

Muted margins spoil show...

About the stock: Larsen & Toubro (L&T) is India's largest engineering & construction (E&C) company, with interest in EPC projects, hi-tech manufacturing and services.

- The company primarily operates in infrastructure, heavy engineering, defence engineering, power, hydrocarbon, services business segments
- Infrastructure segment contributes ~45% to consolidated revenue followed by services (~30%)

Q4FY23 Results: L&T core business reported a weak set of Q4FY23 numbers.

- Adjusted standalone revenue de-grew 8.3% YoY to ₹ 36734.1 crore
- Standalone EBITDA de-grew 8.9% YoY to ₹ 3524.2 crore. Margins also contracted 74 bps on a YoY basis at 9.6%
- Consequently, standalone adjusted PAT at ₹ 3002.9 crore grew 3.5% YoY
- Order inflows came in at ₹ 76099 crore, up 3% YoY. For FY23 it was at ₹ 2,30,528 crore vs. ₹ 192956 crore

What should investors do? L&T reported a strong order book of ₹ 399526 crore, suggesting good revenue visibility in coming years.

- We maintain our **BUY** rating on the stock

Target Price and Valuation: We value L&T at ₹ 2650 on an SoTP basis.

Key triggers for future price performance:

- L&T has targeted revenues and order inflow CAGR of 15% and 14%, respectively, over FY21-26 with a consolidated RoE of 18%
- L&T will focus on emerging portfolios like green EPC, manufacturing of electrolyzers, battery & cell manufacturing, data centres and platforms (Sufin & Edutech) in the next five years
- Focus on asset monetisation to further strengthen the balance sheet and improve return ratios. Strong b/s, controlled working capital and strong cash generation

Alternate Stock Idea: Apart from L&T, in our coverage we also like AIA Engineering

- New mining customer acquisition is expected to pick up, allowing AIA to gain incremental volume growth in coming years despite likely base volume impact due to anti-dumping in Canada, South Africa

- BUY with target price of ₹ 3135



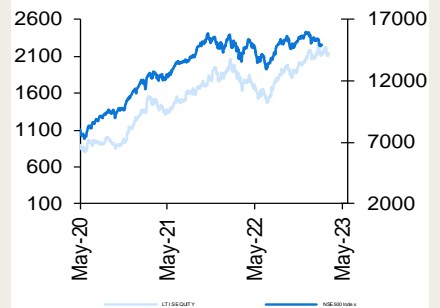
Particulars

Particular	Amount
Market Capitalization	₹316141 Crore
Total Debt (FY23)	₹21808.7 Crore
Cash & Inv. (FY23)	₹7390.8 crore
EV	₹330558.8 Crore
52 week H/L	₹416 / ₹1456
Equity capital	₹277.5 Crore
Face value	₹2

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoti	0.0	0.0	0.0	0.0
FII	21.1	22.1	23.3	24.5
DII	34.9	40.9	40.1	39.0
Others	44.1	37.0	36.6	36.5

Price Chart



Recent event & Key risks

- Key Risks:** (i) Any execution headwinds, order deferrals (ii) Delay in sale of non-core assets

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Ameya Mahurkar
ameya.mahurkar@icicisecurities.com

Key Financial Summary (Standalone)

Particulars (₹crore)	FY21*	FY22*	FY23	5-Year CAGR (FY18-FY23)	FY24E	FY25E	2-Year CAGR (FY23-FY25E)
Net Sales	73,315.6	1,01,000.4	1,10,501.0	8.2%	1,29,464.2	1,50,911.4	16.9%
EBITDA	7,266.2	9,055.5	9,294.7	4.6%	11,644.4	13,922.5	22.4%
EBITDA Margin (%)	9.9	9.0	8.4		9.0	9.2	
Adj. Net Profit	6,287.5	7,669.0	7,784.5	9.0%	9,924.2	12,094.8	24.6%
Adj. EPS (₹)	81.9	56.8	56.1		71.5	87.2	
P/E (x)	25.9	37.4	37.8		29.7	24.3	
RoNW (%)	18.8	12.1	11.1		13.0	14.3	
RoCE (%)	7.4	8.9	8.7		10.5	11.8	

*PAT, EPS adjusted for E&A business sale and exceptional items.

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results:

- L&T's adjusted standalone revenues (ex-E&A) for the quarter de-grew marginally by 1.9% YoY to ₹ 36734.1 crore (vs. our estimate of ₹ 41971.5 crore). For FY23, adjusted standalone revenues came in at ₹110501 crore, which grew 9.4%. On a standalone basis, infrastructure segment revenue de-grew 3.4% to ₹ 27585.6 crore on a YoY basis. Energy segment revenue came in at ₹ 5986.25 crore, marginally up 0.7% YoY. Hi-Tech manufacturing segment posted revenue of ₹ 2320.7 crore, strongly growing 24.6% YoY basis with accelerated progress in few jobs. Others segment reported a de-growth of 1.8% YoY to ₹ 1308.61 crore
- On a consolidated basis, adjusted revenues grew 10% YoY to ₹ 58340 crore aided by strong execution momentum in hydrocarbon, Hi-tech manufacturing and IT&TS. On a consolidated basis, IT & technology services segment posted revenues of ₹ 10645 crore, up 21% YoY. Financial service segment revenue grew 5% at ₹ 3116 crore. Development project segment registered growth in revenue by 12% YoY to ₹ 1229 crore driven by a higher PLF in the Nabha Power plant and increase in ridership in Hyderabad Metro
- For Q4FY23, L&T registered order inflows at the group level worth ₹ 76099 crore, up 3% YoY. During the year, orders were received across multiple segments like public spaces, hydel & tunnels, irrigation systems, ferrous metals, oil & gas, power transmission & distribution and defence sectors. International orders at ₹ 36046 crore during the quarter comprised 47% of the total order inflow. Overall infrastructure segment secured orders worth ₹ 41093.4 crore (~54% of total inflows). L&T's order backlog as on Q4FY23 was at ₹ 399526 crore with international orders contributing 28%
- During the quarter, standalone EBITDA margins contracted 74 bps to 9.6% (vs. our estimates of 10.4%) on a YoY basis. On a consolidated basis, EBITDA margins came in at 11.7 vs. 12.3% in Q4FY22
- Consequently, for Q4FY23, standalone adjusted PAT (ex-E&A) came in at ₹ 3002.9 crore, up 3.5% YoY (vs. our estimates of ₹ 3392.7 crore). Other income came in at ₹ 1079.9 crore, up 53.7% YoY while interest expense increased 21.2% to ₹ 534 crore. Consolidated adjusted PAT for Q4FY23 came in at ₹ 3990 crore (vs. ₹ 3620 crore in Q4FY22)
- NWC/revenue came at 16.1% in FY23 vs. 19.7% in FY22 amid robust operational cash flows of ₹ 18500 crore supported by smart execution. Net debt to equity came in at 0.62 in FY23 vs. 0.81 in FY22

Q4FY23 Earnings Conference Call highlights

- L&T's total ordering prospects/pipeline for FY24E is at ₹ 973000 crore, up 14% YoY. From a segment perspective, infrastructure segment prospects are pegged at ₹ 650000 crore, hydrocarbon pegged at ₹ 244000 crore, power segment pegged at ₹ 50000 crore and hi-tech at ₹ 29000 crore. Order book was at ₹ 399526 crore in FY23 with domestic orders contributing to 72% and international orders contributing to 28%. Out of international order book of ₹ 111800 crore ~87% is from Middle East countries, ~4% from Africa and remaining 9% from other countries including south east. GCC capex for infra and hydrocarbon is on an upswing amid strong oil prices. In the domestic backlog, central government orders form 14%, state governments 30%, public sector units of state owned was at 36% and private sector 20%. Cancelled orders were at ₹ 5300 crore and ₹ 10300 crore from the order book in Q4FY23 and FY23. Slow moving orders was at 1% of order book
- Infrastructure:** Infra segment was impacted mainly due to high base of last year. Order prospects for FY24 ₹ 653000 crore (₹ 519000 crore domestic).

L&T - ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	44.4	46.7	55.4
Social	40.3	40.3	40.3
Governance	96.1	96.1	96.1
Overall ESG Score	60.3	61.1	64.0

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Out of that prospects of sub segments such as heavy civil infra are pegged at 21%, water segment was at 22%, transport pegged at 19%, power distribution pegged at 18%, B&F pegged at 13%, minerals and metals pegged at 6%. Infrastructure order book was at ₹ 284500 crore as of FY23 with book/bill was at three years. EBITDA margin was impacted by job mix, input price pressure, cost overrun in certain jobs

- Hi-Tech manufacturing segment:** Revenue was driven by good progress in refinery segment and selective execution in defence. Prospects pipeline of ₹ 25200 crore in FY24 (78% contribution from defence) led by multiple programmes such land and naval systems. Order book was at ₹ 26600 crore. Order inflow growth in defence engineering was driven by the government's thrust on indigenisation whereas heavy engineering was impacted by order deferrals. The government is comfortable with private sector participation in case of defence. Hence, it is hopeful of order additions continuing. Margin impacted by supply chain issues in some projects. Defence order inflow was up 50% YoY in FY23 and 54% YoY in Q4FY23. Both the naval and land based army programme outlook is healthy
- Developmental projects:** Developments at Hyderabad Metro: Hyderabad Metro average ridership improved from 199000 passengers in Q4FY22 to 408000 passengers in Q4FY23, In Q3FY23, it was 394000 passengers. For FY23 full year, average ridership was at 361000 passenger vs. 155000 passengers in FY22. The management is hopeful that the ridership will touch the 550000-600000 mark in the next six quarters as there are no Covid restrictions. Also, L&T may relook the fares and revised upwards. Hyderabad Metro PAT level consolidate loss was at ₹ 1321 crore in FY23 vs. ₹ 1751 crore in FY22. Interest cost metro SPV has reduced from ₹ 1477 crore in FY22 to ₹ 1273 crore in FY23 largely benefitted from refinancing the debt, concluded in the last financial year. The company also expects a sizeable amount to come from the Telangana government for the metro project as they are seeking government grants to be able to lower the debt burden
- IDPL** at the PAT level discontinued from Q4FY23 and was recognized as held for sale, owing to recent deal to monetise. Nabha PLF was at 85% for FY23 and availability was 91%. Overall Nabha balance sheet is stable. Nabha cost is higher than the power plant available in NCLT for acquisition. Taking litigation costs, plant up, running and revamping the plant, there can be interested party for selling. Nabha suffers from competitive disadvantage as NCLT assets are available at a cheaper valuation
- L&T completed pilot green hydrogen plant at Hazira. It entered floating green ammonia-based projects with a Norway based company. Currently working on capacity of 1 GW for electrolyzers and setting up the factory. Initially, it will get introduced in domestic markets to get the technology right, and the price before going global. It expects commissioning of electrolyzers plant by end of FY24. It will take about three years to see a material opportunity for the company
- Guidance for FY24:** The company has given a revenue guidance of 12-15% and EBITDA margin guidance 9%, ~40-50 bps improvement in margin in H2FY24. On the working capital to sales ratio, the company has guided for a range of 16-18% even though it will strive to achieve the lower end of the guidance. RoE was at 12.2% in FY23 vs. 11% in FY22. Improved performance of Hyderabad metro and Nabha along with divestment of non-core assets is expected to drive RoE by 1-2%. The company is aiming to reach 18% RoE by FY26

Exhibit 1: Variance Analysis (Standalone)

	Q4FY23	Q4FY23E	Q4FY22 'oY (Chg %)	Q3FY23	QoQ (Chg %)	Comments	
Revenue	36,734.1	41,971.5	37,439.2	-1.9	27,785.4	32.2	
Other Income	1,079.9	881.4	702.8	53.7	833.0	29.6	
Employee Expenses	2,247.2		1,915.0	17.3	2,014.8	11.5	
Raw Material Expenses	30,336.4		30,827.6	-1.6	22,746.3	-20.0	
Other Operating Expenses	626.4		827.0	-24.3	707.5	-11.5	
EBITDA	3,524.2	4,369.2	3,869.6	-8.9	2,316.9	52.1	
EBITDA Margin (%)	9.6	10.4	10.3	-74 bps	8.3	126 bps	EBITDA margin impacted by job mix, input price pressure, cost overrun in certain jobs
Depreciation	357.2	366.8	307.9	16.0	334.8	6.7	
Interest	534.0	490.7	440.8	21.2	508.1	5.1	
PBT (before exp. Item)	3,712.9	4,393.2	3,823.7	-2.9	2,306.9	60.9	
PBT (after exp. Item)	3,712.9	4,393.2	3,823.7	-	2,306.9	-	
Total Tax	710.0	1,000.5	922.6	-23.0	481.5	47.5	
Adj. PAT (Ex-E&A)	3,002.9	3,392.7	2,901.2	3.5	1,825.4	58.9	
Key Metrics							
Order inflows	76,099		73,900	3.0	60,710	25.3	For FY23 L&T surpassed its guidance on order inflows
Order backlog	399,526		357,600	11.7	386,588	3.3	Backlog provides strong visibility for next two to three years

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY24E			FY25E		
	Old	New	% Change	Old	New	% Change
(₹C crore)						
Revenue	1,33,149.5	1,29,464.2	-2.8	1,53,827.6	1,50,911.4	-1.9
EBITDA	12,023.9	11,644.4	-3.2	14,353.9	13,922.5	-3.0
EBITDA Margin (%)	9.0	9.0	-1 bps	9.3	9.2	-11 bps
PAT	10,329.2	9,924.2	-3.9	12,504.8	12,094.8	-3.3
EPS (₹)	74.5	71.5	-4.0%	90.1	87.2	-3.2%

Source: Company, ICICI Direct Research

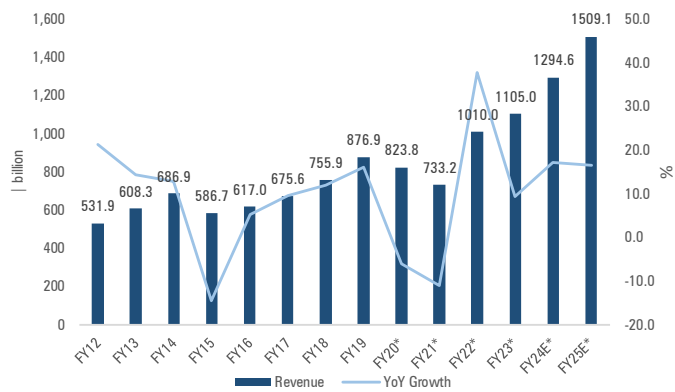
Exhibit 3: Assumptions

	Current				Earlier	
	FY22*	FY23	FY24E	FY25E	FY24E	FY25E
Order Inflow growth	-1.3	60.1	14.4	16.2	15.2	17.1
Order Backlog growth	11.7	6.4	28.0	21.8	22.5	19.0
Revenue growth	37.8	9.4	17.2	16.6	14.4	15.5
EBITDA Margins	9.0	8.4	9.0	9.2	9.0	9.3

Source: Company, ICICI Direct Research

Financial Story in Charts

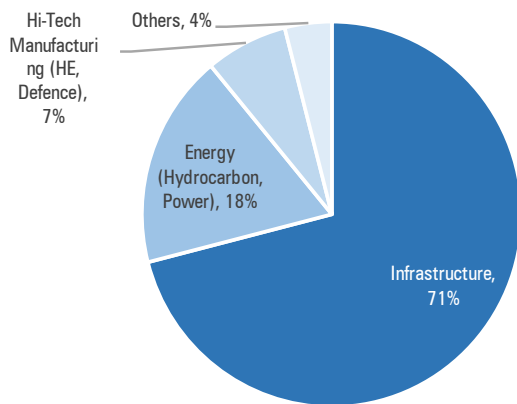
Exhibit 4: Trend in revenue growth



*E&A business has been restated as discontinued Ops.

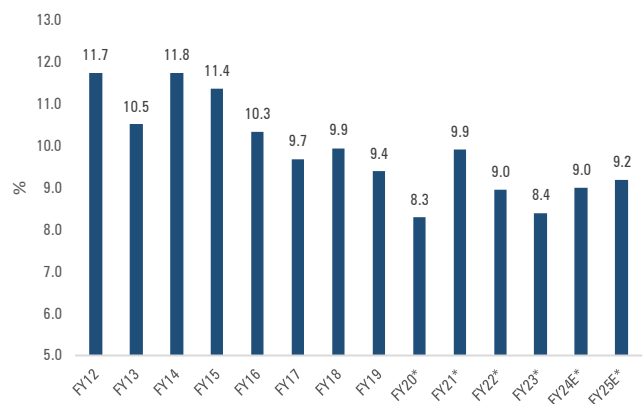
Source: ICICI Direct Research, Company

Exhibit 5: Break-up of consolidated backlog...



Source: Company, ICICI Direct Research

Exhibit 6: Trend in EBITDA margins...



*E&A business has been restated as discontinued ops.

Source: Company, ICICI Direct Research

Exhibit 7: SoTP valuation of L&T

Company (₹ per share)	Bull case	% of total	Base Case	% of total	Bear Case	% of total
Base Business	2394.9	69.0	1862.7	70.3	1046.4	65.5
L&T Finance Holdings	86	2.5	75	2.8	54	3.4
L&T IT Subsidiaries	794	22.9	618	23.3	441.1	27.6
L&T Power Developme	13	0.4	8.6	0.3	7.7	0.5
L&T MHI JV	12	0.3	5.0	0.2	5.7	0.4
L&T ID PL	144	4.2	65.3	2.5	30.9	1.9
Other E&C, MIP & E&E	29	0.8	14.3	0.5	12.3	0.8
Total	3473	100.0	2649	100.0	1598	100.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement ₹ crore

(Year-end March)	FY22*	FY23	FY24E*	FY25E*
Total operating Inco	1,01,000.4	1,10,501.0	1,29,464.2	1,50,911.4
Growth (%)	37.8	9.4	17.2	16.6
Raw Material Expense	13,365.0	14,492.4	14,783.1	17,997.7
Employee Expenses	7,396.9	8,298.2	9,104.6	10,932.2
Other Operating Exper	57,682.5	63,528.6	76,912.9	88,668.1
Sales, admin & Other l	2,982.7	2,513.9	4,674.5	5,515.4
Other Mfg. Expenses	10,517.9	12,373.2	12,344.7	13,875.5
Total Operating Expen	91,944.9	1,01,206.3	1,17,819.7	1,36,988.9
EBITDA	9,055.5	9,294.7	11,644.4	13,922.5
Growth (%)	24.6	2.6	25.3	19.6
Depreciation	1,172.5	1,310.0	1,493.1	1,611.9
Interest	1,754.2	1,856.5	1,771.3	1,686.2
Other Income	3,612.7	4,035.0	4,080.7	4,527.3
PBT	9,741.4	10,163.2	12,460.7	15,151.7
Others	0.0	0.0	0.0	0.0
Total Tax	2,129.3	2,378.7	2,536.5	3,056.9
Adj. PAT (Ex-E&A)	5,414.6	7,784.5	9,924.2	12,094.8
Growth (%)	-13.9	43.8	27.5	21.9
Adj. EPS (₹)	39.0	54.2	71.5	87.2

*E&A business has been restated as discontinued ops.

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement ₹ crore

(Year-end March)	FY22*	FY23	FY24E*	FY25E*
Profit after Tax	7,879.3	7,784.5	9,924.2	12,094.8
Add: Depreciation	1,172.5	1,310.0	1,493.1	1,611.9
(Inc)/dec in Current Assets	-22,458.8	4,092.5	-14,828.5	-22,575.5
Inc/(dec) in C L and Provisi	23,445.4	-7,741.4	11,154.6	16,473.0
Others	-	-	-	-
CF from operating activi	10,038.4	5,445.6	7,743.4	7,604.2
(Inc)/dec in Investments	2,000.0	500.0	500.0	500.0
(Inc)/dec in Fixed Assets	-2,056.8	-2,700.0	-1,200.0	-1,200.0
Others	0.0	0.0	0.0	0.0
CF from investing activit	-3,281.8	236.8	-1,404.3	-2,539.3
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend t	-3,087.0	-3,367.7	-3,788.6	-4,209.6
Inc/(dec) in Sec. premium	50.0	50.0	50.0	50.0
Others	0.0	7.6	0.0	0.0
CF from financing activit	-3,915.0	-4,195.7	-4,616.6	-5,037.6
Net Cash flow	2,841.5	1,486.7	1,722.5	27.3
Opening Cash	3,062.6	5,904.1	7,390.8	9,113.3
Closing Cash	5,904.1	7,390.8	9,113.3	9,140.5

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet ₹ crore

(Year-end March)	FY22*	FY23	FY24E*	FY25E*
Liabilities				
Equity Capital	280.9	280.9	280.9	280.9
Reserve and Surplus	65,009.3	69,598.1	75,905.6	83,962.8
Total Shareholders fun	65,290.2	69,879.0	76,186.5	84,243.7
Total Debt	22,808.7	21,808.7	20,808.7	19,808.7
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Othe	0.0	0.0	0.0	0.0
Total Liabilities	88,981.1	92,634.9	98,007.5	1,05,129.6
Assets				
Gross Block	14,369.0	16,869.0	18,069.0	19,269.0
Less: Acc Depreciatio	6,172.2	7,389.6	8,790.2	10,309.5
Net Block	8,196.8	9,479.4	9,278.8	8,959.5
Capital WIP	900.0	1,100.0	1,100.0	1,100.0
Total Fixed Assets	9,096.8	10,579.4	10,378.8	10,059.5
Investments	45,674.2	45,174.2	44,674.2	44,174.2
Inventory	4,225.3	3,343.3	4,814.8	6,348.5
Debtors	35,972.7	39,356.5	46,110.5	53,749.3
Loans and Advances	746.8	667.6	989.5	942.1
Other Current Assets	62,928.1	56,413.0	62,694.0	76,144.4
Cash	5,904.1	7,390.8	9,113.3	9,140.5
Total Current Assets	1,09,777.0	1,07,171.2	1,23,722.1	1,46,324.9
Creditors	48,424.9	48,438.8	53,204.5	62,018.4
Provisions	2,033.8	2,179.7	2,394.2	2,914.9
Total Current Liability:	86,344.1	78,602.7	89,757.3	1,06,230.3
Net Current Assets	23,432.9	28,568.5	33,964.8	40,094.6
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	88,981.1	92,634.9	98,007.5	1,05,129.6

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios ₹ crore

(Year-end March)	FY22*	FY23	FY24E*	FY25E*
Per share data (₹)				
EPS	39.0	54.2	71.5	87.2
Cash EPS	65.2	65.6	82.3	98.8
BV	471.2	504.3	549.8	607.9
DPS	22.0	24.0	27.0	30.0
Cash Per Share	42.6	53.3	65.7	65.9
Operating Ratios (%)				
EBITDA Margin	9.0	8.4	9.0	9.2
PBT / Total Operating inco	9.9	9.2	9.6	10.0
PAT Margin	7.8	7.0	7.7	8.0
Inventory days	12.8	12.5	11.5	13.5
Debtor days	130.0	130.0	130.0	130.0
Creditor days	175.0	160.0	150.0	150.0
Return Ratios (%)				
RoE	10.7	10.4	13.0	14.3
RoCE	8.9	8.7	10.5	11.8
RoIC	10.4	9.4	11.4	12.8
Valuation Ratios (x)				
P/E	37.4	37.8	29.7	24.3
EV / EBITDA	34.4	33.2	26.3	21.9
EV / Net Sales	3.1	2.8	2.4	2.0
Market Cap / Sales	2.9	2.7	2.3	2.0
Price to Book Value	4.5	4.2	3.9	3.5
Solvency Ratios				
Debt/EBITDA	2.5	2.3	1.8	1.4
Debt / Equity	0.3	0.3	0.3	0.2
Current Ratio	1.3	1.4	1.4	1.4
Quick Ratio	1.2	1.3	1.3	1.3

*Adjusted for E&A business

Source: Company, ICICI Direct Research

Exhibit 13: ICICI Direct coverage universe (Capital Goods)

Company	CMP			M Cap (₹Cr)	EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP (₹)	Rating		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
L&T (LARTOU)	2,246	2,650	Buy	315166	56.1	71.5	87.2	40.0	31.4	25.8	8.7	10.5	11.8	11.1	13.0	14.3
AIA Engineering (AIAENG)	2,715	3,251	Buy	25606	114.0	98.5	107.7	23.8	27.6	25.2	24.7	18.5	18.1	19.4	14.8	14.2
Thermax (THERMA)	2,374	2,372	Hold	28290	36.9	50.8	59.3	64.3	46.7	40.0	14.7	18.0	18.3	11.5	14.1	14.1
KEC International (KECIN)	557	611	Buy	14323	4.8	18.7	35.9	115.6	29.8	15.5	9.6	17.1	22.9	3.5	12.6	20.0
Greaves Cotton (GREAVE)	160	194	Buy	3710	5.0	4.7	5.5	32.3	33.9	29.0	13.4	13.3	13.9	9.8	9.7	10.2
Elgi Equipment (ELGEQU)	449	500	Buy	14217	7.5	10.2	11.9	60.1	43.8	37.8	21.2	25.9	24.8	20.4	22.6	21.3
Bharat Electronics (BHAELE)	108	130	Buy	79055	3.2	3.7	4.5	33.7	29.2	24.1	43.2	42.6	43.4	32.1	31.7	32.3
Cochin Shipyard (COCSHI)	539	620	Buy	7083	42.5	39.6	41.1	12.7	13.6	13.1	11.4	10.8	10.4	12.7	11.1	10.9
SKF (SKFIND)	4,340	5,215	Buy	21456	79.9	109.2	130.3	54.3	39.7	33.3	27.6	30.7	31.3	21.0	23.3	23.4
Timken India (TIMIND)	3,153	3,560	Buy	23714	43.5	51.1	58.0	72.5	61.7	54.4	25.3	24.7	23.6	19.7	19.1	20.8
NRB Bearing (NRBBEA)	151	220	Buy	1464	7.8	9.4	12.1	19.4	16.1	12.5	15.0	15.3	19.2	12.6	12.6	14.8
Action Construction (ACTCON)	439	435	Buy	5229	8.8	15.4	20.1	49.9	28.5	21.8	23.0	29.8	29.7	13.9	18.6	19.6
Data Patterns (DATPAT)	1643	1,670	Buy	8526	18.1	22.0	30.4	90.7	74.8	54.1	23.8	24.9	28.4	16.4	18.2	21.0
HAL (HINAER)	3014	3,300	Buy	100785	151.9	177.4	143.9	19.8	17.0	20.9	27.4	32.8	28.0	26.3	28.6	21.2
ABB (ABB)	3840	3,830	Hold	81371	26.3	48.4	44.7	146.1	79.3	86.0	46.6	57.8	49.9	11.6	15.6	16.2
Ador Welding (ADOWEL)	1086	1,054	Buy	1476	33.2	34.2	49.3	32.7	31.7	22.0	19.9	21.6	26.7	13.6	15.8	19.6
Bharat Dynamics (BHADYN)	1020	1,215	Buy	18686	26.8	18.8	40.4	38.0	54.2	25.2	24.7	15.5	28.7	17.0	11.0	20.6
Mazagon Dock (MAZDOC)	758	745	Hold	15292	30.3	49.7	46.6	25.0	15.3	16.3	20.0	27.7	22.6	16.1	21.7	17.8
Solar Industries India (SOLIN)	3712	4,700	Buy	33590	48.8	83.7	97.3	76.1	44.3	38.1	21.7	29.1	30.5	23.1	29.0	27.8
Anup Engineering (THEANU)	1163	1,080	Buy	1151	62.7	49.5	72.3	18.5	23.5	16.1	15.3	16.6	19.4	12.2	12.5	14.4
Control Prints (CONTROLPR)	612	690	Buy	1000	24.7	32.4	39.2	24.8	18.9	15.6	21.7	26.8	28.4	14.6	17.9	17.8
KSB Ltd. (KSBPUM)	2178	2,390	Buy	7579	42.9	52.5	66.3	50.8	41.5	32.8	16.4	17.6	19.8	14.8	16.0	17.6
Garden Reach (GARREA)	508	520	Hold	5819	16.5	19.7	33.4	30.7	25.8	15.2	21.1	22.5	33.8	15.5	16.7	24.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM and Ameya Mahurkar, MFM Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.