

Analysts Upbeat on L&T Post Robust Core Segment Show

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Mumbai: Brokerages have maintained a positive outlook on L&T even though the company reported a decline in profit, sales and new orders as its core businesses performed better than expected despite the disruption in work due to the Covid-19-related lockdown.

Analysts said that they will track the company's working capital position and order inflows closely, and expect it to be one of the top beneficiaries of government's infrastructure investment going ahead.

On Wednesday, the engineering major reported a 79% year-on-year decline in net profit for the first quarter of FY21 at ₹303 crore. Consolidated gross revenue declined 28% to ₹21,260 crore as manufacturing and construction activities came to a standstill during the lockdown. The \$21-billion conglomerate witnessed declines in revenue across all its businesses except information technology.

"L&T reported core PAT of ₹253 crore. The generation of positive core profits is a key achievement as there were investors' concerns that core PAT could turn negative. Results were impacted due to ₹448 crore PAT loss in development projects segments, which is owing to losses at Hyderabad Metro hitting the profit and loss," Nomura said in a report. The brokerage has a 'buy' rating on shares with a price



target of ₹1,200.

Brokerages Morgan Stanley and Motilal Oswal said that L&T's core engineering and construction business performed better-than-expectation despite the decline in revenue. Morgan Stanley is 'overweight' on the shares while Motilal Oswal has a 'buy' rating.

"L&T recorded reasonable performance on order inflow front while the infrastructure segment saw execution challenges and the adverse impact of Covid-19. However, working capital levels will be closely monitored to provide controlling situations on the balance sheet front," ICI- CI Securities said in a note.

Reliance Securities said in a report, "With the partial lifting of lockdown and resumption of business operations, the domestic business is expected to improve over the next few quarters. Ordering activity in roads, urban infra, especially in health care, railways, water distribution and irrigation sub-segments are expected to pick up in H2FY21."