

Larsen & Toubro

STOCK INFO.	BLOOMBERG
BSE SENSEX: 14,411	LT IN
S&P CNX: 4,250	REUTERS CODE
	LART.BO

30 May 2007

Buy

Previous Recommendation: Buy

Rs1,994

Equity Shares (m)	286.8
52-Week Range	2,009/903
1,6,12 Rel. Perf. (%)	14/40/29
M.Cap. (Rs b)	571.7
M.Cap. (US\$ b)	14.0

YEAR	NET SALES	PAT*	EPS*	EPS	P/E*	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)*	(X)	(X)	(%)	(%)	SALES	EBITDA
3/07A	176,933	18,310	63.9	75.5	31.2	9.4	25.7	28.7	3.2	30.9
3/08E	221,114	23,389	81.6	27.7	24.4	7.9	27.3	31.4	2.6	21.1
3/09E	279,135	29,828	104.0	27.5	19.2	6.5	28.6	31.7	2.0	16.6

* Consolidated; EPS is fully diluted

- Robust financial performance:** During 4QFY07, L&T reported net revenues of Rs62.5b (up 36% YoY), EBIDTA of Rs9.7b (up 54.2% YoY) and net profit of Rs7b (up 52.8% YoY). The reported numbers are significantly better than our estimates: revenues at Rs61.1b, EBIDTA of Rs6.7b and Net profit of Rs4.5b. EBIDTA margins during 4QFY07 stood at 14.9% against our expectation of 10.9% primarily driven by margin improvement in E&C business.
- Positive surprise from E&C EBIDTA margin expansion:** During FY07, E&C business EBIDTA margins expanded by 350bps to 11.5% vs 8% in FY06, driven by better operating efficiencies, risk mitigation strategies, global supply chain management and improved margins on newer projects. The reported margins are significantly better than management's earlier guidance of 9.5% during FY07.
- Robust FY08 guidance:** For FY08, management has guided for 25-30% revenue growth and similar growth in order intake. EBIDTA margins during FY08 are expected to be maintained at FY07 levels, with some scope possible for improvement.
- Upgrading earnings estimates, price target:** We are upgrading our earnings estimate to factor in strong growth across segments and better margins. We now expect L&T to report consolidated net profit of Rs23.4b in FY08 (up 27.7% YoY, upgrade of 14.3%) and Rs29.8b in FY09 (up 27.5% YoY, upgrade of 17.8%). At CMP of Rs1,994/sh, the stock trades at PER of 31.2x FY07, 24.4x FY08 and 19.2x FY09. Adjusted for the value of Ultratech Cemco and L&T IDPL, the stock quotes at PER of 29.3x FY07, 22.9x FY08 and 18.0x FY09. We reiterate **Buy**, with revised price target of Rs2,195 (based on Sum of Parts methodology).

Y/E MARCH	(RS MILLION)								FY06	FY07
	FY06				FY07					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	31,111	33,457	36,664	45,943	34,689	37,361	41,184	62,482	146,529	175,788
Change (%)	15.9	12.0	12.2	7.1	11.5	11.7	12.3	36.0	12.5	20.0
EBITDA	1,758	1,407	3,182	6,304	2,698	3,062	5,185	9,718	12,653	20,665
Change (%)	38.9	15.5	81.4	45.5	53.5	117.6	63.0	54.2	46.4	82.4
As of % Sales	5.5	7.9	8.3	13.2	9.2	8.9	11.8	14.9	8.3	11.3
Depreciation	294	260	266	324	309	336	357	698	1,145	1,700
Interest	98	147	225	281	158	106	12	63	751	339
Other Income	227	1,309	206	638	216	437	350	420	2,379	1,420
Gains from Divestures	382	0	235	81	0	0	0	0	698	0
Reported PBT	1,975	2,308	3,131	6,418	2,448	3,057	5,166	9,377	13,834	20,046
Tax	545	878	557	1,752	877	1,046	1,727	2,371	3,713	6,019
Effective Tax Rate (%)	27.6	38.0	17.8	27.3	35.8	34.2	33.4	25.3	26.8	30.0
Reported Profit	1,430	1,431	2,593	4,666	1,571	2,011	3,440	7,006	10,121	14,027
Adjusted PAT	971	1,197	1,878	4,585	1,571	1,831	3,440	7,006	8,702	13,845
Change (%)	21.1	58.0	41.9	37.4	61.9	53.0	83.1	52.8	39.9	59.1

E: MOST; All quarterly numbers are for standalone entity

Robust financial performance

During 4QFY07, L&T reported net revenues of Rs62.5b (up 36% YoY), EBIDTA of Rs9.7b (up 54.2% YoY) and net profit of Rs7b (up 52.8% YoY). The reported numbers are better than our estimates for revenue at Rs61.1b, EBIDTA of Rs6.7b and Net profit of Rs4.5b. EBIDTA margins during 4QFY07 stood at 14.9% against our expectation of 10.9% primarily driven by margin improvement in E&C business. For FY07, the company reported revenues of Rs175.8b (up 20% YoY), EBIDTA of Rs20.7b (up 82.4%) and adjusted net profit of Rs13.8b (up 59.1% YoY). EBIDTA margins for FY07 improved by 300bp to 11.3% vs. 8.3% in FY06. Other income during FY07 includes Rs370m on account of foreign exchange gains.

Positive surprise from E&C EBIDTA margin expansion

During 4QFY07, the overall EBIDTA margins increased 164bps to 14.9% driven by better operating efficiencies, risk mitigation strategies, global supply chain management and improved margins on newer projects.

During FY07, E&C business revenues grew by 16% YoY to Rs131b. EBIDTA for E&C division grew by 67% YoY to Rs15.0b, and margins expanded by 350bps to 11.5% vs 8% in FY06. During FY07, E&C division contributed 74.5%

to the revenues and 67.4% to the EBIDTA. EBIDTA margins for the Machinery and Industrial products (MIP) division also improved by 330bps to 18% in FY07 vs 14.7% in FY06. Machinery and Industrial products division contributes 10.2% to the revenues and 14.5% to the overall EBIDTA for the company in FY07. Electrical and Electronics business witnessed margin expansion of 60bp during FY07.

Robust FY08 guidance

For FY08, management has guided for 25-30% revenue growth and similar order intake growth. The management expects to maintain FY07 EBIDTA margins, with some scope possible for improvement. The company plans to incur a capex of US\$800m over the next two years for proposed expansion plans and investments in subsidiaries.

Strong order book position, Book to bill ratio at 2x FY07 revenues

As of March 2007, order backlog stood at Rs368.8b (equivalent to 2x FY07 revenues), up from Rs246.6b in March 2006 and Rs357.1b in 3QFY07. The order intake for the year stood at Rs306.1b, up 37% YoY (vs Rs223.2b in FY06). Infrastructure sector continues to be the key growth driver for the company in terms of order intake, primarily due to Rs54b order for Delhi airport.

SEGMENT WISE ANALYSIS OF EBIDTA MARGIN

	FY06				FY07				FY06	FY07
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues (Rs m)										
Engineering & Construction division	23,290	25,110	30,870	35,870	25,810	26,970	30,360	48,150	113,450	131,300
Electrical & Electronics division	2,890	3,390	3,770	4,170	3,820	4,350	4,420	5,860	13,860	18,450
Machinery & Industrial Products	3,100	3,460	3,410	4,420	3,290	4,355	4,000	6,420	14,390	17,950
Others	1,150	2,520	2,790	1,530	1,840	2,119	2,100	2,310	5,930	8,440
EBIDTA (Including Other Income) (Rs m)										
Engineering & Construction division	1,160	1,770	2,410	4,180	2,170	2,320	3,460	7,090	9,030	15,040
Electrical & Electronics division	420	580	640	720	690	760	750	990	2,310	3,190
Machinery & Industrial Products	350	450	550	760	600	660	570	1,400	2,110	3,230
Others	120	320	300	310	220	360	120	290	600	870
EBIDTA Margin (%)										
Engineering & Construction division	5.0	7.0	7.8	11.7	8.4	8.6	11.4	14.7	8.0	11.5
Electrical & Electronics division	14.5	17.1	17.0	17.3	18.1	17.5	17.0	16.9	16.7	17.3
Machinery & Industrial Products	11.3	13.0	16.1	17.2	18.2	15.2	14.3	21.8	14.7	18.0
Others	10	13	11	20	12	17	6	13	10	10

Source: Company/Motilal Oswal Securities

ORDER BOOK COMPOSITION (%)

	FY03	FY04	FY05	FY06	FY07
Process Industries	17	16	14	11	12
Oil & Gas	21	23	19	25	19
Power	10	10	23	17	16
Infrastructure	35	33	31	30	39
Others	17	18	13	18	14
Total	100	100	100	100	100

Source: Company

E&C Business: strong margin expansion

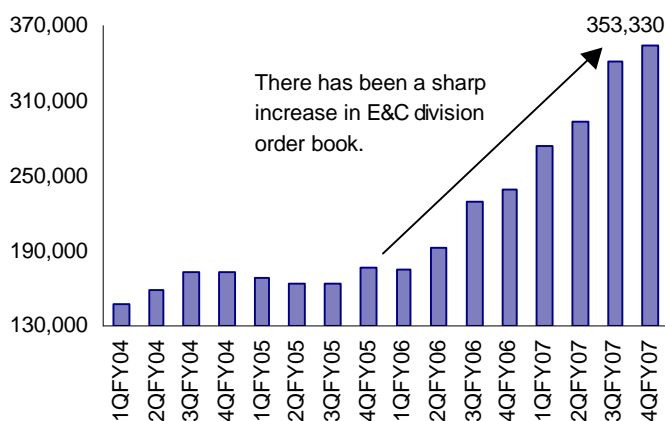
During 4QFY07, E&C business reported revenues of Rs48.2b (up 34% YoY) while EBIDTA grew by 70% YoY to Rs7.1b, driven by 310bps expansion in EBIDTA margin to 14.7%. The order backlog as of March 2007 stood at Rs353.3b, vs Rs238.6b as of March 2006. The order book comprises of exports orders of Rs46.2b (vs Rs33.8b in FY06). During FY07, order intake increased by 37% YoY to Rs252.5b (vs Rs184.8b in FY06).

L&T - E&C DIVISION PERFORMANCE (RS M)

	4QFY07	4QFY06	% YoY	3QFY07	% QoQ
Order Intake	61,200	51,490	18.9	81,720	-25.1
Domestic	44,430	44,820	-	71,610	-38.0
Export	16,780	6,670	151.6	10,110	-66.0
Order Backlog	353,330	238,580	48.1	341,420	3.5
Net Sales	48,150	35,870	34.2	30,360	58.6
EBITDA	7,090	4,180	69.6	3,460	104.9
EBITDA Margins (%)	14.7	11.7		11.4	

Source: Company

E&C DIVISION ORDER BACKLOG (RS M)



Source: Company/ Motilal Oswal Securities

EBG business: strong revenue growth

During 4QFY07, Electricals Business Group also reported strong revenue growth at 40.5% YoY to Rs5.9b, driven by standard products. During FY07, standard products contributed Rs10b to division revenues. EBIDTA margins have declined by 40bp YoY during 4QFY07.

L&T - EBG DIVISION PERFORMANCE (RS M)

	4QFY07	4QFY06	% YOY	3QFY07	% QOQ
Sales	5,860	4,170	40.5	4,420	32.5
EBITDA	990	720	37.5	750	32.0
EBITDA Margins (%)	16.9	17.3		17.0	

Source: Company

MIP business: robust performance

During 4QFY07, Machinery and Industrial Parts (MIP) Business Group witnessed 45.2% YoY growth in revenues, and EBIDTA margin improvement of 460bp to 21.8%. The segment comprises of marketing income of valves, rubber processing, machinery, welding, paper machinery, construction equipments, etc.

L&T - MIP DIVISION PERFORMANCE (RS M)

	4QFY07	4QFY06	% YOY	3QFY07	% QOQ
Sales	6,420	4,420	45.2	4,000	60.5
EBITDA	1,400	760	84.2	570	145.6
EBITDA Margins (%)	21.8	17.2		14.3	

Source: Company

L&T Infotech: strong revenue growth, rupee appreciation impacts margins

During 4QFY07, L&T Infotech reported revenues of Rs3.6b (up 50.6% YoY) and net profit of Rs430m (down 8.5% YoY). PAT margins declined 780bp YoY to 11.8% during 4QFY07. During FY07, the company reported revenues of Rs12.8b (up 61% YoY) and net profit of Rs1.5b (up 116% YoY). Net profit margin for the company for FY07 stood at 11.8% vs 8.8% in FY06. US contributed 73% of the revenues, and Europe 14%. The total number of employees increased to 7,220 in 4QFY07 vs 6,371 in 4QFY06 and 6,837 in 3QFY07.

L&T INFOTECH PERFORMANCE (RS M)

	4QFY07	4QFY06	% YOY	3QFY07	% QOQ
Revenues	3,570	2,370	50.6	3,000	19.0
PAT	430	470	-8.5	300	43.3
PAT (%)	12.0	19.8		10.0	

Source: Company/ Motilal Oswal Securities

Consolidated profits - positive surprise

During FY07, L&T's consolidated profits stood at Rs22.4b, vs Rs13.2b during FY06 (up 70.1% YoY). FY07 reported numbers includes Rs4.3b as share of premium from fresh equity infusion by strategic partners in L&T IDPL and L&T UIL and gains on divestures. Adjusted for exceptional items, net profit stands at Rs18.1b during FY07, up from Rs10.3b during FY06 (up 70.1% YoY). Thus, on adjusted profits, contribution from subsidiaries during FY07 increased to Rs4.3b, up from Rs2.5b during FY06, largely driven by improved performance of L&T Infotech, L&T Finance and L&T Infrastructure Development Projects (where some SPVs have started making profits).

CONSOLIDATED PERFORMANCE (RS M)

	FY07	FY06	% YOY
Consolidated Profits	18,100	10,510	70.1
Standalone Profits	13,845	8,702	72.2
Add. to Standalone Profits	4,255	1,808	135.4

* Pre Exceptionals; Source Company

Valuation and view

We are upgrading our earnings estimate to factor the strong growth across segments and better margins. We now expect L&T to report consolidated net profit of Rs23.4b in FY08 (up 27.7% YoY, upgrade of 14.3%) and Rs29.8b in FY09 (up 27.5% YoY, upgrade of 17.8%). We value L&T based on Sum of Parts methodology. We upgrade Price Target to Rs2,195/sh based on: core business Rs1,684/sh (20x FY09 PER), L&T Infotech at Rs141/sh (12x FY09 PER), L&T Infrastructure Development Projects at Rs88/sh (benchmark transaction value), Ultratech Cemco stake at Rs35/sh (20% discount to CMP), L&T Finance at Rs59/sh (12x FY09PER), L&T Power investments at Rs31/sh (12x FY09PER), International Ventures at Rs68/sh (12x FY09PER) and Manufacturing Ventures at Rs89/sh (12x FY09PER).

At CMP of Rs1,994/sh, the stock trades at PER of 31.2x FY07, 24.4x FY08 and 19.2x FY09. Adjusted for the value of Ultratech Cemco and L&T IDPL, the stock quotes at PER of 29.3x FY07, 22.9x FY08 and 18.0x FY09. We maintain **Buy**.

L&T: SUM OF PARTS VALUE

	BUSINESS SEGMENT	METHOD	VALUATION (X)	VALUE (RS M)	VALUE (RS/SH)	RATIONALE
L&T Standalone	Engineering, Construction, & Electricals	FY09E PER (x)	20	457,545	1,684	Premium to industry average
Ultratech Cement (11.5% stake)	Cement	Discount to Current Price (Rs/sh)	662	9,472	35	20% discount to current price
L&T Infotech (100% stake)	Infotech	FY09E PER (x)	12	38,452	141	Discount to niche second tier IT companies
L&T Infrastructure Dev. Projects Ltd.	Infrastructure	Benchmark price		23,972	88	Based on 25% discount of benchmark price (recent stake sale to strategic investors)
L&T Power Investments Pvt Ltd						
- HPL Co Generation	Captive Power Projects	FY09E PER (x)	12	7,692	28	Discount to sector average PER
- India Infrastructure Developers	Captive Power Projects	FY09E PER (x)	12	736	3	Discount to sector average PER
L&T Finance (100% stake)	Hire Purchase, Leasing, Bill Discounting	FY09E PER (x)	12	16,078	59	In line with SREI Finance L&T has advantage of catering to in house requirement of L&T's dealers / vendors / customers, etc
International Ventures						
- L&T (Oman) Llc	EPC projects in Oman	FY09E PER (x)	12	7,293	27	Discount to L&T's valuations
- L&T Saudi Arabia Llc	EPC projects in Saudi Arabia	FY09E PER (x)	12	3,600	13	Discount to L&T's valuations
- Zubair Kilpatrick Llc	Electrical and Instrumentation for Oil / Gas	FY09E PER (x)	12	1,074	4	Discount to L&T's valuations
- L&T International FZE	Commodity Hedging	FY09E PER (x)	12	6,412	24	Lower PER, given risks in commodity hedging
Manufacturing Ventures						
- L&T Komatsu	Excavators and Hydraulic System	FY09E PER (x)	12	10,649	39	In line with industry average
- Audco India	Industrial Valves	FY09E PER (x)	12	10,766	40	Revenue growth and margins have shown strong consistency
- EWAC Alloys	Welding	FY09E PER (x)	12	2,725	10	In line with industry average
Total					2,195	

Larsen & Toubro: an investment profile

Company description

L&T is India's largest engineering and construction company. It undertakes projects on engineering, procurement and commissioning basis. Its business is categorized in three segments, viz. Engineering and construction (E&C), Electrical and Electronics (E&E) and other diversified businesses. It has demerged its cement and other non-core businesses and emerged as a focused engineering player offering a comprehensive exposure to Indian industry and infrastructure. It has many subsidiaries and associate companies which will gradually start adding robustly to its bottom-line.

Key investment arguments

- ✍ L&T is witnessing increased traction in order inflows. Management has guided for 25-30% YoY growth in revenues and order in take for FY08.
- ✍ We are also excited about the growth opportunity and L&T's positioning in high end segments like nuclear, defence and aerospace.
- ✍ We believe that L&T's subsidiaries, particularly infrastructure and infotech, can unlock sizeable value going forward.
- ✍ During FY07-09, we expect L&T's to report a 28.4% consolidated earnings CAGR.

COMPARATIVE VALUATIONS

		L&T	SIEMENS**	ABB*
P/E (x)	FY07E	31.2	49.6	48.1
	FY08E	24.4	34.2	35.2
P/BV (x)	FY07E	9.4	18.1	13.6
	FY08E	7.9	14.1	10.2
EV/Sales (x)	FY07E	3.2	3.1	3.5
	FY08E	2.6	2.3	2.6
EV/EBIDTA (x)	FY07E	30.9	29.3	32.3
	FY08E	21.1	22.5	22.5

* December Ending ; ** September Ending

SHAREHOLDING PATTERN (%)

	MAR.07	DEC.06	MAR.06
Promoter	0.0	0.0	0.0
Domestic Inst	37.3	37.9	36.3
Foreign	21.4	21.3	25.0
Others	41.3	40.8	38.7

Key investment concerns

- ✍ Higher borrowings warranted for investments in SPVs
- ✍ Liabilities in terms of cost over runs and other failures may arise on the international projects

Recent developments

- ✍ L&T has entered into JV with Mitsubishi for manufacturing of Super critical Boiler facility in India.
- ✍ L&T Infotech has acquired GDA technologies, USA, an electronic design firm based in California.

Valuation and view

- ✍ L&T offers the best play on the Indian Infrastructure and industry. Increased momentum in order intake, value unlocking probability from subsidiaries and increasing share of high margin businesses would drive re-rating.

Sector view

- ✍ Investments in manufacturing industries are likely to gain momentum as operating at peak utilization rates.
- ✍ Government thrust on infrastructure and allotment of projects on BOT basis is positive for larger players.

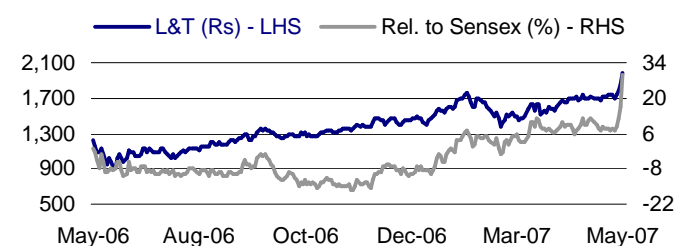
EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY08	81.6	67.7	20.5
FY09	104.0	82.5	26.1

TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
1,994	2,195	10.1	Buy

STOCK PERFORMANCE (1 YEAR)



INCOME STATEMENT		(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E	
Total Revenues	134,363	150,546	180,151	225,136	284,212	
Growth Rate (%)	35.4	2.0	19.7	25.0	26.2	
Excise Duty	1,768	2,308	3,218	4,022	5,077	
Net Revenues	132,595	148,239	176,933	221,114	279,135	
Growth Rate (%)	37.0	11.8	19.4	25.0	26.2	
Manufacturing Expenses	105,161	115,903	130,782	159,529	201,315	
Staff Cost	7,645	8,900	12,582	15,728	19,659	
S G & A Expenses	10,961	12,170	14,959	18,461	23,305	
EBITDA	8,828	11,266	18,610	27,396	34,856	
Change (%)	57.4	27.6	65.2	47.2	27.2	
EBITDA Margin (%)	7.5	9.6	12.3	13.3	13.3	
Depreciation	926	1,141	1,700	1,749	2,154	
EBIT	7,902	10,125	16,910	25,647	32,702	
Net Interest	536	751	339	1,033	1,483	
Recurring Other Income	1,261	2,061	3,175	2,028	2,359	
Non-recurring Other Income	4,028	1,622	303	0	0	
Add: Trf to Revaluation Reserve	15	15	0	0	0	
Share from Subsidiaries	191	64	0	65	65	
Profit before Tax	12,861	13,137	20,049	26,708	33,643	
Tax	3,023	3,713	6,019	8,546	10,766	
Effective Tax Rate (%)	23.5	28.3	30.0	32.0	32.0	
Reported Profit	9,838	9,424	14,030	18,161	22,877	
Extra-ordinary Adjustment	4,028	1,622	303	0	0	
Adjusted Profit	5,811	7,802	13,727	18,161	22,877	
Growth (%)	12.1	34.3	75.9	32.3	26.0	
Consolidated Profit	6,408	10,302	18,310	23,389	29,828	
Growth (%)	8.4	60.8	77.7	27.7	27.5	

BALANCE SHEET		(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E	
Equity Capital	260	275	574	574	574	
Reserves and Surplus	33,432	46,127	60,333	72,204	87,136	
Net Worth	33,691	46,402	60,907	72,778	87,710	
Debt	18,591	14,536	16,658	24,658	34,658	
Deferred Tax Liability	945	773	773	773	773	
Capital Employed	53,227	61,710	78,337	98,209	123,141	
Gross Fixed Assets	21,066	23,007	30,367	38,867	47,867	
Less : Depreciation	10,895	9,822	11,522	13,271	15,425	
Add : Capital WIP	658	2,861	3,000	3,000	3,000	
Net Fixed Assets	10,831	16,046	21,845	28,596	35,442	
Investments	9,609	19,195	28,793	31,672	34,839	
Inventory	23,108	22,103	28,133	35,158	44,384	
Sundry Debtors	39,636	48,142	46,889	58,597	73,973	
Cash & Bank	8,280	5,832	5,763	10,581	18,378	
Loans & Advances	17,318	19,116	23,198	28,990	36,597	
Other Current Assets	40	173	0	0	0	
Current Assets	88,382	95,365	103,982	133,326	173,332	
Current Liabilities	55,994	69,116	76,502	95,606	120,693	
Net Current Assets	32,388	26,249	27,480	37,721	52,639	
Miscellaneous Expenditure	399	220	220	220	220	
Capital Deployed	53,227	61,710	78,337	98,209	123,141	

E: MOST Estimates

RATIO		(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E	
Basic (Rs)						
Adjusted EPS	22.4	56.8	47.9	63.3	79.8	
Consolidated EPS	24.7	75.0	63.9	81.6	104.0	
Con. EPS (Fully Dilut)	24.7	36.4	63.9	81.6	104.0	
Growth (%)	3.8	47.5	75.5	27.7	27.5	
Cash Earning per Share	23.6	313	53.8	69.4	87.3	
Book Value	256.3	336.1	211.6	253.0	305.1	
Dividend Per Share	27.5	22.0	13.0	19.0	24.0	
Div. Payout (Incl. Div Tax)	41.3	36.6	30.7	34.6	34.7	
Valuation (x)						
P/E (Standalone)		35.1	41.6	31.5	25.0	
P/E (Consolidated)		26.6	31.2	24.4	19.2	
P/E (Consolidated) (Fully Diluted)		54.8	31.2	24.4	19.2	
Price / CEPS		63.8	37.1	28.7	22.8	
EV/EBITDA		50.8	30.9	21.1	16.6	
EV/ Sales		3.8	3.2	2.6	2.0	
Price / Book Value		5.9	9.4	7.9	6.5	
Dividend Yield		1.1	0.7	1.0	1.2	
Return Ratio (%)						
RoE	19.2	19.6	25.7	27.3	28.6	
RoCE	19.2	21.2	28.7	31.4	31.7	
Turnover Ratios						
Debtors (Days)	107.7	116.7	100.0	100.0	100.0	
Inventory (Days)	62.8	53.6	60.0	60.0	60.0	
Asset Turnover (x)	2.5	2.4	2.3	2.3	2.3	
Leverage Ratio						
Current Ratio (x)	16	14	14	14	14	
D/E (x)	0.6	0.3	0.3	0.3	0.4	

CASHFLOW STATEMENT		(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E	
PBT before EO Items	12,861	13,137	20,049	26,708	33,643	
Add : Depreciation	957	1,160	1,700	1,749	2,154	
Interest	536	751	339	1,033	1,483	
Less : Direct Taxes Paid	3,023	3,713	6,019	8,546	10,766	
(Inc)/Dec in WC	-6,018	3,691	-1,300	-5,423	-7,122	
CF from Operations	5,313	15,026	14,769	15,520	19,393	
(Inc)/Dec in FA	-1,624	-6,375	-7,499	-8,500	-9,000	
(Pur)/Sale of Investments	50	-9,586	-9,598	-2,879	-3,167	
CF from Investments	-1,574	-15,961	-17,097	-11,379	-12,167	
(Inc)/Dec in Networth	38	6,740	4,779	0	0	
(Inc)/Dec in Debt	5,347	-4,055	2,122	8,000	10,000	
Less : Interest Paid	536	751	339	1,033	1,483	
Dividend Paid	4,061	3,446	4,304	6,290	7,945	
CF from Fin. Activity	788	-1,512	2,258	677	572	
Inc/Dec of Cash	4,528	-2,448	-69	4,818	7,797	
Add: Beginning Balance	3,753	8,280	5,832	5,763	10,581	
Closing Balance	8,280	5,832	5,763	10,581	18,378	



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Disclosure of Interest Statement

Larsen & Toubro

1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

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