

LARSEN & TOUBRO LIMITED

Stable Q3, Strong order inflow continues

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L&T reported 17.3% YoY revenue growth, driven by a 53.7% surge in Hydrocarbon segment. Consolidated EBITDA rose 9% YoY, but margins fell 77bps to 9.7%. P&M revenue/EBITDA grew 20% each to ₹473bn/₹36bn, with margins flat at 7.6%. Order prospects remain strong at ₹5tn (down 19% YoY), despite moderation in Hydrocarbon and Infrastructure segments. Global prospects are robust, especially in the Middle East, fueled by oil & gas, renewables, and thermal power investments. With strong 9MFY25 performance, management is confident of exceeding FY25 order intake and revenue targets. NWC to sales stood at 12.7% in Dec-24 (vs. 12.2% in Sept-24), supported by improved gross working capital to sales ratio and robust collections. Order inflows jumped 53% YoY to ₹1.16tn, with domestic inflows doubling to ₹540bn and international inflows up 23% to ₹621bn. Order backlog grew 20% YoY to ₹5.64tn (3.1x TTM revenue). We see L&T as well-positioned for long-term growth due to strong international prospects in the Middle East, a solid domestic pipeline from public and private capital expenditure, improving profitability in development projects, and expansion into sectors like green energy, electrolyzers, semiconductors and data centers. We maintain **BUY** rating and roll forward to FY27 estimates with an unchanged SoTP-derived TP of Rs4,070 reflecting L&T's strong execution capabilities, healthy order inflow prospects, and positive future outlook.

Q3FY25 result summary

Consolidated revenue grew 17.3% YoY to ₹646.7bn, driven by robust international business performance (+34.8% YoY to ₹327.6bn), particularly in Infrastructure and Energy projects. Domestic revenue edged up 3.5% YoY to ₹319bn. EBITDA increased 8.6% YoY to ₹62.5bn, but margins contracted 77bps YoY to 9.7%, primarily due to lower gross margins (-100bps YoY to 35.1%). P&M EBITDA/EBIT margins stood at 7.5%/6.4% (vs. 7.5%/6.3% in Q3FY24). PAT rose 14.0% YoY to ₹33.6bn, supported by revenue growth, higher other income (+15.5% YoY to ₹9.7bn), and lower interest costs (-6.8% YoY to ₹8.4bn), partly offset by increased D&A expenses (+13.7% YoY to ₹10.5bn). The working capital cycle in Q3FY25 improved to 12.7% (vs. 16.6% in Q3FY24), with L&T expecting it to remain between 12.5%-13% of sales for FY25, better than the initial 15% guidance. Core business debt remained stable at ₹416bn. L&T anticipates enhanced operational performance and plans to reduce Hyderabad Metro debt from ₹130bn to ₹70bn through the sale of ToD rights and securing soft loans from state governments. With strong 9MFY25 performance, management is confident of exceeding FY25 order intake and revenue targets

Key Financials	FY24	FY25E	FY26E	FY27E
Total Sales (₹ bn)	2,211	2,594	2,977	3,365
EBITDA Margins (%)	10.6	10.3	11.3	12.1
PAT Margins (%)	5.9	5.7	6.6	7.3
EPS (₹)	95	107	143	180
P/E (x)	37.6	33.4	25.0	19.9
P/BV (x)	6	5	4	4
EV/EBITDA (x)	25	22	17	14
RoE (%)	15	16	18	19
RoCE (%)	11	12	14	15
Dividend Yield (%)	0.9	1.2	1.2	1.2

BUY

Current Market Price (₹)	3,572
12M Price Target (₹)	4,070
Potential Return (%)	14

Stock Data

Sector :	Engineering & Construction
FV (₹) :	2
Total Market Cap (₹ bn) :	4,893
Free Float Market Cap (₹ bn) :	4,184
52-Week High / Low (₹) :	3,9634 / 3,175
BSE Code / NSE Symbol	500510 / LT
Bloomberg :	LT IN

Shareholding Pattern

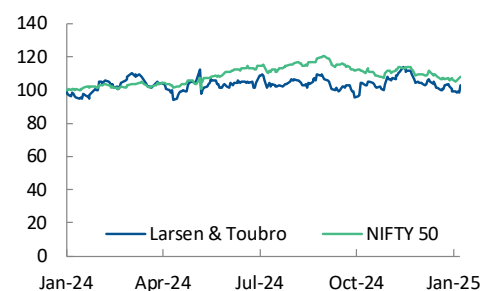
(%)	Dec-24	Sep-24	Jun-24	Mar-24
FPIs	20.83	21.71	22.85	24.36
MFs	19.68	19.14	18.13	17.85
Insurance	19.12	18.74	17.98	17.44
Employees Trust	14.35	14.36	14.37	14.37
Others	26.02	26.05	26.67	25.98

Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
L&T	-1.2%	5.4%	-5.8%	5.6%
Nifty 50	-0.6%	-3.9%	-5.4%	7.6%

* To date / current date : January 31, 2025

L&T vs Nifty 50

Strong ordering pipeline

L&T's Q4FY25 prospect pipeline stands strong at ₹5.5 tn, (down 12% YoY), led by lower hydrocarbon and CarbonLite opportunities. Domestic prospects are likely to be driven by public health infrastructure, energy, urban infra, water, and buildings & factories (B&F) segments. Consolidated order inflows surged 52.7% YoY to ₹1.16 tn in Q3FY25, driven by large orders in renewables, power T&D, and mega deals in CarbonLite and Hydrocarbon segments. Domestic/international order mix stood at 47%/53%. Order book rose 20.1% YoY to ₹5.6 tn (2.3x TTM revenue), with a 58%/42% domestic/export split.

Outlook & Valuation

Given record OB with strong order pipeline and gradual revival in private capex provides healthy outlook ahead. Overall strong balance sheet, diversified business portfolio and proven execution capabilities gives L&T an edge in the current volatile and challenging economic environment. We expect L&T to benefit from an improving prospect pipeline and improvements in NWC and RoEs. We maintain **BUY** rating and roll forward to FY27 estimates with an unchanged SoTP-derived TP of Rs4,070 reflecting L&T's strong execution capabilities, healthy order inflow prospects, and positive future outlook.

Key Risks:

Slowdown in the domestic macro-economic environment or weakness in international capital investment can negatively affect business outlook and earnings growth.

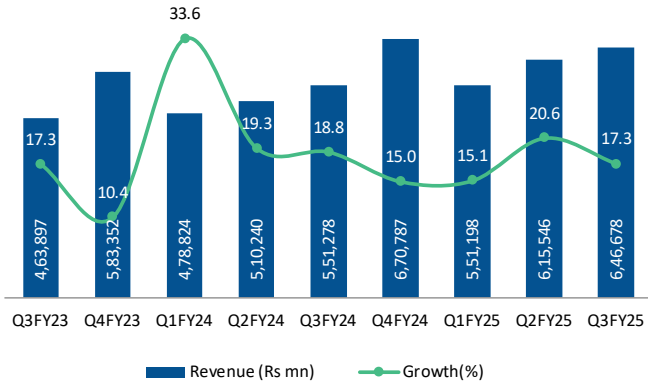
Exhibit 1: SoTP Valuation

Business Segment	Method	Valuation multiple	Value (₹ bn)	Value (₹/sh)	Rationale
L&T Standalone	FY27E PER (x)	24	4067	2894	On Core Engg Business
International Ventures (L&T FZE)	FY27E PER (x)	20	118	84	Discount to L&T standalone
LTI Mindtree	Market cap		1191	847	As per current market cap
L&T technologies	Market cap		420	299	As per current market cap
L&T Finance	Market cap		240	171	As per current market cap
Infrastructure Development Projects	P/BV	1	37	26	
Other subsidiaries	FY26E PER (x)	15	28	20	
Less: Holding Company Discount (20%)			(385)	(272)	Holding company discount of 20% on investments
Total				4,070	

Source: Company, LKP Research

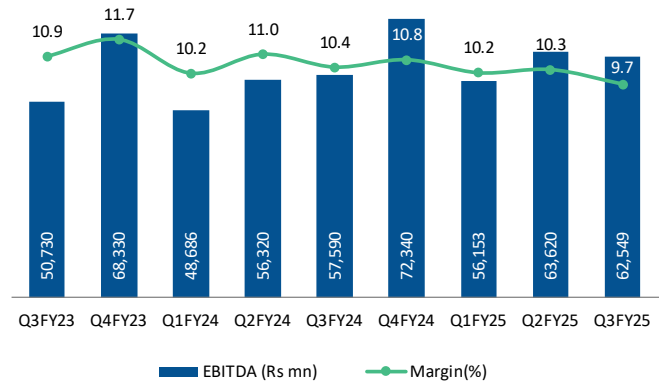
Financials in charts

Exhibit 2: Revenue trend



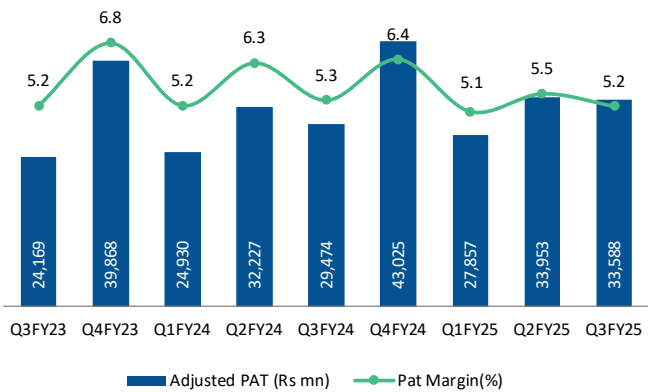
Source: Company, LKP Research

Exhibit 3: EBITDA and margin trend



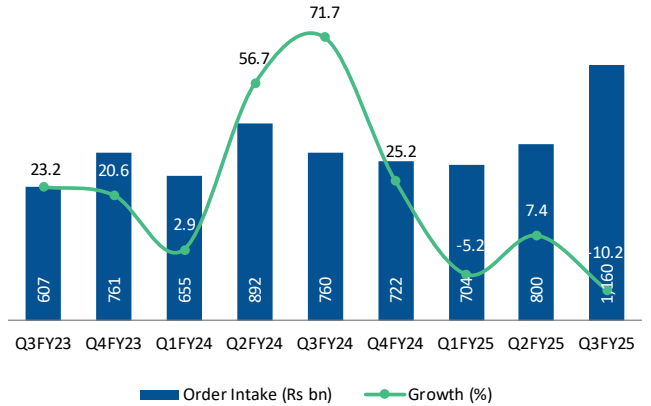
Source: Company, LKP Research

Exhibit 4: Net profit and profit margin trend



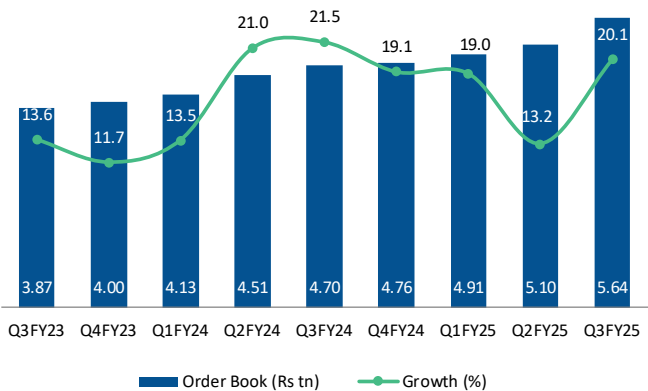
Source: Company, LKP Research

Exhibit 5: Order Intake and growth trend



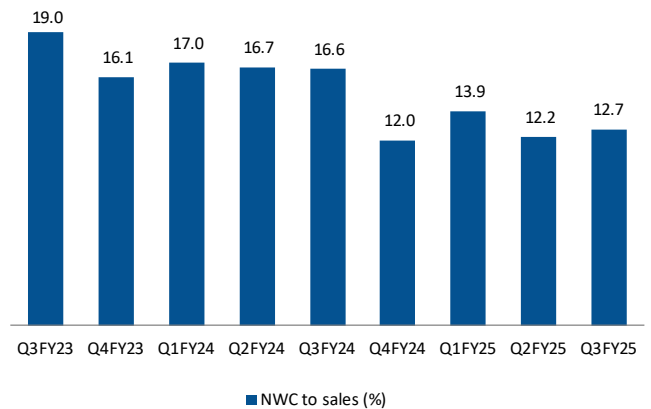
Source: Company, LKP Research

Exhibit 6: Order book and growth trend



Source: Company, LKP Research

Exhibit 7: Net Working Capital to Sales



Source: Company, LKP Research

Exhibit 8: Quarterly Financial Snapshot

YE Mar (₹ mn)	Q3 FY25	Q2 FY25	QoQ growth	Q3 FY24	YoY growth
Revenue	6,46,678	6,15,546	5.1%	5,51,278	17.3%
Gross Profit	2,26,959	2,20,971	2.7%	1,98,984	14.1%
Margin (%)	35.1	35.9	(80)	36.1	(100)
Employee Cost	1,19,122	1,14,557	4.0%	1,02,533	16.2%
as % of sales	18.4	18.6	(19)	18.6	(18)
Other expenditure	28,855	27,244	5.9%	24,465	17.9%
as % of sales	4.5	4.4	4.0	4.4	2.0
Finance cost of fin. serv. business	16,433	15,550	5.7%	14,397	14.1%
as % of sales	2.5	2.5	1.0	2.6	(7.0)
EBITDA	62,549	63,620	-1.7%	57,590	8.6%
Margin (%)	9.7	10.3	(66)	10.4	(77)
Depreciation	10,470	10,238	2.3%	9,208	13.7%
EBIT	52,079	53,382	-2.4%	48,382	7.6%
Margin (%)	8.1	8.7	(62)	8.8	(72)
Other Income	9,679	11,013	-12.1%	8,378	15.5%
Interest	8,427	8,844	-4.7%	9,042	-6.8%
PBT (ex. Extra-ordinaries)	53,330	55,551	-4.0%	47,718	11.8%
Margin (%)	8.2	9.0	(78)	8.7	(41)
Extraordinary Items	-	-	-	-	-
PBT	53,330	55,551	-4.0%	47,718	11.8%
Total Tax	13,320	14,423	-7.6%	11,773	13.1%
Effective Tax Rate (%)	25.0	26.0	(99)	24.7	30
PAT before MI & JV	40,010	41,128	-2.7%	35,945	11.3%
Reported PAT	33,588	33,953	-1.1%	29,474	14.0%
Adj. PAT	33,588	33,953	-1.1%	29,474	14.0%
Adj. EPS	24.4	24.7	-1.1%	21.4	14.0%

Source: Company, LKP Research

Exhibit 9: Segment Performance

YE Mar (₹ mn)	Q3FY25	Q3FY24	YoY growth	Q2FY25	QoQ growth
Revenue					
Infrastructure Projects	3,24,080	2,82,664	14.7%	3,23,523	0.2%
Energy Projects	1,10,554	78,703	40.5%	88,798	24.5%
Hi-Tech Manufacturing	25,891	21,847	18.5%	21,759	19.0%
IT & Technology Services	1,22,189	1,13,260	7.9%	1,19,606	2.2%
Financial Services	38,813	34,067	13.9%	38,366	1.2%
Development Projects	14,346	12,199	17.6%	13,829	3.7%
Others	18,874	17,418	8.4%	17,925	5.3%
Total	6,54,746	5,60,157	16.9%	6,23,807	5.0%
Less: Inter-segment revenue	8,068	8,879	-9.1%	8,261	-2.3%
Net Revenue	6,46,678	5,51,278	17.3%	6,15,546	5.1%

YE Mar (₹ mn)	Q3FY25	Q3FY24	YoY growth	Q2FY25	QoQ growth
EBIT					
Infrastructure Projects	14,148	12,054	17.4%	15,502	-8.7%
Energy Projects	8,386	6,952	20.6%	7,091	18.3%
Hi-Tech Manufacturing	3,886	2,948	31.8%	2,097	85.3%
IT & Technology Services	18,338	19,708	-7.0%	20,798	-11.8%
Financial Services	8,239	8,240	0.0%	9,395	-12.3%
Development Projects	1,488	1,184	25.6%	1,358	9.6%
Others	4,245	3,453	22.9%	3,837	10.6%
Total	58,730	54,539	7.7%	60,079	-2.2%

YE Mar (%)	Q3FY25	Q3FY24	YoY bps	Q2FY25	QoQ bps
EBIT Margin					
Infrastructure Projects	4.4	4.3	10	4.8	-43
Energy Projects	7.6	8.8	-125	8.0	-40
Hi-Tech Manufacturing	15.0	13.5	152	9.6	537
IT & Technology Services	15.0	17.4	-239	17.4	-238
Financial Services	21.2	24.2	-296	24.5	-326
Development Projects	10.4	9.7	66	9.8	55
Others	22.5	19.8	267	21.4	108

Source: Company, LKP Research

Concall Highlights

- Maintained FY25 guidance of ~10% order inflow growth, ~15% revenue growth, P&M EBITDA margin of 8-8.25%, and ~15% NWC to sales ratio. Management is confident of surpassing their order intake and revenue guidance for FY25 driven by expected pickup in domestic ordering activity and execution of robust order book.
- **Order Prospects:** Stands at Rs5.51trn vs Rs6.26trn YoY primarily due to lower hydrocarbon and carbonlite prospects. Total order prospects comprise of Infrastructure (Rs4.0trn vs Rs4.1trn YoY), Hydrocarbon (Rs1.44trn vs Rs1.7trn YoY), and Hi-Tech Manufacturing (Rs0.06trn vs Rs0.16trn YoY).
- **Order Book Composition:** OB stands at Rs5.64trn with domestic share of 58% (Rs3.3trn) and international share of 42% (Rs2.4trn). ~15% of the order book is funded by bilateral & multilateral agencies. No orders were deleted in Q3FY25. Slow-moving orders constitute 0.5% of the order book.
- International OB comprises of Middle East (83%) and RoW (17%). Middle East remains focused on investments in oil & gas, infrastructure, industrialization and energy transition.
- Domestic OB comprises of Central Govt (15%), State Govts (26%), PSUs (36%) and private players (20%).
- NWC to sales ratio saw a ~390bps YoY improvement to 12.7% mainly due to improvement in the gross working capital to sales ratio backed by prompt collections from customers. Group level collections (ex-financial services) in Q3FY25 came in at Rs591bn vs Rs494bn in Q3FY24.
- **Infrastructure:** Secured Rs. 491 bn in Q3FY25 orders (+14% Y-o-Y), with 74% from international markets. Order book at Rs. 3.61 tn, with a pipeline of Rs. 4 tn for Q4. Key sectors: Renewables, Power Transmission & Distribution, Water, Buildings, and Metals. Renewables has a 3% share in the Infra prospects pipeline. The company mentioned investing in green energy as one of the newer business areas in their capital allocation. Revenue grew 15% to Rs. 321 bn; EBITDA margin steady at 5.5%.
- **Energy Projects:** Order book at Rs. 1.46 tn (Hydrocarbon: Rs. 1.1 tn, CarbonLite: Rs. 0.27 tn). Q3 revenue surged 41% to Rs. 111 bn, driven by Hydrocarbon, while CarbonLite saw lower revenues. Margin declined to 8.3% from 9.7%. Q4 order pipeline at Rs. 1.44 tn, entirely Hydrocarbon. The negative variation in Hydrocarbon margin over the previous year is largely reflective of the stage of execution of the various jobs in the portfolio.
- **Hi-Tech Manufacturing:** Order book at Rs. 418 bn, with a Q4 pipeline of Rs. 65 bn. Strong execution in Precision Engineering & Systems, while Heavy Engineering had muted revenues due to early-stage projects. Segment margin improved due to cost savings in Heavy Engineering.
- **Green Hydrogen:** The company is pursuing opportunities in the green hydrogen market after securing a 90,000 MTPA green hydrogen capacity with incentives of Rs. 3 bn.
- **IT and Technology Services:** This segment includes LTIMindtree and LTTS. The revenues of this segment at Rs. 121 bn in Q3FY25 registered a modest growth of 8%, which is reflective of current market conditions. Despite the market conditions, both companies recorded strong deal wins in the quarter. However, the segment margin declined due to wage hikes and foreign exchange losses.

- **L&T Finance:** This segment achieved a portfolio retailisation of 97% in Q3FY25. The company expects credit costs in rural group and microfinance loans to peak in Q4FY25, with some normalization from Q1 FY26 onwards. The return on assets remained healthy at 2.27% despite sectoral challenge.
- **Development Projects:** This segment includes the Power Development business, primarily Nabha Power, and Hyderabad Metro. The segment's revenue growth was driven by improved plant load factor (PLF) and higher energy charges in Nabha Power. Hyderabad Metro had an average ridership of 4.45 lakh passengers a day in Q3FY25, with a loss of Rs. 2.03 bn, an improvement compared to the previous year due to lower interest costs.
- **M&A:** The company acquired a 15% stake in E2E Networks, an Indian cloud and AI cloud provider, for an aggregate consideration of Rs. 10.79 bn, with a plan to acquire an additional 6% stake by May 30, 2025. They have also acquired Intelliswift to deepen their offerings in software product development and AI.

Exhibit 10: Income Statement

(₹ mn)	FY24	FY25E	FY26E	FY27E
Total Income	22,11,129	25,94,465	29,77,498	33,64,511
Raw material Cost	7,97,520	9,87,658	11,33,674	12,68,875
Employee Cost	4,11,710	4,94,052	5,68,160	6,53,384
Other expenses	7,66,962	8,46,191	9,38,613	10,34,849
Total operating Expenses	19,76,193	23,27,901	26,40,447	29,57,108
<i>EBITDA</i>	<i>2,34,937</i>	<i>2,66,564</i>	<i>3,37,051</i>	<i>4,07,404</i>
% margins	10.6	10.3	11.3	12.1
Depreciation & Amortisation	36,823	40,914	42,075	46,083
EBIT	1,98,113	2,25,650	2,94,976	3,61,321
<i>Interest</i>	<i>35,459</i>	<i>33,524</i>	<i>32,760</i>	<i>33,180</i>
Other Income	41,580	41,555	44,625	48,830
Recurring PBT	2,04,235	2,33,682	3,06,841	3,76,971
<i>Add: Extraordinaries</i>	<i>936</i>	<i>-</i>	<i>-</i>	<i>-</i>
Add: Share in associates				
PBT	2,05,171	2,33,682	3,06,841	3,76,971
<i>Less: Taxes</i>	<i>49,474</i>	<i>56,551</i>	<i>77,631</i>	<i>95,374</i>
Less: Minority Interest & Share in associates	23,737	28,465	30,688	32,180
Net Income (Reported)	1,31,961	1,48,666	1,98,522	2,49,418
Adjusted Net Income	1,30,591	1,47,046	1,96,628	2,47,224

Source: Company, LKP Research

Exhibit 11: Balance Sheet

(₹ mn)	FY24	FY25E	FY26E	FY27E
Assets				
Total Current Assets	26,72,634	30,66,653	34,69,577	39,15,975
of which cash & cash eqv.	1,53,584	2,16,140	3,00,857	4,18,558
Total Current Liabilities & Provisions	11,90,679	14,03,118	15,91,502	17,82,366
Net Current Assets	14,81,955	16,63,535	18,78,075	21,33,609
Investments	2,73,995	2,74,097	2,74,200	2,74,305
Net Fixed Assets	3,37,272	3,37,146	3,38,305	3,38,051
Goodwill	78,009	78,009	78,009	78,009
Total Assets	21,71,231	23,52,786	25,68,589	28,23,973
Liabilities				
Borrowings	11,40,398	11,55,983	11,69,983	11,84,983
Deferred Tax Liability	5,336	-	-	-
Minority Interest	1,61,904	1,91,989	2,24,571	2,58,945
Equity Share Capital	2,749	2,749	2,749	2,749
Face Value per share (Rs)	1.96	1.96	1.96	1.96
Reserves & Surplus	8,60,843	10,02,065	11,71,286	13,77,296
Net Worth	8,63,592	10,04,814	11,74,035	13,80,045
Total Liabilities	21,71,231	23,52,786	25,68,589	28,23,973

Source: Company, LKP Research

Exhibit 12: Cash Flow

(₹ mn)	FY24	FY25E	FY26E	FY27E
Operating Cash flow	69,888	1,76,490	2,26,661	2,78,850
Working Capital Changes	1,12,774	(1,18,024)	(1,29,823)	(1,37,832)
Capital Commitments	(13,196)	126	(1,160)	254
Free Cash Flow	1,69,467	58,592	95,678	1,41,272
Cash flow from Investing Activities	34,826	41,453	44,522	48,726
Inc (Dec) in Borrowings	(44,736)	15,585	14,000	15,000
Interest paid	(35,459)	(33,524)	(32,760)	(33,180)
Dividend paid	(46,186)	(46,738)	(69,483)	(87,296)
Extraordinary Items/Others	(1,49,525)	27,187	32,760	33,180
Chg. in Cash & Bank balance	(71,612)	62,556	84,717	1,17,702
Opening Balance	1,53,584	2,16,140	3,00,857	4,18,558
Closing Balance	2,25,196	1,53,584	2,16,140	3,00,857

Source: Company, LKP Research

Exhibit 13: Key Ratios

YE Mar	FY24	FY25E	FY26E	FY27E
Per Share Data (in ₹)				
Diluted adjusted EPS	95.0	107.0	143.0	179.8
Recurring Cash EPS	137.0	155.1	193.0	233.1
Dividend per share (DPS)	32.7	42.4	42.4	42.4
Book Value per share (BV)	614.4	714.9	835.3	981.9
Mcap /Sales	2.3	1.9	1.7	1.5
Growth Ratios (%)				
Operating Income	20.6	17.3	14.8	13.0
EBITDA	13.2	13.5	26.4	20.9
Recurring Net Income	24.7	12.6	33.7	25.7
Diluted adjusted EPS	27.5	12.6	33.7	25.7
Diluted Recurring CEPS	19.4	13.3	24.4	20.8
Valuation Ratios				
P/E	37.6	33.4	25.0	19.9
P/CEPS	26.1	23.0	18.5	15.3
P/BV	5.8	5.0	4.3	3.6
EV / EBITDA	25.0	21.8	17.1	13.9
EV / Operating Income	2.7	2.2	1.9	1.7
EV / Operating FCF (pre -Capex)	32.1	99.6	59.4	40.1
Operating Ratio				
Raw Material/Sales (%)	36.1	38.1	38.1	37.7
SG&A/Sales (%)	18.4	18.0	17.7	17.6
Other Income / PBT (%)	20.4	17.8	14.5	13.0
Effective Tax Rate (%)	24.2	24.2	25.3	25.3
NWC / Total Assets (%)	61.2	61.5	61.4	60.7
Inventory Turnover (days)	10.9	13.0	13.0	13.0
Receivables (days)	80.5	75.0	75.0	75.0
Payables (days)	101.4	96.5	99.9	99.4
D/E Ratio (x)	1.3	1.2	1.0	0.9
Return/Profitability Ratio (%)				
Recurring Net Income Margins	5.9	5.7	6.6	7.3
RoCE	10.9	11.8	13.8	15.2
RoNW	14.9	15.7	18.0	19.4
Dividend Payout Ratio	34.4	39.6	29.6	23.6
Dividend Yield	0.9	1.2	1.2	1.2
EBITDA Margins	10.6	10.3	11.3	12.1

Source: Company, LKP Research

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