

Q4FY24 Result Highlights

- **Strong growth in all segments even as core business was subdued –** L&T reported strong growth of 15%/~6%/10.3% YoY in consolidated Revenue/EBITDA/PAT to ₹670.7bn/₹72.3bn/₹43.96bn for Q4FY24. The Core E&C (ex-services) sales grew 17.5% YoY (+29% QoQ) to ₹516.7bn as execution in infrastructure segment was robust which grew 22% YoY. The growth was broad-based across segments and equally healthy for both domestic and overseas geographies with Energy Projects (~+4% YoY) and Hi-Tech Manufacturing (~+11% YoY) reported strong growth while services revenue grew ~8% YoY to ₹162.4bn. IT Services grew 6% YoY impacted by subdued global macros impacted IT spends while Financial Services saw revenue growth of 15.4% YoY with ~94% retailisation of loan book along with high disbursement. Development Projects (+2.2% YoY) saw low double digit revenue growth while and Others Segment grew +16.4% YoY enabled by realty sales worth ₹45bn (2000 apartments). Overall Margins was at 10.8% (-93 bps YoY & +34 bps QoQ) with Core E&C margins at 9.5%. Group levels collection was at ₹6.3bn v/s ₹5.4bn enabling improvement in Net W.C management to sales from 16.1% to 12% YoY. Infrastructure segment saw slight improvement in EBIT margin at 7.9% v/s 7.5%YoY due cost savings and execution of new order wins. Infra Order book as on 31Mar24 was at ₹3.1tn. PAT/Adjus.PAT grew 10.3/7.9% YoY enabled by a lower ETR of 22.1%. The order inflow in ₹560.5bn, was down 8% YoY, led by a 25% decline in domestic orders owing to the ongoing elections. Order book as at 31Mar24 was at ₹4.76tn. Domestic constitutes 62% at ₹2.95tn (Central Govt. – 14%, State Govt. – 28%, PSUs – 36%, Private – 22%). International Orderbook of ₹1.38tn (Middle East – 92% with 80% of this is from Saudi Arabia). 90% of the total order book is funded by bilateral and multilateral agencies. The company cancelled ₹57bn of jobs out of the order book in FY24 and has less than 1% share of slow-moving orders inside its order book. Declared dividend of ₹28 per share. For FY25, management has guided order inflow growth of 10%, revenue growth of 15%, NWC to sales of 15%, and a Core E&C margin of 8.25%.
- **Order prospect pipeline at ₹12.1tn (Domestic: International – ₹7bn:₹5bn)** Infrastructure at ₹7.3tn v/s ₹6.5tn YoY; Hydrocarbon at ₹3.87tn v/s ₹2.44tn; Power at ₹0.5tn flat YoY; Heavy Engg at ₹0.35tn v/s ₹0.25tn YoY and Green Energy at ₹0.1tn v/s ₹0.04tn YoY with major domestic order inflows starting from end-1HFY25. Within the domestic infrastructure pipeline, the company is eyeing large-sized projects in water, urban transportation, bridges, B&F, and renewables. With its strategy to focus on large-sized projects, L&T expects a hit rate of 20-25% in the domestic prospect pipeline of ₹7tn, which will drive growth in domestic order inflows. While the company continues to be bullish on GCC countries, the prospects have seen some moderation due to prioritising of the projects from Oil & gas to renewables.
- **External uncertainties leading to lower Core E&C margins EBITDA –** The company has reduced its Core E&C margin guidance to 8.2-8.3% for FY25 due to Red sea supply chain disruptions, uncertain political environment and ongoing conflicts across several areas. Beyond building a buffer in initial bids for fixed-price Middle East projects or domestic renewable projects, reduced margin guidance takes into account low margins in its key infrastructure segment. The company expects order prospects of ₹1.5tn from Middle east with order prioritising taking place compred to the order inflow of ₹1.8tn last year. It is also adding more local workforce in

Important Statistics

Nifty	22,033
Sensex	73,802
MCAP (₹ bn)	4,492.6
52 Week H/L (₹)	3,860/2,169
NSE Code	LT
BSE Code	500510
Bloomberg Code	LT:IN

Shareholding Pattern		Mar'24 (%)
Promoter		-
DII		38.2
FII		24.4
Public & Others		37.4

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)	65.1	51.8	42.9						
EV/EBITDA (x)	36.3	31.6	26.4						
P/BV (x)	5.1	4.7	4.3						

Particulars	FY24P			FY25E			FY26E		
Revenue	2,211,129	2,545,198	2,864,622						
EBITDA	234,937	267,294	314,329						
EBITDA Margin (%)	10.6	10.5	11.0						
Net Profit	130,591	149,878	182,964						
EPS (₹)	95.0	109.0	133.1						
DPS (₹)	28.0	30.0	32.0						
RoE (%)	12.7	13.5	14.6						
RoCE (%)	12.2	12.8	13.4						
P/E (x)	34.4	30.0	24.6						
EV/EBITDA (x)	23.4	20.4	17.3						
P/BV (x)	4.4	4.5	4.0						

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
L&T	38.5	140.5	168.9
Nifty 50	20.3	47.5	95.3
Sensex	19.2	49.1	97.0

Source: Company, Way2Wealth

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keeping with the region’s mandate to hire ~30% of local employees, which is driving up labour costs. Nevertheless, the execution cycle is faster in GCC, which translates into better return ratios overall. It estimates the current 12% working capital to sales ratio to weaken to 15% in FY25 and the absence of any meaningful asset sale, hinting at RoE moving back to low teens levels. Its order inflow growth guidance of 10% looks aggressive against its expectations of overseas order inflows decline high-teens YoY and large part of the domestic order inflows coming after elections results in 2HFY25 with L&T gaining share on expectation of government entities moving toward quality-based cost assessments, while bidding projects. Green shoots for margin revival would come from improved margins in the infrastructure segment (especially construction), improved inflows in the high-margin defense orders, and claim settlements from clients as per the management.

- The management mentioned that the key segments such as water treatment, urban infrastructure, power T&D, building & factories, industrial capex will see healthy investment activity over the coming few years as the building blocks towards a manufacturing-oriented economy. Order prospect pipeline – Water & effluent -20%; Power TnD & Renewables – 21%; Transport Infra at 20%; Heavy Civil at 17%; Metals & Mining at 7% and Building & Factories 15%.
- As per the management, the Hyderabad Metro had an average Daily Ridership potential of 5.5-6 lakhs but currently at 4.4 lakhs per day due to the newness in availing the metro as a mode of transportation in the city and recent moves such as free travel for women in buses in Hyderabad. L&T expects the same to improve over the next 12-18 months and considers reaching a +5 lakh ridership as a key hurdle for monetising the asset. It also expects the monetisation of the 18.5 mn square feet TOD to happen in phases, having started again in FY24. Already monetisation worth ₹10bn was done in FY24 with expectation of another ₹10bn to be done in FY25. The project is yet to receive ₹21bn of the ₹30bn grant, which the management expects to get over the next two years.
- **To avoid participation in the planned UMPP projects by the Government of India** – Given the rising demand for power and the need to have a base-load power source, there has been a renewed interest in thermal power in India. Notably, the government envisages an addition of ~80 GW of thermal capacity. However, despite the optimism and the fact that L&T has a demonstrated track record of setting up thermal plants and other allied capabilities, it has been avoiding participation in the ultra-mega power plants (UMPP) due to the unfavorable terms of bidding.
- Total 14MW of Data Centers has gone live in Maharashtra. In Kancheepuram near Chennai, two data centres of 12MW and 18MW are yet to be commissioned.
- In Green Energy Portfolio, commissioned the alkaline electrolyser manufacturing Plant. Received ₹4.44bn for 330MW under Tranche 1 of PLI Scheme. Plans to acquire land in Gujarat, Maharashtra & Odhisa for expansion.


View

L&T ended FY24 with Revenue/Order inflow growth of 21%/31.4% YoY even as margins were impacted in initial quarters as Core E&C saw revenue growth of ~27% YoY driven by execution in international orders. With Order prospect pipeline of ₹12tn with bulk of it coming in after elections (not a surprise), the company expects margins to decline due to lower international orders and geopolitical uncertainty. Management has moderated its guidance on both revenue and order inflow for FY25. We expect margin to gradually inch up starting 2HFY25 with greater share of large government projects in the revenue mix and lower share of legacy projects. Its focus on new opportunities in segments like Green Hydrogen, Defence, Semiconductors etc along with expected orders in traditional areas like Power TnD, Waste-Water, Railways, Urban Infra etc augers well for the company in coming quarters. We remain positive on the company's with visibility of robust bid pipeline, diversified order book, healthy balance sheet due its focus on collections and improved advances. Hence, we continue to remain **ACCUMULATE** on the stock with **TP** of **₹3,530-3,550**.

10th May 2024

CMP – ₹3,268.2/-

 View – **ACCUMULATE**
CONSOLIDATED FINANCIAL PERFORMANCE

(₹ mn)								
Particulars	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Net Sales	670,787	583,352	15.0	551,278	21.7	2,211,129	1,833,407	20.6
Material Expenses	460,454	394,872	16.6	366,691	25.6	1,460,288	1,166,153	25.2
Employee Expenses	107,295	99,811	7.5	102,533	4.6	411,710	372,141	10.6
SG&A Expenses	30,698	20,339	50.9	24,465	25.5	104,194	87,580	19.0
EBITDA	72,340	68,330	5.9	57,590	25.6	234,937	207,533	13.2
EBITDA Margin (%)	10.8	11.7	(93)	10.4	34	10.6	11.3	(69)
Interest Cost	9,263	8,130	13.9	9,042	2.4	35,459	32,072	10.6
Depreciation	10,212	8,535	19.6	9,208	10.9	36,823	35,023	5.1
Exceptional Item	936	-	-	-	-	936	1,360	(31.2)
Other Income	10,417	7,409	40.6	8,378	24.3	41,580	29,292	42.0
PBT	64,218	59,074	8.7	47,718	34.6	205,171	171,090	19.9
Tax	14,183	14,606	(2.9)	11,773	20.5	49,474	44,842	10.3
Minority Interest	(6,171)	(4,718)	30.8	(6,455)	(4.4)	(24,880)	(20,599)	20.8
Associate Profits	96	118	(18.7)	(17)	(676.6)	(226)	(943)	(76.0)
Reported PAT	43,961	39,868	10.3	29,474	49.2	130,591	104,707	24.7
EPS (₹)	32.0	28.4	12.8	21.4	49.2	95.0	74.5	27.5
Adjus.PAT	43,025	39,868	7.9	29,474	46.0	129,655	103,347	25.5
Adjus.EPS (₹)	31.3	28.4	10.3	21.4	46.0	94.3	73.5	28.3

Source: Company, Way2Wealth

CONSOLIDATED SEGMENTAL REVENUE

(₹ mn)								
Segment	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Infrastructure	383,694	315,488	21.6	282,664	35.7	1,140,082	878,232	29.8
Energy	82,159	79,292	3.6	78,703	4.4	295,709	249,563	18.5
Hi- Tech Manufacturing	25,712	23,208	10.8	21,847	17.7	87,653	71,609	22.4
Others	25,159	21,605	16.4	17,418	44.4	84,929	70,716	20.1
Ex-Services	516,724	439,593	17.5	400,632	29.0	1,608,373	1,270,118	26.6
IT&TS	113,827	107,393	6.0	113,260	0.5	449,163	409,885	9.6
Financial Services	35,962	31,163	15.4	34,067	5.6	131,086	125,749	4.2
Development Projects	12,586	12,321	2.2	12,199	3.2	56,280	50,288	11.9
Services	162,376	150,877	7.6	159,525	1.8	636,529	585,922	8.6
Gross Revenue	679,099	590,470	15.0	560,157	21.2	2,244,902	1,856,040	21.0
Less: Intersegment	8,333	7,118	17.1	8,879	(6.2)	33,773	22,633	49.2
NET REVENUE	670,767	583,352	15.0	551,278	21.7	2,211,129	1,833,407	20.6

Source: Company, Way2Wealth

10th May 2024

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 View – **ACCUMULATE**
SEGMENTAL ORDER INFLOW TREND

(₹ bn)

Order Inflows	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	QoQ	FY24	FY23	YoY (%)
	FY22	FY22	FY22	FY22	FY23	FY23	FY23	FY23	FY24	FY24	FY24	FY24	(%)	(%)			
Infrastructure	112	121	252	451	184	251	325	411	400	277	432	313	(23.7)	(27.5)	1,422	1,170	21.5
Energy	19	146	82	76	42	84	91	91	72	401	133	131	43.7	(1.2)	737	310	138.0
HI-Tech manufacturing	11	11	30	61	33	18	19	84	13	27	20	88	5.0	330.2	148	156	(4.8)
Others	11	23	15	24	21	20	22	23	20	27	16	28	22.6	71.3	91	84	8.2
Ex Services	152	301	379	611	280	373	457	609	504	731	602	561	(7.9)	(6.8)	1,837	1,720	6.9
Services	114	120	126	128	138	146	150	152	151	161	158	161	5.8	1.8	630	586	7.6
TOTAL	266	421	504	739	418	519	607	761	655	892	760	722	(5.2)	(5.1)	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	YoY	QoQ
	FY22	FY22	FY22	FY22	FY23	FY23	FY23	FY23	FY24	FY24	FY24	FY24	(%)	(%)
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	9.0	(3.2)
Energy	550	628	647	644	654	708	679	719	743	1,082	1,128	1,190	65.4	5.5
HI-Tech manufacturing	97	99	136	179	182	186	179	280	248	270	258	333	19.1	29.3
Others	129	132	136	143	145	149	143	160	124	135	136	143	(10.7)	20.7
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	19.1	1.3

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
Order Inflow	1,863,560	1,754,970	1,929,970	2,305,280	3,028,120	3,341,085	3,791,018
Order Book	3,038,570	3,273,540	3,574,780	3,995,260	4,758,090	5,471,915	6,019,091
Revenue	1,454,524	1,359,790	1,565,212	1,843,761	2,211,129	2,545,198	2,864,622
EBITDA	31,715	156,241	182,173	207,533	234,937	267,294	314,329
EBITDA Margin (%)	2.2	11.5	11.6	11.3	10.6	10.5	11.0
Net Profit	88,945	115,829	86,693	104,707	130,591	149,878	182,964
EPS (₹)	64.7	84.3	63.1	76.2	95.0	109.0	133.1
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	13.5	14.6
RoCE (%)	8.4	7.3	9.5	10.3	12.2	12.8	13.4
P/E (x)	50.5	65.1	51.8	42.9	34.4	30.0	24.6
EV/EBITDA (x)	35.7	36.3	31.6	26.4	23.4	20.4	17.3
P/BV (x)	5.9	5.1	4.7	4.3	4.4	4.5	4.0
Net Debt/Equity (x)	1.7	1.3	1.3	1.0	1.0	0.9	0.8
Cash Balances	151,178	162,415	189,532	225,196	153,584	184,799	243,404
FCF	33,944	219,218	161,237	190,678	137,498	113,614	181,478

Source: Company, Way2Wealth

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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
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