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# Demonetisation to hit industrial sector temporarily: Credit Suisse

Amidst demonetisation driving significant demand contraction in consumer discretionary sectors, public sector contracting can be a 'safe haven'. Subsequent push on infra spending, subject to ability to spend, can be a positive as well.

By: [Credit Suisse](#) | Updated: November 19, 2016 6:18 AM**3**  
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Credit Suisse (Reuters)

Amidst demonetisation driving significant demand contraction in consumer discretionary sectors, public sector contracting can be a 'safe haven'. Subsequent push on infra spending, subject to ability to spend, can be a positive as well. For Larsen & Toubro, the impact is limited to temporary disruption in near term and slower execution of real estate contracts. We estimate L&T has about R350 bn backlog from real estate (including residential, commercial, etc.). Revenue line contribution impact of this slower execution may be about 2-4% of EPC revenue.

Private sector investment may be marginally negative for industrial companies. Amongst asset owners, regulated utilities remain safest. The impact on ports is likely to be modest, but roads can have a significant impact from weaker domestic demand. We retain outperform on L&T with expectations of domestic execution improvement along with a steady Middle East, lower working capital intensity and benefit from balance sheet containment. We are underperform on BHEL on negative thermal power outlook.

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For L&T, the impact is likely to be smaller since the entire L&T business is with the government essentially. Liquidity and disruption impact can be there, but it is likely to be temporary.