consolidated]	17.0	15.3	12.8	11.2	11.1	12.1	13.3
Wkg. Capital (% of sales) - Adj for Subs Adv	17.0	26.5	25.5	17.4	17.4	17.4	17.4

* Standalone EPS, excluding dividend received from subsidiary companies

Financials and valuations

Income Statement						(INR Million)	
Y/E March	2012	2013	2014	2015	2016	2017E	2018E
Net Revenues	642,307	744,980	851,284	920,046	1,026,317	1,131,267	1,295,947
Growth Rate (%)	23.4	16.0	14.3	8.1	11.6	10.2	14.6
Manufacturing Expenses	472,185	546,888	616,948	672,937	749,463	812,176	921,154
Staff Cost	49,950	62,446	80,276	79,222	92,048	101,023	115,729
S G & A Expenses	33,577	36,359	46,517	54,531	61,378	67,655	77,504
EBITDA	86,885	99,287	107,543	113,356	123,427	150,414	181,561
Change (%)	13.2	14.3	8.3	5.4	8.9	21.9	20.7
Adj EBITDA	86,885	99,287	107,543	113,356	123,427	150,414	181,561
EBITDA Margin (%)	13.5	13.3	12.6	12.3	12.0	13.3	14.0
Depreciation	15,803	16,371	14,458	26,225	27,560	36,001	41,547
EBIT	71,082	82,917	93,085	87,131	95,867	114,413	140,014
Net Interest	11,019	21,243	31,414	28,507	30,412	35,780	41,160
Other Income	8,290	10,557	9,819	10,072	11,830	11,374	13,225
Profit before Tax	68,353	72,231	71,490	68,696	77,286	90,007	112,080
Tax	22,826	23,790	26,076	22,836	25,487	30,582	39,202
Effective Tax Rate (%)	33.4	32.9	36.5	33.2	33.0	34.0	35.0
Reported Profit	46,095	51,808	48,817	49,337	55,380	59,425	72,877
Less: Addl tax on dividend by Subs	87	130	208	0	0	0	0
Less: Minority Interest	348	722	-382	1,710	4,450	3,848	5,340
Add: Profits of Associates	462	384	93	21	-25	21	21
EO Adjustments	568	3,368	3,402	3,477	3,581	0	0
Adjusted Profit	45,555	47,973	45,680	44,171	47,324	55,599	67,559
Growth (%)	9.0	5.3	-4.8	-3.3	7.1	17.5	21.5
Cons. Profit (Reported)	46,123	51,341	49,083	47,648	50,905	55,599	67,559

Balance Sheet						(INR Million)	
Y/E March	2012	2013	2014	2015E	2016	2017E	2018E
Equity Capital	1,225	1,231	1,854	1,859	1,863	1,863	1,863
Reserves and Surplus	287,811	337,366	375,262	407,232	438,054	480,295	530,054
Net Worth	289,036	338,597	377,116	409,091	439,917	482,158	531,917
Debt	471,501	619,936	801,529	905,714	1,013,066	1,098,308	1,109,199
Deferred Tax Liability	44,995	1,837	3,375	-1,847	4,112	4,112	4,112
Minority Interest	17,535	26,529	31,792	49,986	67,688	71,536	76,876
Capital Employed	827,898	986,899	1,213,812	1,362,944	1,524,783	1,656,113	1,722,103
Gross Fixed Assets	255,174	379,822	411,347	454,711	587,369	667,369	727,369
Less : Depreciation	61,380	75,670	88,824	107,331	134,891	170,891	212,438
Add : Capital WIP	149,127	113,068	143,237	155,237	155,237	155,237	155,237
Net Fixed Assets	342,921	417,220	465,760	502,618	607,715	651,714	670,168
Investments	87,895	87,675	81,090	96,121	100,800	100,800	100,800
Inventory	42,299	51,874	55,275	65,182	53,620	59,103	67,706
Sundry Debtors	204,054	230,149	263,846	300,894	359,899	396,702	454,451
Cash & Bank	35,221	35,715	40,966	57,562	59,016	117,726	126,021
Loans & Advances	74,922	84,536	134,755	193,020	218,796	241,170	276,278
Other Current Assets	153,396	201,930	254,934	246,883	289,061	318,620	365,002
Current Assets	757,623	924,213	1,150,574	1,335,860	1,558,702	1,721,954	1,888,620
Current Liabilities	360,755	442,209	483,612	571,655	742,435	818,356	937,485
Net Current Assets	396,869	482,004	666,962	764,206	816,267	903,598	951,135
Capital Deployed	827,898	986,899	1,213,812	1,362,944	1,524,782	1,656,113	1,722,103

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2012	2013	2014	2015E	2016	2017E	2018E
Basic (INR)							
Standalone EPS Adj	47.5	49.3	52.9	50.2	50.8	57.7	69.5
Growth (%)	22.1	3.7	7.4	-5.1	1.1	13.5	20.6
Consolidated EPS Adj	49.1	51.8	49.3	47.2	50.6	59.4	72.2
Growth (%)	9.0	5.3	-4.8	-4.2	7.1	17.5	21.5
Con. EPS (Fully Diluted)	49.1	51.8	49.3	47.2	50.6	59.4	72.2
Growth (%)	9.0	5.3	42.8	-4.2	7.1	17.5	21.5
Cash EPS	66.2	69.4	64.9	75.2	80.0	97.9	116.6
Book Value	311.8	365.3	406.9	437.3	470.2	515.4	568.6
Dividend Per Share	11.1	11.5	14.2	13.0	13.6	13.8	16.7
Div. Payout (Incl. Div Tax) %	22.5	22.2	28.9	27.5	26.9	23.3	23.1
Valuation (x)							
P/E (Standalone)				25.7	25.4	22.4	18.6
P/E (Consolidated)				27.3	25.5	21.7	17.9
P/E (Consolidated) (Fully Diluted)				27.3	25.5	21.7	17.9
Price / CEPS				17.2	16.1	13.2	11.1
EV/EBITDA				18.1	17.5	14.5	12.1
EV/ Sales				2.3	2.2	2.1	1.9
Price / Book Value				3.2	3.0	2.7	2.5
Dividend Yield				1.0	1.1	1.1	1.3
Return Ratio (%)							
RoE	17.0	15.3	12.8	11.2	11.1	12.1	13.3
RoCE	8.8	8.3	7.2	6.5	6.9	7.2	8.2
Turnover Ratios							
Debtors (Days)	116.0	112.8	113.1	119.4	128.0	128.0	128.0
Inventory (Days)	24.0	25.4	23.7	25.9	19.1	19.1	19.1
Asset Turnover (x)	0.8	0.8	0.7	0.7	0.7	0.7	0.8
Leverage Ratio							
Current Ratio (x)	2.1	2.1	2.4	2.3	2.1	2.1	2.0
D/E (x)	0.9	1.0	1.2	1.2	1.1	1.2	1.1

Cash Flow Statement

Y/E March	2012	2013	2014	2015E	2016E	2017E	2018E
(INR Million)							
PBT before EO Items	46,123	52,057	49,020	47,648	50,905	55,599	67,559
Add : Depreciation	15,803	16,371	14,458	26,225	27,560	36,001	41,547
Change in diff tax liability	-3,231	-43,158	1,538	-5,221	5,958	0	0
(Inc)/Dec in WC	-134,620	-84,641	-179,708	-80,647	-50,607	-28,622	-39,242
CF from Operations	-75,925	-59,372	-114,692	-11,995	33,816	62,978	69,863
(Inc)/Dec in FA	-77,087	-90,670	-62,998	-63,083	-80,000	-80,000	-60,000
Free Cash Flow	-153,012	-150,042	-177,690	-75,078	-46,184	-17,022	9,863
(Pur)/Sale of Investments	4,263	220	6,585	-15,032	-4,679	0	0
CF from Investments	-73,037	-90,237	-56,413	-78,114	-84,679	-80,000	-60,000
(Inc)/Dec in Net Worth	9,155	5,057	4,821	-1,571	-5,263	1,686	0
(Inc)/Dec in Debt	143,215	148,436	181,593	104,185	107,352	85,242	10,892
Change in Minority Interest	7,275	8,994	5,263	18,194	17,702	3,848	5,340
Dividend Paid	-11,916	-12,385	-15,322	-14,103	-14,815	-15,044	-17,800
CF from Fin. Activity	147,729	150,102	176,355	106,705	104,975	75,731	-1,568
Inc/Dec of Cash	-1,233	493	5,251	16,596	54,112	58,710	8,295
Add: Beginning Balance	36,455	35,222	35,715	40,966	57,562	59,016	117,726
Closing Balance	35,222	35,715	40,966	57,562	59,016	117,726	126,021

E: MOSL Estimates

Corporate profile: Larsen & Toubro

Company description

Larsen and Toubro (LT) is India's largest E&C company. Apart from core construction activity, LT has made significant inroads into a diverse range of products and services through its subsidiaries and manufacturing JVs in power BTG, forging and shipbuilding. The company is also involved in various developmental projects in roads, ports, railways and power. Overseas contributes ~18-20% of the business.

Exhibit 27: Sensex rebased

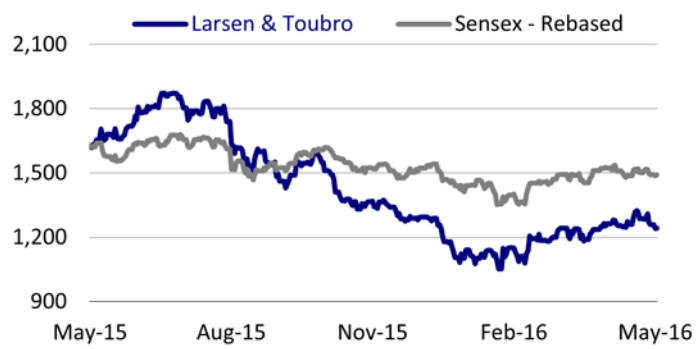


Exhibit 28: Shareholding pattern (%)

	Mar-16	Dec-15	Mar-15
Promoter	0.0	0.0	0.0
DII	38.3	38.4	36.1
FII	18.3	18.6	19.1
Others	43.4	43.0	44.8

Note: FII Includes depository receipts

Exhibit 29: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	15.7
L&T EMPLOYEE WELFARE FOUNDATION ADMINISTRATOR OF THE SPECIFIED UNDERTAKING	12.3
HDFC TRUSTEE COMPANY LIMITED-HDFC EQUITY	2.2
GENERAL INSURANCE CORPORATION OF INDIA	1.8

Exhibit 30: Top management

Name	Designation
A M Naik	Group Chairman
S N Subrahmanyam	Deputy Managing Director

Exhibit 31: Directors

Name	Name
A M Naik	Sunita Sharma
S N Subrahmanyam	Swapan Dasgupta
M M Chitale*	Subramanian Sarma
M Damodaran*	Ajay Shankar*
Adil Zainulbhai*	Bahram N Vakil*
Subodh Bhargava*	Thomas Mathew T*
Vikram Singh Mehta*	R Shankar Raman
Akhilesh Krishna Gupta*	D K Sen
Sushobhan Sarker	Shailendra Roy

*Independent

Exhibit 32: Auditors

Name	Type
Deloitte Haskins & Sells LLP	Statutory
Sharp & Tannan	Statutory
R Nanabhoy & Co	Cost Auditor

Exhibit 33: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY16	50.8	46.1	10.1
FY17	57.7	56.8	1.7
FY18	69.5	70.2	-0.9

Disclosures

This document has been prepared by Motilal Oswal Securities Limited (hereinafter referred to as Most) to provide information about the company (ies) and/or sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies). This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred to as Most) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

MOST and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We and our affiliates have investment banking and other business relationships with a some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that MOST and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on twin parameters of performance & profitability of MOST.

MOST generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, MOST generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. MOST and its affiliated company(ies), their directors and employees and their relatives may: (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of MOST even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition MOST has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent MOST's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Most and its associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Most and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. Subject Company may have been a client of Most or its associates during twelve months preceding the date of distribution of the research report

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1% at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Motilal Oswal Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. SEBI Reg. No. INH00000412

Pending Regulatory inspections against Motilal Oswal Securities Limited:

SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudicate violation of SEBI Regulations; MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.

List of associate companies of Motilal Oswal Securities Limited - [Click here to access detailed report](#)

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement

LARSEN & TOUBRO

- Analyst ownership of the stock
- Served as an officer, director or employee

No
No

A graph of daily closing prices of securities is available at www.nseindia.com and <http://economicstimes.indiatimes.com/markets/stocks/stock-quotes>

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong: This report is distributed in Hong Kong by Motilal Oswal Capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH00000412) has an agreement with Motilal Oswal Capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons.

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act (FAA) read with regulation 17(1)(d) of the Financial Advisers Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time.

In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:
Varun Kumar

Varun.kumar@motilalosal.com

Contact : (+65) 68189232

Office Address: 21 (Suite 31), 16 Collyer Quay, Singapore 04931

Kadambari Balachandran

kadambari.balachandran@motilalosal.com

(+65) 68189233 / 65249115



Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilalosal.com