|  |  |
| --- | --- |
| **Sector:** | IT |
| **Company:** | Larsen & Toubro Infotech Limited |
| **Name:** | Divyansh Tiwari |
| **Roll No.:** | N283 |

**About the Company**

Larsen & Toubro Infotech Ltd., incorporated in the year 1996, is a Large Cap company (having a market cap of Rs 118,168.77 Crore) operating in IT Software sector. It is an Indian global Information technology solutions and services company based in Mumbai, India. In 2017, NASSCOM ranked LTI as the sixth-largest Indian IT services company in terms of export revenues. It was among the top 15 IT service providers globally in 2017, according to the Everest Group's PEAK Matrix for IT service providers.

Larsen & Toubro Infotech Ltd. key Products/Revenue Segments include Software Development Charges & Other Services for the year ending 31-Mar-2021.For the quarter ended 30-06-2021, the company has reported a Consolidated Total Income of Rs 3,584.10 Crore, up 6.28 % from last quarter Total Income of Rs 3,372.40 Crore and up 18.88 % from last year same quarter Total Income of Rs 3,015.00 Crore. Company has reported net profit after tax of Rs 496.80 Crore in latest quarter.

The company’s top management includes Mr. A M Naik, Mr. S N Subrahmanyan, Mr. Sanjay Jalona, Mr. Sudhir Chaturvedi, Mr. Nachiket Deshpande, Mr. R Shankar Raman, Mr. Aruna Sundararajan, Mr. Sudip Banerjee, Mr. Sanjeev Aga, Mr. A M Naik, Mr. M M Chitale, Mr. S N Subrahmanyan, Mr. Sanjay Jalona, Mr. Sudhir Chaturvedi, Mr. Nachiket Deshpande, Mr. R Shankar Raman, Mr. Aruna Sundararajan, Mr. Sudip Banerjee, Mr. Sanjeev Aga, Mr. M M Chitale. Company has B K Khare & Co. as its auditors.

As on 30-09-2021, the company has a total of 17.52 Crore shares outstanding.

**Company Financials**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Balance Sheet - Larsen & Toubro Infotech Ltd.** | | | | | |
| Ruppees(in Cr.) | | | | | |
|  | **Mar'21** | **Mar'20** | **Mar'19** | **Mar'18** | **Mar'17** |
| EQUITIES AND LIABILITIES |  |  |  |  |  |
| SHAREHOLDER'S FUNDS |  |  |  |  |  |
| Equity Share Capital | 17.5 | 17.4 | 17.4 | 17.2 | 17.1 |
| Total Share Capital | **17.5** | **17.4** | **17.4** | **17.2** | **17.1** |
| Reserves and Surplus | 6,842.80 | 5,105.10 | 4,696.10 | 3,701.40 | 2,959.80 |
| Total Reserves and Surplus | **6,842.80** | **5,105.10** | **4,696.10** | **3,701.40** | **2,959.80** |
| Employees Stock Options | 79.50 | 106.30 | 0.00 | 0.00 | 0.00 |
| Total Shareholders Funds | **6,939.80** | **5,228.80** | **4,713.50** | **3,718.60** | **2,976.90** |
| NON-CURRENT LIABILITIES |  |  |  |  |  |
| Other Long Term Liabilities | 690.20 | 970.80 | 3.4 | 20.4 | 0 |
| Long Term Provisions | 36 | 32.5 | 28.9 | 28 | 28.5 |
| Total Non-Current Liabilities | **726.20** | **1,003.30** | **32.30** | **48.40** | **28.50** |
| CURRENT LIABILITIES |  |  |  |  |  |
| Trade Payables | 801.40 | 684.20 | 446.30 | 370.80 | 335.40 |
| Other Current Liabilities | 1,183.50 | 1,152.30 | 832.80 | 737.70 | 714.50 |
| Short Term Provisions | 336.8 | 248.1 | 201.7 | 176.1 | 157.6 |
| Total Current Liabilities | **2,321.70** | **2,084.60** | **1,480.80** | **1,284.60** | **1,207.50** |
| Total Capital And Liabilities | **9,987.70** | **8,316.70** | **6,226.60** | **5,051.60** | **4,212.90** |
| **ASSETS** |  |  |  |  |  |
| **NON-CURRENT ASSETS** |  |  |  |  |  |
| Tangible Assets | 961.10 | 1,116.10 | 281.60 | 241.20 | 247.70 |
| Intangible Assets | 69.40 | 35.40 | 33.10 | 31.50 | 38.20 |
| Capital Work-In-Progress | 40.30 | 38.10 | 3.10 | 1.00 | 0.90 |
| Intangible Assets Under Development | 2.70 | 1.90 | 5.10 | 5.80 | 0.30 |
| Fixed Assets | **1,073.50** | **1,191.50** | **322.90** | **279.50** | **287.10** |
| Non-Current Investments | 762.3 | 655 | 519.8 | 295.9 | 290.5 |
| Deferred Tax Assets [Net] | 47.7 | 213.5 | 156.4 | 191.9 | 143.9 |
| Long Term Loans And Advances | 156.6 | 55.1 | 46.7 | 38.4 | 31.1 |
| Other Non-Current Assets | 373.6 | 215.1 | 340.3 | 262.1 | 385.6 |
| Total Non-Current Assets | **2,413.70** | **2,330.20** | **1,386.10** | **1,067.80** | **1,138.20** |
| **CURRENT ASSETS** |  |  |  |  |  |
| Current Investments | 3,628.20 | 2,218.50 | 1,740.20 | 1,264.40 | 940.6 |
| Trade Receivables | 2,020.60 | 2,176.70 | 1,729.30 | 1,327.50 | 1,122.60 |
| Cash And Cash Equivalents | 401.10 | 371.40 | 215.40 | 249.80 | 190.60 |
| Short Term Loans And Advances | 31.30 | 16.40 | 6.30 | 23.50 | 15.40 |
| OtherCurrentAssets | 1,492.80 | 1,203.50 | 1,149.30 | 1,118.60 | 805.5 |
| Total Current Assets | **7,574.00** | **5,986.50** | **4,840.50** | **3,983.80** | **\** |
| Total Assets | **9,987.70** | **8,316.70** | **6,226.60** | **5,051.60** | **1,138.20** |
| **OTHER ADDITIONAL INFORMATION** |  |  |  |  |  |
| **CONTINGENT LIABILITIES, COMMITMENTS** |  |  |  |  |  |
| Contingent Liabilities | 390.9 | 718 | 616.10 | 593.9 | 577.80 |
| **CIF VALUE OF IMPORTS** |  |  |  |  |  |
| **EXPENDITURE IN FOREIGN EXCHANGE** |  |  |  |  |  |
| Expenditure In Foreign Currency | 4,786.50 | 4,607.10 | 4,083.30 | 3,223.10 | 2,770.80 |
| REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS |  |  |  |  |  |
| Dividend Remittance In Foreign Currency | - | - | - | - | - |
| **EARNINGS IN FOREIGN EXCHANGE** |  |  |  |  |  |
| FOB Value Of Goods | - | - | - | - | - |
| Other Earnings | 10,587.30 | 9,530.50 | 8,267.30 | 6,400.20 | 5,749.80 |
| **BONUS DETAILS** |  |  |  |  |  |
| Bonus Equity Share Capital | - | - | - | - | - |
| NON-CURRENT INVESTMENTS |  |  |  |  |  |
| Non-Current Investments Quoted Market Value | - | - | - | - | - |
| Non-Current Investments Unquoted Book Value | 661.4 | 655 | 519.8 | 295.9 | 290.5 |
| **CURRENT INVESTMENTS** |  |  |  |  |  |
| Current Investments Quoted Market Value | - | - | - | - | - |
| Current Investments Unquoted Book Value | 302 | 102.2 | - | 1,264.40 | 940.6 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **P&L - Larsen & Toubro Infotech Ltd.** | | | | | |
| Ruppees(in Cr.) | | | | | |
|  | **Mar'21** | **Mar'20** | **Mar'19** | **Mar'18** | **Mar'17** |
| INCOME |  |  |  |  |  |
| Revenue From Operations [Gross] | 11,562.60 | 10,184.20 | 8,907.20 | 6,906.40 | 6,182.90 |
| Revenue From Operations [Net] | 11,562.60 | 10,184.20 | 8,907.20 | 6,906.40 | 6,182.90 |
| Total Operating Revenues | 11,562.60 | 10,184.20 | 8,907.20 | 6,906.40 | 6,182.90 |
| Other Income | 224.7 | 421.7 | 329 | 525.4 | 198.3 |
| Total Revenue | **11,787.30** | **10,605.90** | **9,236.20** | **7,431.80** | **6,381.20** |
| EXPENSES |  |  |  |  |  |
| Operating And Direct Expenses | 2,080.70 | 2,173.60 | 1,931.60 | 1,628.60 | 1,414.10 |
| Employee Benefit Expenses | 6,803.80 | 5,982.80 | 5,128.70 | 4,134.80 | 3,597.50 |
| Finance Costs | 71.6 | 72 | 4.3 | 13.8 | 3.2 |
| Depreciation And Amortisation Expenses | 266.9 | 208.4 | 88.1 | 91.3 | 108.9 |
| Other Expenses | 173.3 | 162.1 | 123.8 | 94.9 | 73.3 |
| Total Expenses | **9,396.30** | **8,598.90** | **7,276.50** | **5,963.40** | **5,197.00** |
| **Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax** | **2,391.00** | **2,007.00** | **1,959.70** | **1,468.40** | **1,184.20** |
|  |
| Profit/Loss Before Tax | **2,391.00** | **2,007.00** | **1,959.70** | **1,468.40** | **1,184.20** |  |
| Tax Expenses-Continued Operations |  |  |  |  |  |  |
| Current Tax | 584.1 | 353 | 447.6 | 333 | 293.4 |  |
| Deferred Tax | 19.5 | 101.6 | 37 | -24.7 | -46.8 |  |
| Total Tax Expenses | **603.6** | **454.6** | **484.6** | **308.3** | **246.6** |  |
| Profit/Loss After Tax And Before ExtraOrdinary Items | **1,787.40** | **1,552.40** | **1,475.10** | **1,160.10** | **937.6** |  |
| Profit/Loss From Continuing Operations | **1,787.40** | **1,552.40** | **1,475.10** | **1,160.10** | **937.6** |  |
| Profit/Loss For The Period | **1,787.40** | **1,552.40** | **1,475.10** | **1,160.10** | **937.6** |  |
| OTHER ADDITIONAL INFORMATION |  |  |  |  |  |  |
| EARNINGS PER SHARE |  |  |  |  |  |  |
| Basic EPS (Rs.) | 102.45 | 89.31 | 85.31 | 67.74 | 55.11 |  |
| Diluted EPS (Rs.) | 101.79 | 88.45 | 84.11 | 66.23 | 53.89 |  |
| VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS |  |  |  |  |  |  |
| STORES, SPARES AND LOOSE TOOLS |  |  |  |  |  |  |
| DIVIDEND AND DIVIDEND PERCENTAGE |  |  |  |  |  |  |
| Equity Share Dividend | 532.4 | 487.5 | 452.3 | 313.9 | 170 |  |
| Tax On Dividend | 0 | 81.5 | 84.2 | 50 | 27.8 |  |
| Equity Dividend Rate (%) | 4,000.00 | 2,800.00 | 2,800.00 | 2,150.00 | 1,655.00 |  |

**Ratio Analysis-Individual**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Ratios** | | **Formula** | **Mar'21** | **Mar'20** | **Percentage Change** |
| Liquidity Ratio | Current Ratio | Current Assets/ Current Liabilities | 3.26 | 2.87 | 0.39 |
|  |
| Acid Test Ratio | Quick Assets/ Quick Liabilities | 3.26 | 2.87 | 0.39 |  |
|  |
| Leverage Ratio | Debt Equity Ratio | Long-Term Debt/ Shareholder's Equity | 0.00 | 0.00 | 0.00 |  |
|  |
| Proprietary Ratio | Shareholder's Funds\*100/ Total Assets | 0.69 | 0.63 | 0.07 |  |
|  |
| Interest Coverage Ratio | EBIT/Interest | Since the Debt Equity Ratio is 0, this Ratio is insignificant as no Interest has to be paid | | NA |  |
|  |
| Debt Service Coverage Ratio | NPAT + Non-cash expenses+ Dep + Interest + Lease Rentals/ Interest + Lease Rentals+ Repayment of Term Loan | Since the Debt is 0 for the company, this Ratio is insignificant as no Interest and Debt has to be paid | | NA |  |
|  |
| Profitability Ratio  (Related to Sales) (Profit Ratio) | Gross Profit Margin | Gross Profit\*100/Net Sales | 23.61 | 22.46 | 1.15 |  |
|  |
| Pre-Tax Margin | EBT/NPBT\*100/Net Sales | 20.68 | 19.71 | 0.97 |  |
|  |
| Net Profit Ratio | EAT/NPAT\*100/Net Sales | 15.46 | 15.24 | 0.22 |  |
|  |
| Operating Profit Ratio | Operating Profit\*100/ Net Sales | 23.16 | 19.91 | 3.25 |  |
|  |
| Profitability Ratio  (Related to Sales) (Expenses Ratio) | Operating Margin | COGS + Operating Expenses/ Net Sales \*100 | 21.29 | 20.41 | 0.88 |  |
|  |
| Administrative Margin | Administrative Expenses\*100/ Net Sales | 5.06 | 3.80 | 1.26 |  |
|  |
| Selling and Distribution Ratio | Selling and Distribution  Expenses\*100/Net Sales | 0.14 | 0.30 | (0.16) |  |
|  |
| Operating Expenses Ratio | Operating Expenses/  Net Sales | 0.10 | 0.11 | (0.01) |  |
|  |
| Profitability Ratio  (Related to Investment) | Return on Assets | Net Profit After Tax\*100/ Average Total Assets | 17.90 | 18.67 | (0.77) |  |
|  |
| Return on Capital Employed | EBIT\*100/Average Total  Capital Employed | 32.12 | 33.35 | (1.23) |  |
|  |
| Return on Shareholders Equity | NPAT\*100/Equity | 25.76 | 29.69 | (3.93) |  |
|  |
| Valuation Ratios | Earnings per Share | NPAT-Preference Dividend/ No of Equity Shares | 101.79 | 88.45 | 13.34 |  |
|  |
| Price/Earning ratio | MPS/EPS | 39.83 | 15.76 | 24.07 |  |
|  |
| Dividend per Share | Dividend paid to Equity Shareholders/No of Equity Shares | 40.00 | 28.00 | 12.00 |  |
|  |
| Dividend Payout Ratio | DPS\*100/EPS | 39.30 | 31.66 | 7.64 |  |
|  |
| Dividend Yield | DPS\*100/MPS | 0.99 | 2.01 | (1.02) |  |
|  |
| Activity Ratios | Inventory Turnover | COGS/Avg. Inventory | 0.00 | 0.00 | 0.00 |  |
|  |
| Stock Velocity | Days/month/week in year/ Stock Turnover Ratio | Since the Inventory Turnover Ratio is 0, Stock Velocity is insignificant | | NA |  |
|  |
| Debtors Turnover | Credit Sales/ Avg Debtors & Bills Receivables | 5.50 | 5.21 | 0.29 |  |
|  |
| Average Collection Period | Days/month/week in year/ Debtors Turnover Ratio | 66.25 | 70.00 | (3.75) |  |
|  |
| Creditors Turnover | Credit Purchases/ Avg Creditors & Bills Payable | 11.18 | 13.10 | (1.92) |  |
|  |
| Average Payment Period | Days/month/week in year/ Creditors Turnover Ratio | 32.63 | 27.86 | 4.77 |  |
|  |
| Fixed Assets Turnover | Net Sales/ Avg. Fixed Assets | 10.77 | 8.55 | 2.22 |  |
|  |

**Ratio Interpretation**

1. **Liquidity Ratios**
   1. **Current Ratio**

The ideal current ratio is 2:1 but the ratio calculated is significantly higher which means that the firm can easily pay its current liabilities with its current assets. As for the FY21 the company had more than 3x Current Assets than its short-term liabilities.

We also observe that the current ratio has increased significantly from FY20 – FY21 that again indicates a good financial status of the company.

* 1. **Acid Test Ratio**

Being a IT sector company there is no inventory and hence all the Assets (Current) that the company holds are in liquid form. So, again from Quick Ratio we can conclude that the company has enough liquid financial power to pay off its debts.

1. **Leverage Ratios**
   1. **Debt Equity Ratio**

Since the company has no debt, the debt-to-equity ratio comes out to be zero. It indicates that the firm does not finance increased operations through borrowing at all, which limits the total return that can be realized and passed on to shareholders which makes L&T Infotech a great investment for its shareholders

* 1. **Proprietary Ratio**

A high proprietary ratio indicates that a business is in a strong position and provides relief to creditors, while a low proprietary ratio shows the dependence of the company on the debt financing in order to run its business. Our proprietary ratio comes out to be 0.69 for FY21 that implies that 69%  funds of the business are financed by the proprietors.

We also see a rise in the ratio that implies less dependency on external funds and more financial stability over time

* 1. **Interest Coverage Ratio**

Since the company has no Debt, it pays no interest and hence, this ratio is insignificant.

* 1. **Debt Service Coverage Ratio**

Since the company has no Debt, it pays no interest and hence, this ratio is insignificant.

1. **Profitability Ratio**
   1. **Gross Profit Margin**

The gross profit margin ratio analysis is an indicator of a company's financial health. It tells investors how much gross profit every dollar of revenue a company is earning. We’ve a Gross profit margin of 23.6% i.e., For each $ sale the company earns 0.236$ Gross profit.

* 1. **Pre-Tax Margin**

This ratio that tells us the percentage of sales that has turned into profits or, in other words, how many cents of profit the business has generated for each dollar of sale before deducting taxes. We’ve a Pre-Tax Margin of 20.6% so for every dollar the company earns we’ll have 20 cents left off as Profit before tax.

* 1. **Net Profit Ratio**

The net profit margin, also known as net margin, indicates how much net income a company makes with total sales achieved. A higher net profit margin means that a company is more efficient at converting sales into actual profit.

The company’s Net Profit Ratio is 15.46% i.e., For every dollar sale the actual in-had profit that the company is having is 0.15 cents.

* 1. **Operating Profit Ratio**

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production such as wages, raw materials, etc. L&T Infotech is making 23.16 cents on 100$ sales after it pays off all the variable costs associated to that sale.

All the Profitability Ratios – Related to Sales have increased from FY20 to FY21 this implies that the profit the company is making on a unit of sales has increased in all fields which is a good sign.

* 1. **Operating Margin**

The Operating Marginratio indicates how much a company pays for variable costs of production such as wages, raw materials, etc. Our Operating Margin comes out to be 21.29. This means that for each $ of sale the direct cost incurred to the company is 0.2129$.

It has increased by 0.88 from FY20 to FY21 i.e., the cost has increased by 0.0088$.

* 1. **Administrative Margin**

The AdministrativeMarginratio indicates how much administrative charges a company incurs for each dollar of sale. Our AdministrativeMargin comes out to be 5.04%.

For each dollar of sale, the administrative expenses associated with it is 0.0504$

There has been an increase in the administrative expenses by $0.0126.

* 1. **Selling and Distribution Ratio**

The Administrative Margin ratio indicates how much administrative charges a company incurs for each dollar of sale. Our Administrative Margin comes out to be 5.04%.

For each dollar of sale, the administrative expenses associated with it is 0.0504$.

From FY20 to FY21, the selling and distribution charges have decreased, which is again a good thing because less expenses mean more profit for the firm.

* 1. **Operating Expenses Ratio**

The Operating Expenses Margin ratio indicates how much Operating expenses are associated with each dollar worth of sale. Our Operating Expenses Margin comes out to be 0.10.

It has decreased from 0.11 to 0.10 hence more profit is being generated for the company.

* 1. **Return on Assets**

The Return on Assets (ROA) ratio shows the relationship between earnings and asset base of the company. A high ROA ratio indicates that the company can produce relatively higher earnings in comparison to its asset base i.e. more capital efficiency. An ROA of 5% or better is typically considered a good ratio while 20% or better is considered great.

For both FY20 and FY21 our ROA was almost near to 20%, hence we can conclude company is very efficient at generating profits.

We can observe that is has reduced in value from last year, hence the net profit generation w.r.t. asset has decreased which is not good for the company.

* 1. **Return on Capital Employed**

The calculation of ROCE tells us the amount of profit a company is generating per $1 of capital employed. The more profit per $1 a company can generate, the better. We’re making $0.32 dollar per 1$ of capital employed which indicates stronger profitability across company comparisons.

We can observe that is has reduced in value from last year, hence the net profit generation w.r.t. per unit capital employed has decreased which is not good for the company.

* 1. **Return on Shareholder’s Equity**

The return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. For each 1$ investment made by a shareholder in the company the profit generated is 0.25$

We can observe that is has reduced in value from last year, hence the net profit generation w.r.t. equity has decreased which is not good for the company.

1. **Valuation Ratio**
   1. **Earnings per Share**

Earnings per share is the same as any profitability or market prospect ratio. Higher earnings per share is always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders.

As you can see, EPS for FY21 year is Rs. 101.79. This means that if L&T Infotech distributed every ruppee of income to its shareholders, each share would receive 101.79 Rs.

* 1. **Price/Earnings Ratio**

The price to earnings ratio indicates the expected price of a share based on its earnings. As a company’s earnings per share being to rise, so does their market value per share. A company with a high P/E ratio usually indicated positive future performance and investors are willing to pay more for this company’s shares.

As we can see, L&T Infotech’s ratio is 39.83 times. This means that investors are willing to pay 40 Rs. for every Rupee of earnings. In other words, this stock is trading at a multiple of 39.83.

* 1. **Dividend Payout Ratio**

Since investors want to see a steady stream of sustainable dividends from a company, the dividend payout ratio analysis is important. A consistent trend in this ratio is usually more important than a high or low ratio.

As we can see, the firm is paying out 39.30 percent of his net income to his shareholders.

* 1. **Dividend Yield**

Investors use the dividend yield formula to compute the cash flow they are getting from their investment in stocks. In other words, investors want to know how much dividends they are getting for every dollar that the stock is worth.

As we can see, yield is 0.99 Rs. This means that investors receive 0.99 rupee in dividends for every rupee they have invested in the company. In other words, the investors are getting a 99 percent return on their investment for FY21. This has gone down from the last FY but still maintained at a good value.

* 1. **Dividend per Share**

Dividends per share, on the other hand, measures the portion of a company's earnings that is paid out to shareholders. Per share the Shareholders get a Dividend of Rs. 40. This again has gone up from the last Financial Year along with all the other Valuation Ratios and hence indicates that the company is profitable.

1. **Activity Ratio**
   1. **Inventory Turnover**

Since this is a IT sector company there is no role of inventory, hence this ratio is irrelevant.

* 1. **Stock Velocity**

Since this is a IT sector company there is no role of inventory, hence this ratio is irrelevant.

* 1. **Debtors Turnover and Average Collection Period**

A debtor’s turnover ratio is a measure of how often a particular company receives money from its debtors within a given accounting period. The higher the Turnover the better because that’ll reduce the Avg. Collection period and company will get it’s money more frequently.

* 1. **Creditors Turnover and Average Payment Period**

A creditor’s turnover ratio is a measure of how often a particular company pays off its debts to suppliers within a given accounting period. The higher the Turnover the better because that’ll reduce the Avg. Payment period and debts will be cleared more frequently.

* 1. **Fixed Assets Turnover**

A high turn over indicates that assets are being utilized efficiently and large amount of sales are generated using a small amount of assets. It could also mean that the company has sold off its equipment and started to outsource its operations. Outsourcing would maintain the same amount of sales and decrease the investment in equipment at the same time.

The firm generates 10.77 times more sales than the net book value of its assets. It when compared with its competitors will give an insight if it is good or not.

**DuPont Analysis**

DuPont Analysis of L&T Infotech was performed in the Excel File and compared with the competitors. The following results were observed:

|  |  |  |
| --- | --- | --- |
| **Trend** | **Peers** | **Company** |
| Is return on equity increasing? | Yes | No |
| Is net profit margin increasing? | Yes | Yes |
| Is asset turnover increasing? | No | No |
| Is equity multiplier increasing? | Yes | No |

In Ratio Analysis also, we observe that the ROE of the company has fell from 29% in FY20 to 26% in FY21. For DU point Analysis we broke ROE into 3 Subsets

***ROE= Net profit margin \* Asset Turnover \* Financial Leverage***

*Net Profit Margin = (Net Income / Sales)*

The Net Profit Margin signifies the Profit that is extracted per rupee of Sales. Everything else remaining the same, a company that has a higher Net Profit Margin has a higher ROE.

*Asset Turnover Ratio = (Sales / Total Assets)*

This ratio is an efficiency measurement used to determine how effectively a company uses its assets to generate revenue. Higher the Asset Turnover Ratio, higher the ROE, everything else remaining the same.

*Financial Leverage = (Total Assets / Total Equity)*

Financial Leverage measures whether a company finances the purchase of assets primarily through debt or equity. The higher the Financial Leverage the higher the ROE. Financial Leverage when it becomes excessive can increase the risk of bankruptcy.

For L&T InfoTech, we observe that Net Profit Margin is increasing, but Asset turnover and Financial Leverage aren’t and overall, the ROE is falling. While overall for its competitors, ROE is increasing with increase in Net profit and Equity Multiplier and decline in Asset turnover.

**Conclusion:**  
L&T Infotech needs to improve upon its Asset Turnover i.e., Profit generated per unit asset and its equity multiplier to improve its overall ROE. Since Return on equity gives investors a sense of how good a company is at making money, if these actions are not taken soon investors might lose trust in the company

**Common Size Statement**

|  |  |  |  |
| --- | --- | --- | --- |
| **Common Size Statement - Larsen & Toubro Infotech Ltd.** | | | |
| in % | | | |
|  |  | Mar'21 | Mar'20 |
| INCOME | |  |  |
| Revenue From Operations [Gross] | | 100.00 | 100.00 |
| Revenue From Operations [Net] | | 100.00 | 100.00 |
| Total Operating Revenues | | 100.00 | 100.00 |
| Other Income | | 1.94 | 4.14 |
| Total Revenue | | **101.94** | **104.14** |
| EXPENSES | |  |  |
| Operating And Direct Expenses | | 18.00 | 21.34 |
| Employee Benefit Expenses | | 58.84 | 58.75 |
| Finance Costs | | 0.62 | 0.71 |
| Depreciation And Amortisation Expenses | | 2.31 | 2.05 |
| Other Expenses | | 1.50 | 1.59 |
| Total Expenses | | 81.26 | 84.43 |
| **Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax** | | **20.68** | **19.71** |
|  |
| Profit/Loss Before Tax | | **20.68** | **19.71** |  |
| Tax Expenses-Continued Operations | |  |  |  |
| Current Tax | | 5.05 | 3.47 |  |
| Deferred Tax | | 0.17 | 1.00 |  |
| Total Tax Expenses | | **5.22** | **4.46** |  |
| Profit/Loss After Tax And Before ExtraOrdinary Items | | **15.46** | **15.24** |  |
| Profit/Loss From Continuing Operations | | **15.46** | **15.24** |  |
| Profit/Loss For The Period | | **15.46** | **15.24** |  |
| OTHER ADDITIONAL INFORMATION | |  |  |  |
| EARNINGS PER SHARE | |  |  |  |
| Basic EPS (Rs.) | | 0.89 | 0.88 |  |
| Diluted EPS (Rs.) | | 0.88 | 0.87 |  |
| VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS | |  |  |  |
| STORES, SPARES AND LOOSE TOOLS | |  |  |  |
| DIVIDEND AND DIVIDEND PERCENTAGE | |  |  |  |
| Equity Share Dividend | | 4.60 | 4.79 |  |
| Tax On Dividend | | 0.00 | 0.80 |  |
| Equity Dividend Rate (%) | | 34.59 | 27.49 |  |

|  |  |  |
| --- | --- | --- |
| **Common Size (Balance Sheet) Statement - L&T Infotech Ltd.** | | |
| in % | | |
|  | **Mar'21** | **Mar'20** |
| **EQUITIES AND LIABILITIES** |  |  |
| **SHAREHOLDER'S FUNDS** |  |  |
| Equity Share Capital | 0.001752155151 | 0.002092175983 |
| **Total Share Capital** | 0.001752155151 | 0.002092175983 |
| Reserves and Surplus | 0.6851227009 | 0.6138372191 |
| **Total Reserves and Surplus** | 0.6851227009 | 0.6138372191 |
| Employees Stock Options | 0.007959790542 | 0.0127815119 |
| **Total Shareholders Funds** | 0.6948346466 | 0.628710907 |
| **NON-CURRENT LIABILITIES** |  |  |
| Other Long Term Liabilities | 0.06910499915 | 0.1167289911 |
| Long Term Provisions | 0.003604433453 | 0.003907799969 |
| **Total Non-Current Liabilities** | 0.0727094326 | 0.120636791 |
| **CURRENT LIABILITIES** |  |  |
| Trade Payables | 0.08023869359 | 0.08226820734 |
| Other Current Liabilities | 0.1184957498 | 0.1385525509 |
| Short Term Provisions | 0.03372147742 | 0.02983154376 |
| **Total Current Liabilities** | 0.2324559208 | 0.250652302 |
| **Total Capital And Liabilities** | 1 | 1 |
| **ASSETS** |  |  |
| **NON-CURRENT ASSETS** |  |  |
| Tangible Assets | 0.09622836088 | 0.1341998629 |
| Intangible Assets | 0.006948546712 | 0.004256495966 |
| Capital Work-In-Progress | 0.004034963004 | 0.004581143963 |
| Intangible Assets Under Development | 0.000270332509 | 0.0002284559982 |
| **Fixed Assets** | 0.1074822031 | 0.1432659589 |
| Non-Current Investments | 0.07632387837 | 0.07875719937 |
| Deferred Tax Assets [Net] | 0.004775874325 | 0.02567123979 |
| Long Term Loans And Advances | 0.01567928552 | 0.006625223947 |
| Other Non-Current Assets | 0.03740600939 | 0.02586362379 |
| **Total Non-Current Assets** | 0.2416672507 | 0.2801832458 |
| **CURRENT ASSETS** |  |  |
| Current Investments | 0.3632668182 | 0.2667524379 |
| Trade Receivables | 0.2023088399 | 0.2617264059 |
| Cash And Cash Equivalents | 0.04015939606 | 0.04465713564 |
| Short Term Loans And Advances | 0.003133854641 | 0.001971935984 |
| OtherCurrentAssets | 0.1494638405 | 0.1447088388 |
| **Total Current Assets** | 0.7583327493 | 0.7198167542 |
| **Total Assets** | 1 | 1 |
| **OTHER ADDITIONAL INFORMATION** |  |  |
| **CONTINGENT LIABILITIES, COMMITMENTS** |  |  |
| Contingent Liabilities | 0.03913813991 | 0.08633231931 |
| **CIF VALUE OF IMPORTS** |  |  |
| **EXPENDITURE IN FOREIGN EXCHANGE** |  |  |
| Expenditure In Foreign Currency | 0.4792394645 | 0.5539576996 |
| **REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS** |  |  |
| Dividend Remittance In Foreign Currency | - | - |
| **EARNINGS IN FOREIGN EXCHANGE** |  |  |
| FOB Value Of Goods | - | - |
| Other Earnings | 1.060033842 | 1.145947311 |
| **BONUS DETAILS** |  |  |
| Bonus Equity Share Capital | - | - |
| **NON-CURRENT INVESTMENTS** |  |  |
| Non-Current Investments Quoted Market Value | - | - |
| Non-Current Investments Unquoted Book Value | 0.06622145239 | 0.07875719937 |
| **CURRENT INVESTMENTS** |  |  |
| Current Investments Quoted Market Value | - | - |
| Current Investments Unquoted Book Value | 0.03023719175 | 0.0122885279 |