

Q1FY25 Result Highlights

- **Strong growth enabled by overseas execution despite slowdown in domestic orders and execution amidst election and heatwave** – L&T reported strong growth of 15.1%/15.3%/11.7% YoY in consolidated Revenue/EBITDA/PAT to ₹551.2bn/₹56.2bn/₹27.9bn for Q1FY25. The Core E&C (ex-services) sales grew 17.1% YoY (-24.3% QoQ) to ₹390.97bn as execution in overseas infrastructure enabled revenue growth of 69% YoY while domestic segment grew 2% YoY due to slowdown in orders amidst election and heatwave. The core business margin also witnessed an improvement (7.6% vs. 7.4% in 1QFY24) supported by execution of better margin infrastructure projects. Within the Core segment, infrastructure margin was at 5.8% (+70 bps YoY) and Hi-tech manufacturing segment margin was at 17.4% (+60 bps YoY). Management expects Core E&C margin to remain stable in FY25. Other income was lower by ~20% YoY to ₹9.2bn on account of lower treasury income as well as a share buyback done last year. Management believes companies in the Middle-East will continue to invest in oil & gas, Infrastructure, Transportation and Energy transition projects. The management maintained its guidance of 15% revenue growth and 10% order inflow on the higher base of FY24.
- Order inflow in Q1FY25 came in at ₹709bn, +8% YoY. International orders comprised 46% of total order inflow. Closing orderbook stood at record ₹4,909bn, +19% YoY. The order prospects pipeline estimated at ₹9.07tn (v/s ₹10.07tn in 9MFY24) of which the infrastructure segment opportunity stands at ₹6.02tn, Hydrocarbon at ₹2.2tn, Power at ₹0.5tn, and Hi-tech manufacturing at ₹0.3tn. The management mentioned that they lost out on certain Middle-East orders resulting in decline in prospect pipeline but is confident of achieving 22-23% hit rate on pipeline. The order backlog at ₹4.9tn (+19% YoY) provides strong revenue visibility (3x its TTM revenue) and comfort on Core revenue ramp-up with orderbook position expected to remain robust in FY25. Total international orders now constitute 38% of total orderbook and Saudi Arabia constitutes roughly 1/3rd of total orderbook. The company cancelled orders worth ₹6bn & non-moving orders account for less than 1% of the order book.
- The working capital cycle for 1QFY25 stood at 13.9 vs. 17% YoY and expects the working capital cycle to remain in the range of 15% of sales for FY25. Additionally, L&T's debt position for the core business stands stable at ₹382bn. Management expects improved operational performance going forward and intends to scale down the Hyderabad Metro debt from ₹130bn to ₹70bn by way of selling ToD rights (at 14.9 mn sq.ft of which 1.3mn sq.ft has been developed) and by receiving soft loans from state governments.
- **Infrastructure segment** sales saw a growth of 22% YoY to ₹271bn where domestic business saw a growth of 3.7% YoY, while overseas infra grew 84% YoY. International ordering momentum continued in Q1FY25 driven by the Middle East, however, domestic ordering momentum remains subdued due to the ongoing domestic elections. Order inflow stood at ₹401bn registering a flattish YoY growth. The prospect pipeline for 9MFY25 remains strong at ₹6.03tn (domestic - ₹4.27tn and international - ₹1.67tn). Infrastructure margin increased 70 bps YoY to 5.8% aided by improved execution momentum across various project sites. Opportunities of around ₹600bn for 9MFY25. In Solar EPC has an order book of ₹550-600bn (largely international), with opportunities of around ₹600bn in 9MFY25. Discussion

Important Statistics

Nifty	24,786
Sensex	81,124
MCAP (₹ bn)	5,038.9
52 Week H/L (₹)	3,949/2,587
NSE Code	LT
BSE Code	500510
Bloomberg Code	LT:IN

Shareholding Pattern	Jun'24 (%)
Promoter	-
DII	39.0
FII	22.9
Public & Others	38.1

Financials

Particulars	FY21	FY22	FY23
Revenue	1,359,790	1,565,212	1,833,407
EBITDA	156,241	182,173	207,533
EBITDA Margin (%)	11.5	11.6	11.3
Net Profit	115,829	86,693	104,707
EPS (₹)	84.3	63.1	76.2
DPS (₹)	36.0	22.0	30.0
RoE (%)	8.3	9.4	10.1
RoCE (%)	7.3	9.5	10.3
P/E (x)	73.0	58.1	48.1
EV/EBITDA (x)	39.8	34.6	29.0
P/BV (x)	5.7	5.3	4.9

Particulars	FY24	FY25E	FY26E
Revenue	2,211,129	2,531,827	2,934,753
EBITDA	234,937	286,662	345,808
EBITDA Margin (%)	10.6	11.3	11.8
Net Profit	130,591	161,093	201,832
EPS (₹)	95.0	117.2	146.8
DPS (₹)	28.0	30.0	32.0
RoE (%)	12.7	17.1	19.9
RoCE (%)	12.2	13.4	14.6
P/E (x)	38.6	31.3	25.0
EV/EBITDA (x)	25.7	16.9	14.4
P/BV (x)	4.9	5.2	4.6

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
L&T	41.2	139.5	186.6
Nifty 50	25.3	56.6	119.6
Sensex	21.6	53.5	114.1

Source: Company, Way2Wealth

Jayakanth Kasthuri
jayakanthk@way2wealth.com

Ph:022-4019 2914

with Andhra Pradesh Government for reviving the Amrapali project which was earlier stalled. Prospect pipeline of ₹70-100bn from NPCIL for nuclear construction & related mechanical work.

- **Energy segment** sales grew by 27% YoY to ₹85bn supported by strong execution of overseas orders leading to healthy growth of 77% YoY, however, domestic business declined 20% YoY. Robust execution momentum in international projects drove the Hydrocarbon business, whereas lower order book moderated revenue in CarbonLite (Energy Power) Solutions. Order inflow stood at ₹87.9bn (+21% YoY) with receipt of high-value orders in the offshore vertical of the Hydrocarbon business. The prospect pipeline for remaining 9MFY25 is ₹2.6tn (Hydro ₹2.17tn; Energy power ₹0.46tn). Margin stood at 8.7% (-40 bps YoY).
- **Hi-Tech manufacturing** segment witnessed de-growth of 2,5% in sales to ₹19.2bn supported by improved execution in Precision Engineering and Systems (PES) business. EBITDA margin expanded 60 bps YoY to 17.4% mainly due to execution cost savings. Order inflow witnessed a 250% YoY growth to ₹36.7bn with receipt of a high-value Shipbuilding order in the PES business. Heavy engineering business benefitted from favorable job mix. The prospect pipeline for 9MFY25 was at ₹320bn.
- **IT&TS segment** witnessed 6% YoY growth to ₹115bn, reflective of subdued global macro outlook impacting discretionary spends. EBITDA margin for the business saw a contraction of 60 bps coming in at 20% on account of lower operating leverage.
- **L&T Finance** reported a 21.3% YoY growth in sales to ₹36.6bn while PAT witnessed a strong 29% growth to ₹6.9bn due to strong retail disbursements (+33% YoY), better asset quality, adequate Provision Coverage Ratio (PCR), and sufficient growth capital.
- **Others** segment reported 36.2% YoY de-growth during the quarter to ₹13.7bn, mainly due to lower handover of residential flats in the realty business. EBITDA margin witnessed a 480 bps YoY expansion to 23.4%, primarily on account of commercial space in realty & higher sales in valves driving segment margin improvement
- **Developmental projects** sales saw 2.4% YoY growth to ₹13.3 bn supported by higher PLF in Nabha. Margin witnessed an expansion of 120 bps to 17% on account of lower interest expense in Nabha Power. Average ridership declined marginally from 4.42 lakh/day in Q4FY24 to 4.32 lakh/day in Q1FY25. This was impacted due to the free bus scheme provided to ladies. Registered a consolidated loss of ₹2.14bn in Q1FY25 vs. ₹3.5bn in Q1FY24. Received cumulative support from the Telangana government amounting to ₹9bn in FY24 & expects ₹11bn due for FY25 which can potentially lead to reduction in debt of the Hyderabad Metro business.
- In Green Energy Portfolio, secured first project for private player to set-up an electrolyzer plant. L&T Semiconductor entered into 100% SPA with SiliConch Systems, a Bengaluru based company.
- Management view shortage of skilled labour to pose a significant challenge.

View

L&T began FY25 on a good note with better than expected core E&C revenue growth of 17% YoY enabled by international markets. On domestic private capex, the management is positive on the central government capex commitment at 3.4% of GDP and expects orders from traditional industries, state road projects, water projects and new-age projects like data centers, electronics manufacturing and semiconductor manufacturing. Though Middle-East’s oil-related capex may see a decline in coming years, the company is in active discussions with the client to target infra-based opportunities in overall capex. The region is already spending on renewable and hydrocarbon and the next leg of spending as per the management can come in railways and metro related orders where it would keep targeting projects. The company is eyeing opportunities in new areas such as offshore wind projects, where it has already made its foray with an order win of USD 100mn. It is also looking for opportunities in green hydrogen and nuclear projects construction (with increased outlay witnessed in the Union Budget 2024). Hence, we continue to remain **ACCUMULATE** on the stock with **TP of ₹4,090-4,110**.

26th July 2024

CMP – ₹3,655.1/-

 View – **ACCUMULATE**
CONSOLIDATED FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)	FY24	FY23	YoY(%)
Net Sales	551,198	478,824	15.1	670,787	(17.8)	2,211,129	1,833,407	20.6
Material Expenses	356,066	307,634	15.7	460,454	(22.7)	1,460,288	1,166,153	25.2
Employee Expenses	110,435	98,894	11.7	107,295	2.9	411,710	372,141	10.6
SG&A Expenses	28,545	23,610	20.9	30,698	(7.0)	104,194	87,580	19.0
EBITDA	56,153	48,686	15.3	72,340	(22.4)	234,937	207,533	13.2
EBITDA Margin (%)	10.2	10.2	2	10.8	(60)	10.6	11.3	(69)
Interest Cost	8,614	8,514	1.2	9,263	(7.0)	35,459	32,072	10.6
Depreciation	9,979	8,305	20.2	10,212	(2.3)	36,823	35,023	5.1
Exceptional Item	-	-	-	936	(100.0)	936	1,360	(31.2)
Other Income	9,206	11,456	(19.6)	10,417	9,206	41,580	29,292	42.0
PBT	46,767	43,324	7.9	64,218	46,767	205,171	171,090	19.9
Tax	12,365	12,163	1.7	14,183	12,365	49,474	44,842	10.3
Minority Interest	(6,590)	(6,026)	9.4	(6,171)	(6,590)	(24,880)	(20,599)	20.8
Associate Profits	46	(205)	122.3	96	46	(226)	(943)	(76.0)
Reported PAT	27,857	24,930	11.7	43,961	(36.6)	130,591	104,707	24.7
EPS (₹)	20.3	17.7	14.2	32.0	(36.6)	95.0	74.5	27.5
Adjus.PAT	27,857	24,930	11.7	43,025	(35.3)	129,655	103,347	25.5
Adjus.EPS (₹)	20.3	17.7	14.3	31.3	(35.3)	94.3	73.5	28.3

Source: Company, Way2Wealth

CONSOLIDATED SEGMENTAL REVENUE

(₹ mn)

Segment	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)	FY24	FY23	YoY(%)
Infrastructure	271,795	223,956	21.4	383,694	(29.2)	1,140,082	878,232	29.8
Energy	85,004	66,904	27.1	82,159	3.5	295,709	249,563	18.5
Hi- Tech Manufacturing	19,197	19,683	(2.5)	25,712	(25.3)	87,653	71,609	22.4
Others	14,975	23,472	(36.2)	25,159	(40.5)	84,929	70,716	20.1
Ex-Services	390,970	334,015	17.1	516,724	(24.3)	1,608,373	1,270,118	26.6
IT&TS	115,567	109,607	5.4	113,827	1.5	449,163	409,885	9.6
Financial Services	36,640	30,196	21.3	35,962	1.9	131,086	125,749	4.2
Development Projects	13,273	12,964	2.4	12,586	5.5	56,280	50,288	11.9
Services	165,481	152,767	8.3	162,376	1.9	636,529	585,922	8.6
Gross Revenue	556,451	486,782	14.3	679,099	(18.1)	2,244,902	1,856,040	21.0
Less: Intersegment	5,253	7,959	(34.0)	8,333	(37.0)	33,773	22,633	49.2
NET REVENUE	551,198	478,824	15.1	670,767	(17.8)	2,211,129	1,833,407	20.6

Source: Company, Way2Wealth

26th July 2024

CMP – ₹3,655.1/-

 View – **ACCUMULATE**
SEGMENTAL ORDER INFLOW TREND

(₹ bn)

Order Inflows	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY	QoQ	FY24	FY23	YoY
	FY22	FY22	FY22	FY22	FY23	FY23	FY23	FY23	FY24	FY24	FY24	FY24	FY25	(%)	(%)			(%)
Infrastructure	112	121	252	451	184	251	325	411	400	277	432	313	401	0.2	27.8	1,422	1,170	21.5
Energy	19	146	82	76	42	84	91	91	72	401	133	131	88	22.0	(33.0)	737	310	138.0
HI-Tech manufacturing	11	11	30	61	33	18	19	84	13	27	20	88	37	180.7	(58.2)	148	156	(4.8)
Others	11	23	15	24	21	20	22	23	20	27	16	28	19	(2.4)	(31.5)	91	84	8.2
Ex Services	152	301	379	611	280	373	457	609	504	731	602	561	544	7.9	(2.9)	1,837	1,720	6.9
Services	114	120	126	128	138	146	150	152	151	161	158	161	165	9.5	2.5	630	586	7.6
TOTAL	266	421	504	739	418	519	607	761	655	892	760	722	709	8.3	(1.7)	3,028	2,305	31.4

Source: Company, Way2Wealth

SEGMENTAL ORDER BOOK TREND

(₹ bn)

Order Book	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY	QoQ
	FY22	FY22	FY22	FY22	FY23	FY23	FY23	FY23	FY24	FY24	FY24	FY24	FY25	(%)	(%)
Infrastructure	2,460	2,446	2,485	2,610	2,653	2,681	2,575	2,836	3,012	3,020	3,177	3,093	3,240	7.6	4.8
Energy	550	628	647	644	654	708	679	719	743	1,082	1,128	1,190	1,178	58.6	(1.0)
HI-Tech manufacturing	97	99	136	179	182	186	179	280	248	270	258	333	344	38.8	3.2
Others	129	132	136	143	145	149	143	160	124	135	136	143	147	19.0	3.2
TOTAL	3,237	3,305	3,404	3,576	3,634	3,724	3,576	3,995	4,126	4,507	4,698	4,758	4,909	19.0	3.2

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Order Inflow	1,863,560	1,754,970	1,929,970	2,305,280	3,028,120	3,330,085	3,811,198
Order Book	3,038,570	3,273,540	3,574,780	3,995,260	4,758,090	5,482,815	6,218,091
Revenue	1,454,524	1,359,790	1,565,212	1,843,761	2,211,129	2,531,827	2,934,753
EBITDA	31,715	156,241	182,173	207,533	234,937	286,662	345,808
EBITDA Margin (%)	2.2	11.5	11.6	11.3	10.6	11.3	11.8
Net Profit	88,945	115,829	86,693	104,707	130,591	161,093	201,832
EPS (₹)	64.7	84.3	63.1	76.2	95.0	117.2	146.8
DPS (₹)	18.0	36.0	22.0	30.0	28.0	30.0	32.0
RoE (%)	12.2	8.3	9.4	10.1	12.7	17.1	19.9
RoCE (%)	8.4	7.3	9.5	10.3	12.2	13.4	14.6
P/E (x)	56.6	73.0	58.1	48.1	38.6	31.3	25.0
EV/EBITDA (x)	39.1	39.8	34.6	29.0	25.7	16.9	14.4
P/BV (x)	6.6	5.7	5.3	4.9	4.9	5.2	4.6
Net Debt/Equity (x)	1.7	1.3	1.3	0.9	1.0	0.9	0.9
Cash Balances	151,178	162,415	189,532	225,196	153,584	171,883	225,531
FCF	33,944	219,218	161,237	190,678	137,498	89,147	157,677

Source: Company, Way2Wealth

Disclaimer

Analyst Certification: I, Jayakanth Kasthuri, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement Larsen & Toubro Ltd. as on 26 July 2024

Name of the Security	Larsen & Toubro Ltd
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Date of buying	
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

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

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.