6 May 2026

4QFY26 Result Update| Sector: Capital Goods

# Larsen & Toubro

| | |
|---|---|
| Estimate changes | ↓ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | LT IN |
| Equity Shares (m) | 1376 |
| M.Cap.(INRb)/(USDb) | 5577.5 / 58.5 |
| 52-Week Range (INR) | 4440 / 3284 |
| 1, 6, 12 Rel. Per (%) | 6/9/24 |
| 12M Avg Val (INR M) | 8863 |

**Financials Snapshot (INR b)**

| Y/E MARCH | FY26 | FY27E | FY28E |
|---|---|---|---|
| Net Sales | 2,858.7 | 3,132.3 | 3,848.0 |
| EBITDA | 291.5 | 317.7 | 386.5 |
| PAT | 170.1 | 196.5 | 242.9 |
| EPS (INR) | 123.7 | 142.9 | 176.7 |
| GR. (%) | 15.9 | 15.5 | 23.6 |
| BV/Sh (INR) | 795.0 | 894.9 | 1,014.2 |
| **Ratios** | | | |
| ROE (%) | 16.4 | 16.9 | 18.5 |
| RoCE (%) | 9.5 | 10.0 | 11.4 |
| **Valuations** | | | |
| P/E (X) | 32.8 | 28.4 | 23.0 |
| P/BV (X) | 5.1 | 4.5 | 4.0 |
| EV/EBITDA (X) | 19.1 | 17.6 | 14.4 |
| Div Yield (%) | 0.9 | 1.2 | 1.4 |

**Shareholding pattern (%)**

| As On | Mar-26 | Dec-25 | Mar-25 |
|---|---|---|---|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 43.1 | 42.8 | 42.5 |
| FII | 19.6 | 20.9 | 20.7 |
| Others | 37.2 | 36.3 | 36.8 |

FII Includes depository receipts

**CMP: INR4,055 TP: INR4,550 (+12%) Buy**

## Softer execution expected in 1HFY27

**LT's consolidated results for 4QFY26 and full-year FY26 were slightly weaker than our estimates on lower-than-expected execution in core EPC. Core EPC execution growth stood at 12% YoY during the year and was impacted by delays in domestic water projects as well as disruption due to the Middle East war. However, order inflows surprised positively at INR3.6t for FY26, up 25% YoY, indicating a healthy visibility for execution going forward. Margin performance was flat YoY, while NWC (at 4.1%) and RoE (at 16.6%) remained strong for FY26. Despite the disruption due to the West Asia crisis, prospect pipeline is strong at INR17.8t for FY27 vs. INR19t for FY26. LT has outlined investments across new-age areas in its strategic plan of Lakshya 2031 to be future ready, which we believe may be return dilutive in near term. We revise our estimates to factor in expected divestment of Hyderabad Metro and Nabha power by 1QFY27 and lower order inflows and execution for FY27, along with a stronger recovery in FY28 in the Middle East for reconstruction-led demand. With rolling forward to Jun'28, we arrive at a revised SoTP-based TP of INR4,550 (INR4,200 earlier), based on 25x two-year forward earnings for core business and a 25% holding company discount to subsidiaries.**

## Results hit by weak execution

Consolidated revenue/EBITDA/PAT of INR828b/86b/54b grew 11%/5%/5% YoY in 4QFY26. While consolidated revenue/EBITDA missed our estimates by 5%/6%, EBITDA margin of 10.4% and PAT of INR54b were broadly in line with our estimates. For the core E&C business, order inflows came in 34% above our estimates at ~INR700b. While domestic order inflows increased 10% YoY, international ordering saw a 3% decline. This resulted in the core order book increasing 28% YoY to INR7.4t. Core E&C revenue came in at INR628b (up 11% YoY), 7% below our estimate mainly due to slightly weaker execution in water projects and revenue loss in Middle East projects in Mar'26. For FY26, consolidated revenue/EBITDA/PAT increased 12%/10%/16% YoY. OCF/FCF increased 83%/184% YoY. FY26 core E&C revenue/EBITDA rose 12%/12% YoY, while order inflow grew 25% YoY to INR3.6t.

## Segmental margins impacted by cost overruns

For 4QFY26, core E&C EBITDA margin contracted 50bp YoY to 9.4% for the core business vs. our estimate of 9.6% mainly due to a change in revenue mix and higher logistics and insurance costs.

- **Infrastructure segment** margin improved 80bp YoY to 8.8%, mainly driven by execution cost savings.
- **Energy segment** margin stood at 6.6% vs. 8.1% last year. The margin variation is primarily attributed to cost inflation in few legacy jobs in the Hydrocarbon business.
- **Hi-tech manufacturing** margin stood at 17.9% vs. 19.5% in 4QFY25. The margin is reflective of the stage of execution and job mix in the portfolio.
- **Others segment** margin normalized after a sharp increase in the first nine months to 27.7% vs. 36.7% in the previous year.

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### Status of projects in Middle East

LT has indicated that the Middle East order book stands at around INR3t and currently work is progressing normally and payments are coming on time. The company has not seen cancellations of its projects, but deferment is seen in new project awards. Indirect impact of higher logistic and insurance costs is currently being felt on projects, and wherever possible, LT is in discussions with respective clients for a pass-through mechanism. The company lost nearly INR50b worth of revenue during the quarter due to the West Asia crisis and delays in water project completion on the domestic front.

### Prospect pipeline remains strong

LT's FY27 prospects pipeline stands at INR17.8t vs. INR19.0t last year (down 6% YoY). Of this, INR9.1t is from domestic and INR8.7t is from international markets. Under the new segment classification, **infrastructure and utility** prospects stand at INR9.4t (vs. INR8.1t last year), within which share of transportation is 23%, heavy-civil is 20%, power T&D is 18%, B&F is 17%, water is 16%, and metals and minerals is 6%. Prospect pipeline of **Energy conventional** is INR5.4t (vs. INR7.6t last year), which includes hydrocarbon prospects of INR4.7t (83% from domestic) and carbonlite solutions of INR0.7t (largely domestic). Further, the **green energy** segment's prospect stands at INR2.5t (vs. INR3.0t last year), consisting of solar EPC prospect of INR1.8t (78% from international), and INR0.7t from offshore wind (completely international). The **manufacturing and product** pipeline is INR495b (vs. INR294b last year), including INR122b from heavy engineering and INR373b from PES systems. The previous year's pipeline had gas-to-power prospects of INR0.6t, which is not being pursued in FY27.

### Lakshya 2031 plan focuses on investments in new-age areas

LT has outlined plans for Lakshya 2026-31 with a capital allocation philosophy in 1) strengthening the core, which involves capability enhancement in manufacturing facilities and yards, process automation, project-led capex, and investments in commercial real estate; 2) building the future growth engines such as investments in data centers, green hydrogen & semiconductor design, and foray into electronic products manufacturing. The company targets a CAGR of 10-12% in order inflows and revenue growth of 12-15% over FY26-31 with RoE in the range of 16-17%.

### Capex and investments across segments

The capital allocation plan for Lakshya 31 includes ~INR50b for industrial electronics, INR30b for semiconductors for acquisition of IP, creation of lab facilities, etc., INR150b for green hydrogen, and around INR100b for data centers across hyper-scalers and non-hyper scalers. Around INR44b is allocated for the realty business, and around INR50b is planned for the upgrade of the existing hydrocarbon modular fabrication yard and shifting facility. Cumulatively, the company plans an investment of nearly INR430-450b over the next five years across these segments. For FY27 specifically, around INR25b will be for the core business, INR10b for electronics, and around INR20b for the data center.

## Softer guidance for FY27 to bake in volatile environment

For FY27, LT has guided order inflow growth of 10-12%. Revenue growth would be in a similar range of 10-12%, with 1H to be softer due to the ongoing supply chain disruptions, and a pickup is expected in 2H as these constraints ease out. On the reclassification basis of the segments wherein realty business is excluded, core business margins for FY27 are expected to be in line with FY26 margins at 7.8%. NWC-to-sales is expected to normalize from current 4% levels to ~10% in FY27.

## Financial outlook

We revise our estimates to factor in changes in subsidiary financials, expected divestment of Hyderabad Metro and Nabha power by 1QFY27, and lower execution in FY27. The company has highlighted that 1HFY27 will be softer in execution owing to the West Asia crisis and corresponding supply chain issues in the Middle East and India. We also bake in a subsequent faster recovery in FY28, led by reconstruction-led demand in the Middle East region. We expect core E&C revenue/EBITDA/PAT to clock a CAGR of 19%/21%/26% over FY26-28.

## Valuations and view

At the current price, for core E&C, LT is trading at 31x/23x P/E on FY27/28E earnings. Rolling forward to Jun'28, we arrive at a revised SoTP-based TP of INR4,550 (INR4,200 earlier), based on 25x two-year forward earnings for core business and a 25% holding company discount to subsidiaries.

## Key risks and concerns

A slowdown in order inflows, delays in the completion of mega and ultra-mega projects, a sharp rise in commodity prices, an increase in working capital, and increased competition are a few downside risks to our estimates.

**Consolidated - Quarterly Earning Model** (INR b)

| Y/E March - INR b | FY25 | | | | FY26 | | | | FY25 | FY26 | FY26E | Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE | Var (%) |
| **Net Sales** | **551** | **616** | **647** | **744** | **637** | **680** | **714** | **828** | **2,557** | **2,859** | **873** | **-5** |
| YoY Change (%) | 15.1 | 20.6 | 17.3 | 10.9 | 15.5 | 10.4 | 10.5 | 11.3 | 15.7 | 11.8 | 17.3 | |
| **Total Expenditure** | **495** | **552** | **584** | **662** | **574** | **612** | **640** | **742** | **2,293** | **2,567** | **781** | |
| **EBITDA** | **56** | **64** | **63** | **82** | **63** | **68** | **74** | **86** | **264** | **292** | **91** | **-6** |
| YoY Change (%) | 15.3 | 13.0 | 8.6 | 13.4 | 12.5 | 7.0 | 18.6 | 5.0 | 12.5 | 10.3 | 11.2 | |
| Margins (%) | 10.2 | 10.3 | 9.7 | 11.0 | 9.9 | 10.0 | 10.4 | 10.4 | 10.3 | 10.2 | 10.5 | |
| Depreciation | 10 | 10 | 10 | 11 | 10 | 11 | 11 | 12 | 41 | 44 | 11 | 5 |
| Interest | 9 | 9 | 8 | 7 | 8 | 8 | 6 | 7 | 33 | 28 | 8 | -16 |
| Other Income | 9 | 11 | 10 | 11 | 14 | 14 | 14 | 16 | 41 | 58 | 9 | 80 |
| **PBT before EO expense** | **47** | **56** | **53** | **75** | **59** | **63** | **72** | **83** | **231** | **277** | **81** | **3** |
| Extra-Ord expense | - | - | - | -5 | - | - | 13 | -1 | -5 | 13 | - | |
| **PBT** | **47** | **56** | **53** | **80** | **59** | **63** | **58** | **84** | **236** | **264** | **81** | **4** |
| Tax | 12 | 14 | 13 | 19 | 15 | 16 | 20 | 21 | 59 | 73 | 23 | |
| Rate (%) | 26.4 | 26.0 | 25.0 | 23.5 | 26.2 | 26.0 | 34.2 | 24.9 | 25.0 | 27.5 | 28.0 | |
| MI & P/L of Asso. Cos. | 7 | 7 | 6 | 6 | 7 | 8 | 6 | 10 | 27 | 31 | 6 | |
| **Reported PAT** | **28** | **34** | **34** | **55** | **36** | **39** | **32** | **53** | **150** | **161** | **53** | **1** |
| **Adj PAT** | **28** | **34** | **34** | **51** | **36** | **39** | **41** | **54** | **147** | **170** | **53** | **1** |
| YoY Change (%) | 11.7 | 5.4 | 14.0 | 18.8 | 29.8 | 15.6 | 22.1 | 4.5 | 13.0 | 15.9 | 4.0 | |
| Margins (%) | 5.1 | 5.5 | 5.2 | 6.9 | 5.7 | 5.8 | 5.7 | 6.5 | 5.7 | 5.9 | 6.1 | |

| Y/E March - INR b | FY25 | | | | FY26 | | | | FY25 | FY26 | YoY (%) | FY26E | Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4Q | 4QE | Var |
| **Segmental revenue** | | | | | | | | | | | | | |
| **Consolidated (ex-services)** | **386** | **445** | **473** | **569** | **458** | **490** | **523** | **628** | **1,873** | **2,100** | **10.5** | **679** | **-7** |
| Infrastructure Projects | 269 | 320 | 321 | 389 | 288 | 318 | 337 | 397 | 1,299 | 1,339 | 2.0 | 474 | -16 |
| Energy Projects | 85 | 89 | 111 | 122 | 125 | 131 | 127 | 166 | 407 | 549 | 35.5 | 138 | 20 |
| Hi-Tech Manufacturing | 18 | 21 | 24 | 34 | 32 | 28 | 33 | 49 | 97 | 141 | 44.9 | 39 | 24 |
| Others | 14 | 16 | 17 | 24 | 14 | 14 | 26 | 17 | 71 | 71 | -28.7 | 27 | -38 |
| IT & Technology Services | 115 | 118 | 121 | 125 | 126 | 133 | 135 | 141 | 479 | 535 | 12.8 | 136 | 4 |
| Financial Services | 37 | 38 | 39 | 38 | 40 | 42 | 45 | 47 | 155 | 173 | 22.5 | 44 | 6 |
| Development Projects | 13 | 14 | 14 | 12 | 12 | 15 | 12 | 12 | 56 | 51 | -4.2 | 14 | -18 |
| Total Revenues | **551** | **616** | **647** | **744** | **637** | **680** | **714** | **828** | **2,563** | **2,859** | **11.2** | **873** | **-5** |
| Net reported revenue | **551** | **616** | **647** | **744** | **637** | **680** | **714** | **828** | **2,557** | **2,859** | **11.2** | **873** | **-5** |
| **Segmental EBITDA** | | | | | | | | | | | | | |
| **Consolidated (ex-services)** | **29** | **34** | **36** | **56** | **35** | **38** | **43** | **59** | **155** | **175** | **5.0** | **65** | **-9** |
| Infrastructure Projects | 16 | 19 | 18 | 31 | 16 | 20 | 21 | 35 | 84 | 92 | 12.2 | 39 | -11 |
| Energy Projects | 7 | 8 | 9 | 10 | 9 | 10 | 8 | 11 | 34 | 37 | 8.7 | 9 | 17 |
| Hi-Tech Manufacturing | 3 | 3 | 4 | 7 | 5 | 4 | 6 | 9 | 17 | 24 | 33.0 | 8 | 11 |
| Others | 3 | 4 | 5 | 9 | 5 | 4 | 9 | 5 | 21 | 22 | -46.2 | 8 | -45 |
| IT & Technology Services | 23 | 25 | 23 | 23 | 25 | 27 | 27 | 26 | 93 | 104 | 15.3 | 22 | 22 |
| Financial Services | 9 | 10 | 9 | 8 | 10 | 10 | 11 | 11 | 36 | 42 | 34.8 | 10 | 19 |
| Development Projects | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 11 | 9 | -40.0 | 4 | -45 |
| Total EBITDA | **64** | **70** | **69** | **91** | **72** | **77** | **82** | **99** | **295** | **330** | **8.3** | **101** | **-1** |
| Less: Implied eliminations | -8 | -7 | -7 | -9 | -8 | -9 | -8 | -13 | -31 | -39 | | -9 | |
| **Net reported EBITDA** | **56** | **64** | **63** | **82** | **63** | **68** | **74** | **86** | **264** | **292** | **5.0** | **91** | **-6** |
| **EBITDA margin (%)** | | | | | | | | | | | | | |
| **Consolidated (ex-services)** | **7.6** | **7.6** | **7.6** | **9.9** | **7.6** | **7.8** | **8.1** | **9.4** | **8.3** | **8.3** | -50bp | **9.6** | **-17 bp** |
| Infrastructure Projects | 5.8 | 6.0 | 5.5 | 8.0 | 5.7 | 6.3 | 6.1 | 8.8 | 6.4 | 6.9 | 80bp | 8.3 | 50 bp |
| Energy Projects | 8.7 | 8.8 | 8.3 | 8.1 | 7.3 | 7.3 | 5.9 | 6.5 | 8.4 | 6.7 | -160bp | 6.7 | -20 bp |
| Hi-Tech Manufacturing | 17.4 | 12.8 | 18.2 | 19.5 | 15.1 | 14.7 | 18.3 | 17.9 | 17.3 | 16.7 | -160bp | 20.1 | -221 |
| Others | 23.4 | 25.1 | 27.5 | 36.7 | 32.9 | 31.3 | 32.8 | 27.7 | 29.2 | 31.3 | -900bp | 31.1 | -344 |
| IT & Technology Services | 20.0 | 21.0 | 18.7 | 18.2 | 19.5 | 20.2 | 19.7 | 18.6 | 19.4 | 19.5 | 40bp | 15.9 | 272 bp |
| Financial Services | 25.9 | 25.4 | 22.2 | 22.2 | 24.8 | 25.0 | 24.1 | 24.4 | 23.5 | 24.6 | 220bp | 21.8 | 259 bp |
| Development Projects | 17.0 | 15.5 | 15.8 | 32.9 | 17.8 | 10.9 | 20.6 | 20.6 | 19.0 | 17.0 | - | 30.8 | -1023 |
| Total EBITDA margin (%) | 11.6 | 11.4 | 10.7 | 12.3 | 11.2 | 11.3 | 11.5 | 12.0 | 11.5 | 11.5 | -30bp | 11.5 | 45 bp |
| **Net reported EBITDA margin** | **10.2** | **10.3** | **9.7** | **11.0** | **9.9** | **10.0** | **10.4** | **10.4** | **10.3** | **10.2** | **-60bp** | **10.5** | **-5 bp** |
| Order inflow | 544 | 630 | 987 | 721 | 766 | 968 | 1,164 | 699 | 2,882 | 3,597 | **-3.1** | 522 | 34 |
| Order book | 4,944 | 5,140 | 5,642 | 5,792 | 6,129 | 6,672 | 7,333 | 7,406 | 5,792 | 7,406 | **27.9** | 7,063 | 5 |

CONFERENCE CALL

## Conference call highlights

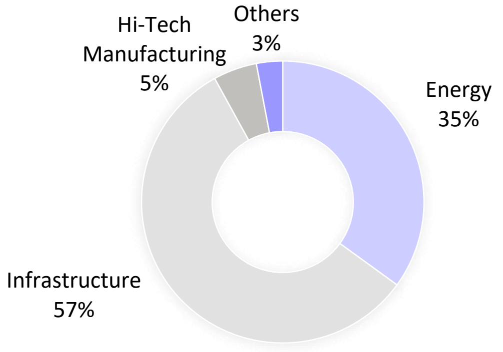
- **Order book:** The order book stood at INR7.4t as of Mar'26, up 28% YoY providing strong revenue visibility. About 92% of the total order book is from infrastructure and energy, while 48% is domestic and 52% is international. Within the domestic order book of INR3.58t, the mix was 9% central government, 22% state government and local authorities, 30% public sector corporations or state-owned enterprises, and 39% private sector. Within the international order book of INR3.8t, around 78% came from the Middle East and 22% from the rest of the world, and management also noted that around 9% of the total order book is funded by bilateral and multilateral agencies. The HVDC offshore wind program of Tenet, the Dutch-German transmission system operator, is a major milestone in energy segment's inflows.
- **Prospect pipeline:** FY27 prospect pipeline stands at INR17.8t vs. INR19.0t last year (6% YoY decline). Of this, INR9.1t is from domestic and INR8.7t is from international. Under the new segment classification, infrastructure and utility prospects stand at INR9.4t, energy conventional at INR5.4t, green energy at INR2.5t, and manufacturing and product at INR495b. They also said the previous year's pipeline had gas-to-power prospects of INR0.6t, which are not being pursued in FY27.
- **Execution impacted:** Management stated revenue growth for FY26 came in at 12% vs. guidance of 15% because of subdued execution in certain domestic projects, especially water and effluent treatment, along with delays in pending clearances. They also mentioned that the ongoing West Asia conflict led to project delivery delays in the Middle East, particularly power T&D and renewables, while other regions were indirectly impacted by logistics-related issues. 4Q revenue loss from these issues is estimated to be around INR50b. For FY27, management expects a softer first half and said execution should pick up in the second half as supply chain constraints ease.
- **Margin contraction:** Management said the core E&C margin declined to 9.4% in 4QFY26, down 50bp YoY, largely due to the change in revenue mix. For the energy segment, the margin fell to 6.5% from 8.2% last year because of cost overruns and closeout costs in legacy projects. 4Q margin delivery was affected by execution-related disruptions in Mar'26, which weighed on project performance. In the Middle East, logistics and insurance costs increased materially; however, the company is in active discussions with customers for relief on these costs.
- **Development projects divestments:** Management said they have signed share purchase agreements to divest their stake in Nabha power and their entire stake in Hyderabad Metro. Both transactions are expected to close in 1QFY27. The assets and liabilities of both investments have been classified as held for sale in the Mar'26 statements.
- **MoUs and partnerships:** The company had signed multiple MOUs during the year, including 1) consortium with BEL for the AMCA program, 2) partnership with General Atomics to manufacture medium-altitude, long-endurance drones in India, 3) MOU with Holtec International Asia for advanced heat transfer solutions for nuclear and thermal power applications, and 4) MOU with NVIDIA

aimed at supporting the data center build-out model and enabling AI-enabled capacity creation.

- **Lakshya 2031:** The company targets order inflow CAGR of 10-12% over FY26-31, revenue CAGR of 12-15%, and ROE in the range of 16-17%. The plan is built around scaling existing businesses while creating selective future engines in electronics, semiconductors, data centers, green hydrogen, and industrial electronics. On geography, management stated that India and the Middle East will continue to be the core regions, while they also pointed to Europe, Central Asia, US, Indonesia, Korea, Taiwan, and Southeast Asia as other growth geographies. The strategy also includes more modular execution to reduce site intensity and expand the EPC universe globally.
- **Capex plan:** The capital allocation plan for Lakshya 31 includes approximately INR50b for industrial electronics, INR30b for semiconductors, INR150b for green hydrogen, and around INR100b for data centers. Around INR44b is allocated for the reality business, and around INR50b is planned for upgradation of the existing hydrocarbon modular fabrication yard and shifting facility. For FY27 specifically, around INR25b will be for the core business, INR10b for electronics, and around INR20b for the data center.
- **FY27 guidance:** Management guided FY27 group order inflow growth at 10-12% and revenue growth at 10-12%. On margins, the reclassified projects, products and manufacturing margin was 7.8% in FY26 and they expect it to remain stable in FY27. They also guided NWC-to-sales ratio to normalize to ~10% in FY27, after closing FY26 at 4%.

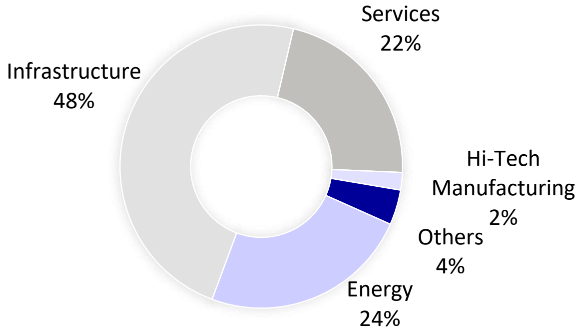
## Key Exhibits

**Exhibit 1: Segmental breakup of INR7.4t order book**



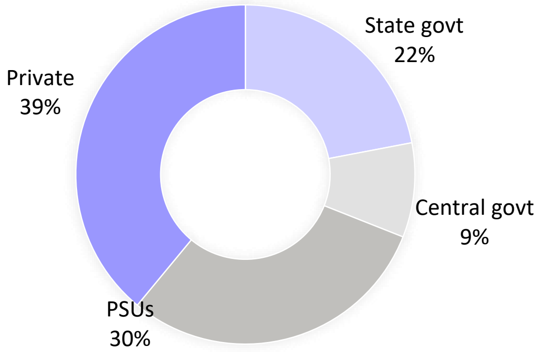

Source: Company, MOFSL

**Exhibit 2: Segmental breakup of INR898b order inflows**



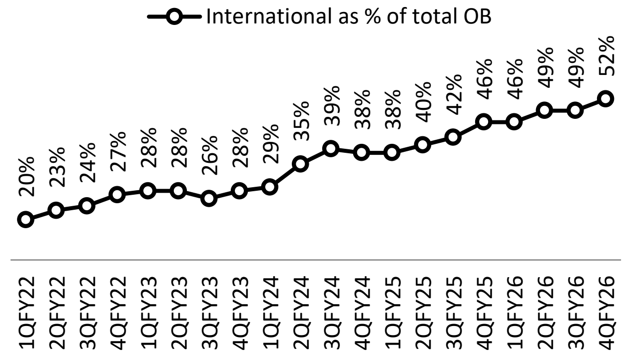

Source: Company, MOFSL

**Exhibit 3: Order book largely comprises public sector orders (61%); private sector forms 39%**



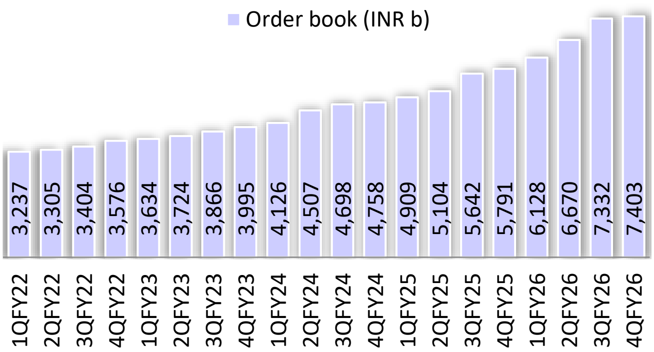

Source: Company, MOFSL

**Exhibit 4: Share of international projects in overall OB at peak levels**



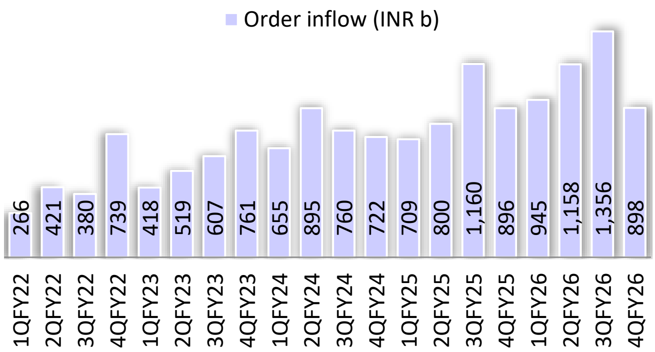

Source: Company, MOFSL

**Exhibit 5: Order book has been robust recently, boosted by inflows from the domestic and export markets**




Source: Company, MOFSL

**Exhibit 6: Overall order inflow was in line with last year, supported by healthy traction across markets**




Source: Company, MOFSL

**Exhibit 7: E&C revenue increased 11% YoY**

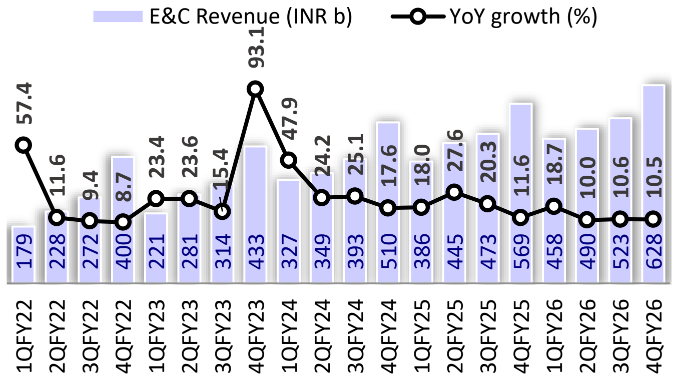



**Exhibit 8: E&C EBITDA margin contracted 50bp YoY**

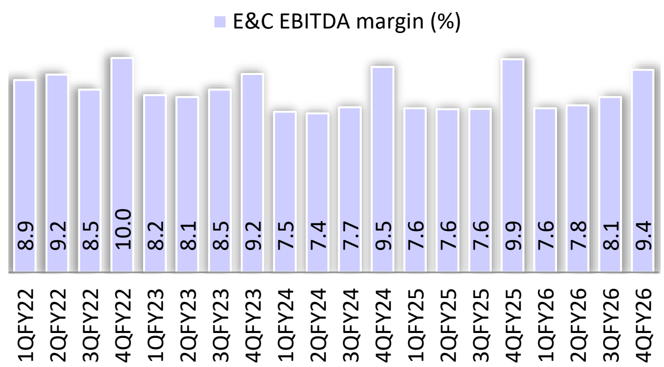



**Exhibit 9: NWC-to-sales ratio has seen a steady decline as LT continues to strengthen its balance sheet**

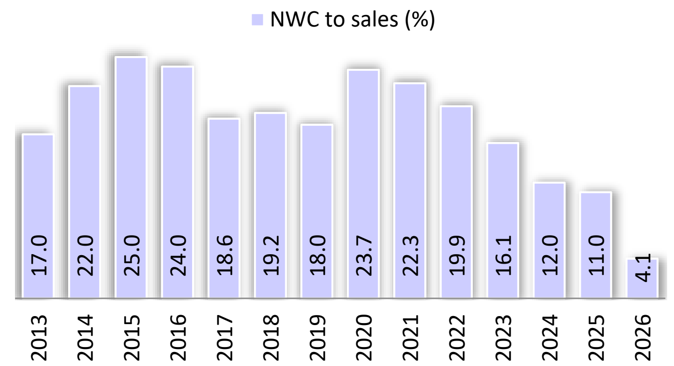



**Exhibit 10: RoE witnessing gradual improvement as NWC-to-sales ratio improved over the years**

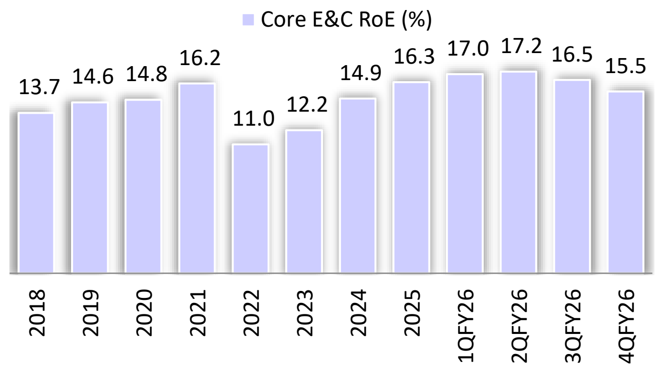



**Exhibit 11: LT's prospect pipeline announced at the beginning of the year vs. LT's actual share during the year**

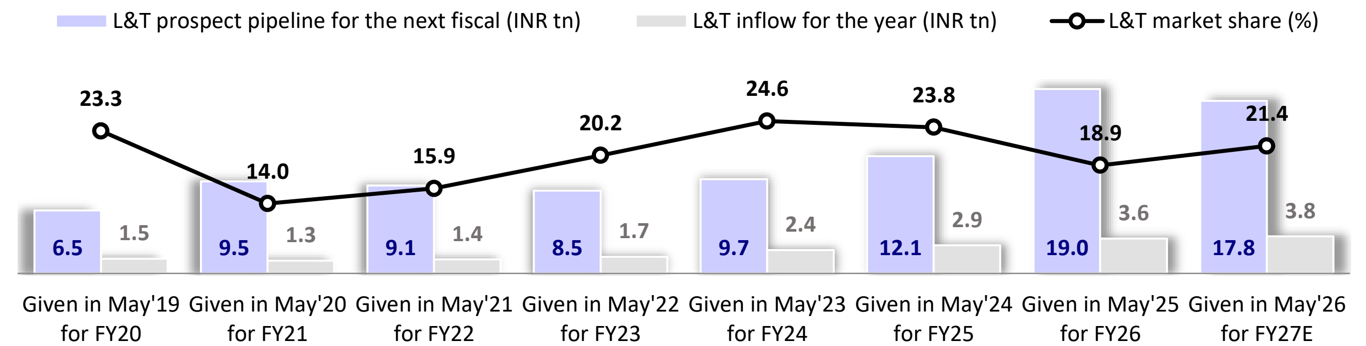


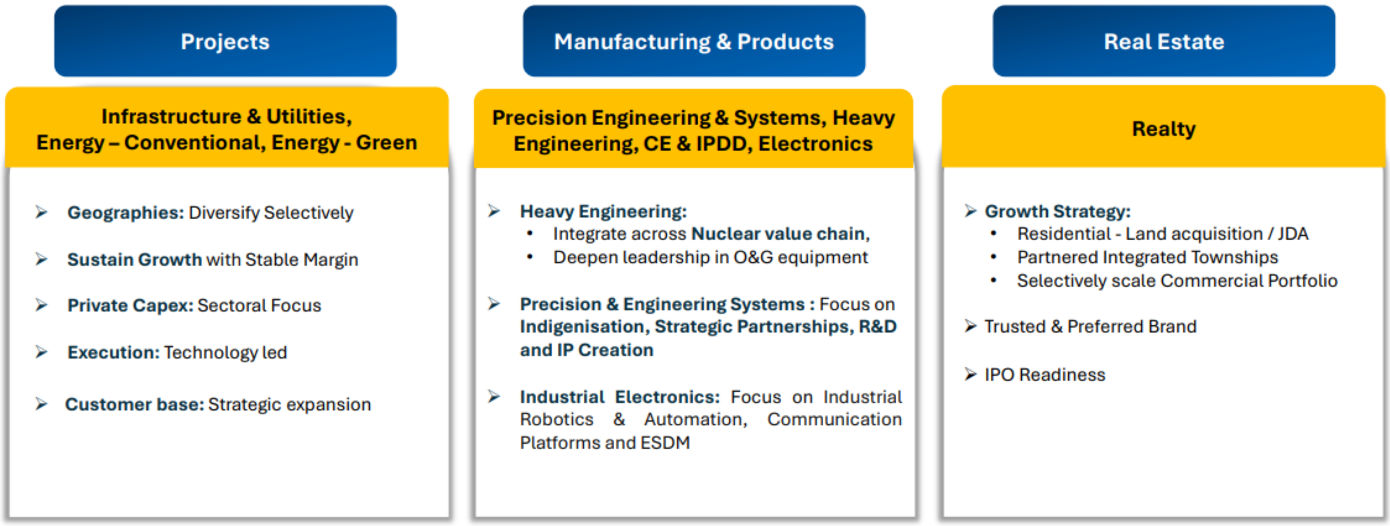

**Exhibit 12: Lakshya 26 - Plan vs. Performance**

| Rs Trillion, % | FY21 | FY26 Target | CAGR (FY21 - FY26) | FY26 Actual | CAGR (FY21 - FY26) |
|---|---|---|---|---|---|
| Order Inflow | 1.7 | 3.4 | 14% | 4.4 | 20% |
| Revenue | 1.4 | 2.7 | 15% | 2.9 | 16% |
| ROE | 10% | 18% | | 16.6%* | |

*excl impact of New Labour Code provision

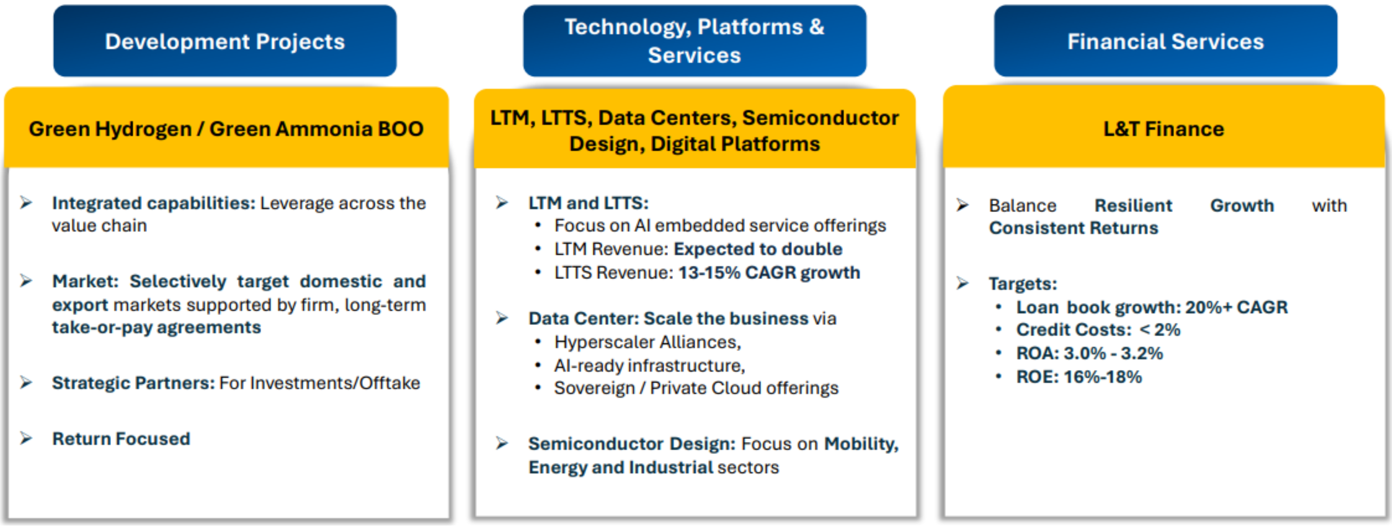
Source: Company

**Exhibit 13: Lakshya 31 strategic plan objectives (1/2)**




Source: Company

**Exhibit 14: Lakshya 31 strategic plan objectives (2/2)**




Source: Company

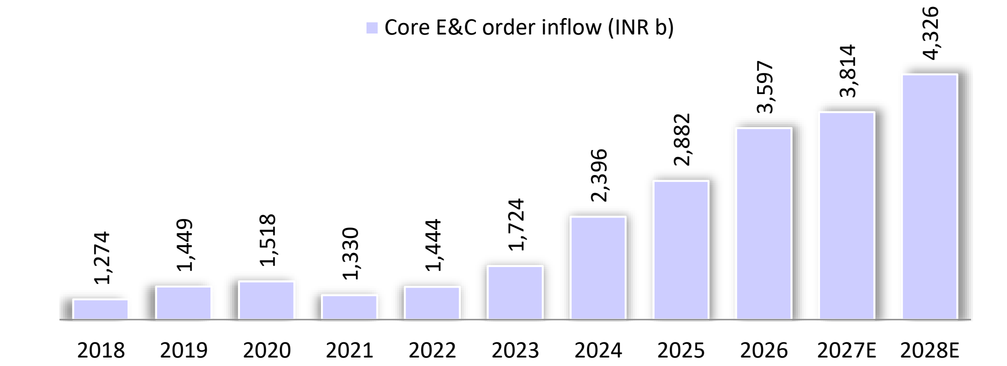
**Exhibit 15: Lakshya 31 targets**

| Rs Trillion | FY26 | CAGR (FY26 – FY31) |
|---|---|---|
| Order Inflows | 4.4 | 10-12% |
| Revenue | 2.9 | 12-15% |
| ROE | 16.6% | 16-17% |

Source: Company

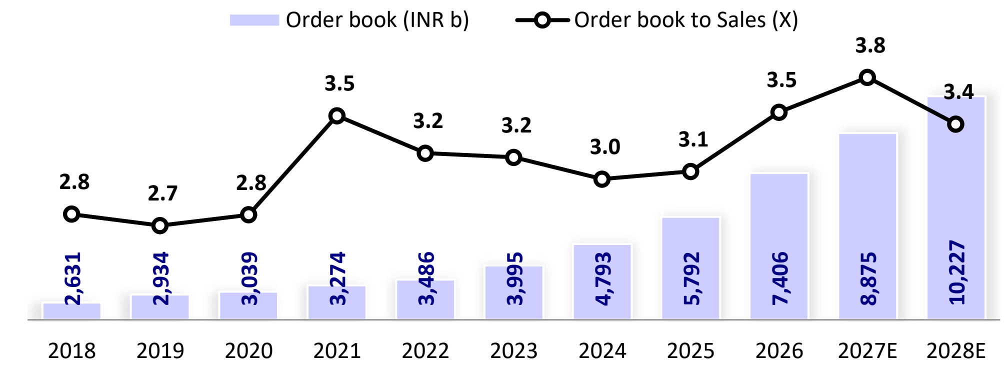
## Financial Outlook

**Exhibit 16: We expect core E&C order inflow to clock a CAGR of 10% over FY26-28 (INR b)**



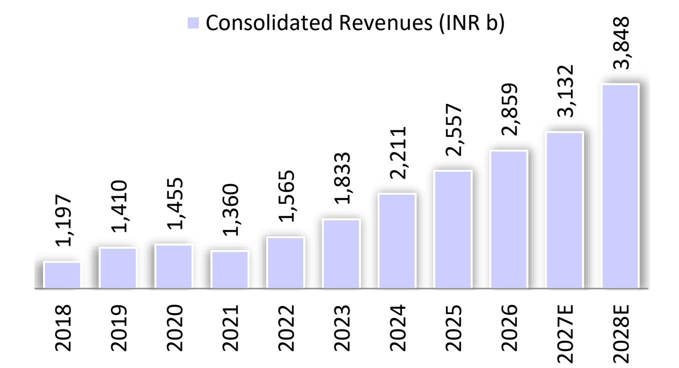

Source: Company, MOFSL

**Exhibit 17: Healthy tendering pipeline to support order book growth**



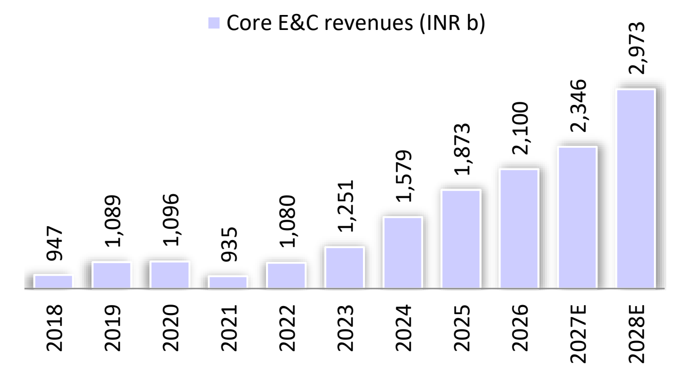

Source: Company, MOFSL

**Exhibit 18: We expect consolidated revenue to clock 16% CAGR over FY26-28 (INR b)**



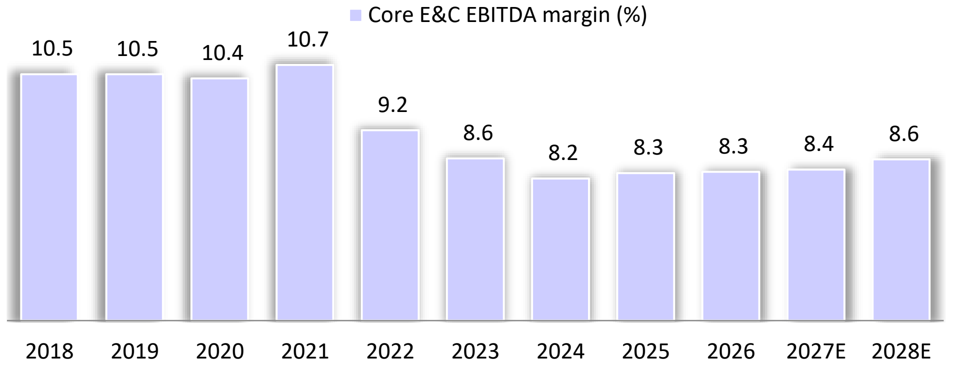

Source: Company, MOFSL

**Exhibit 19: We expect core E&C revenue to see 19% CAGR over FY26-28 (INR b)**




Source: Company, MOFSL

**Exhibit 20: We expect core E&C margin to improve as legacy projects are completed (%)**




Source: Company, MOFSL

**Exhibit 21: LT SOTP-based TP of ~INR4,550 (vs INR4,200 earlier), including 25% holding discount in subsidiaries (INR/share).**

| | Earnings/Book (INR m) | Target multiple (x) | Value (INR b) | Valuation basis | Stake (%) | Value (INR b) | Jun-28 Per share (INR) |
|---|---|---|---|---|---|---|---|
| Core E&C business | 1,88,826 | 25 | 4,721 | P/E | 100.0 | 4,721 | 3,434 |
| L&T Finance Holdings | | | 870 | (at MOFSL TP) | 66.0 | 574 | 418 |
| LTI-Mindtree | | | 1,598 | (at MOFSL TP) | 68.7 | 1,098 | 799 |
| L&T Technology Services | | | 360 | (at MOFSL TP) | 73.8 | 266 | 193 |
| Hyderabad Metro | 24,390 | 1.0 | 24 | At deal valuation | 100.0 | 24 | 18 |
| Power development | 26,000 | 1.4 | 36 | At deal valuation | 100.0 | 36 | 34 |
| **Total subsidiaries** | | | | 25% holding co. disc. | | 1,499 | 1,096 |
| **Grand total** | | | | | | | **4,531** |

Source: Company, MOFSL

**Exhibit 22: We tweak our estimates to factor in expected divestment of Hyderabad Metro and Nabha power by 1QFY27, lower inflows and execution for FY27 along with a sharper recovery in FY28 from Middle-East for reconstruction led demand**

| (INR M) | FY27E | | | FY28E | | |
|---|---|---|---|---|---|---|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Net Sales | 31,32,304 | 33,78,577 | (7.3) | 38,47,990 | 38,68,581 | (0.5) |
| EBITDA | 3,17,682 | 3,47,941 | (8.7) | 3,86,501 | 3,97,340 | (2.7) |
| EBITDA (%) | 10.1 | 10.3 | -16 bps | 10.0 | 10.3 | -23 bps |
| Adj. PAT | 1,96,465 | 2,08,841 | (5.9) | 2,42,862 | 2,47,622 | (1.9) |
| EPS (INR) | 142.9 | 151.9 | (5.9) | 176.7 | 180.1 | (1.9) |

Source: MOFSL

# Financials and valuations

| Consolidated - Income Statement | | | | | | | | | (INR b) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| **Total Income from Operations** | **1,455** | **1,360** | **1,565** | **1,833** | **2,211** | **2,557** | **2,859** | **3,132** | **3,848** |
| Change (%) | 3.2 | -6.5 | 15.1 | 17.1 | 20.6 | 15.7 | 11.8 | 9.6 | 22.8 |
| Raw Materials | 974 | 867 | 997 | 1,166 | 1,460 | 1,710 | 5,926 | 2,096 | 2,574 |
| **Gross Profit** | **481** | **493** | **568** | **667** | **752** | **848** | **-3,067** | **1,037** | **1,274** |
| Employees Cost | 231 | 248 | 297 | 372 | 412 | 468 | 522 | 573 | 704 |
| Other Expenses | 86 | 89 | 88 | 87 | 105 | 116 | 117 | 146 | 183 |
| **Total Expenditure** | **1,291** | **1,204** | **1,383** | **1,626** | **1,976** | **2,293** | **2,567** | **2,815** | **3,461** |
| % of Sales | 88.8 | 88.5 | 88.4 | 88.7 | 89.4 | 89.7 | 89.8 | 89.9 | 90.0 |
| **EBITDA** | **163** | **156** | **182** | **208** | **235** | **264** | **292** | **318** | **387** |
| Margin (%) | 11.2 | 11.5 | 11.6 | 11.3 | 10.6 | 10.3 | 10.2 | 10.1 | 10.0 |
| Depreciation | 25 | 29 | 29 | 35 | 37 | 41 | 44 | 41 | 47 |
| **EBIT** | **139** | **127** | **153** | **173** | **198** | **223** | **248** | **277** | **339** |
| Int. and Finance Charges | 28 | 39 | 31 | 32 | 35 | 33 | 28 | 18 | 18 |
| Other Income | 24 | 34 | 23 | 29 | 42 | 41 | 58 | 41 | 46 |
| **PBT bef. EO Exp.** | **134** | **122** | **144** | **170** | **204** | **231** | **277** | **300** | **367** |
| EO Items | -7 | -82 | -1 | -1 | -1 | -5 | 13 | -9 | 0 |
| **PBT after EO Exp.** | **141** | **205** | **145** | **171** | **205** | **236** | **264** | **309** | **367** |
| Total Tax | 33 | 41 | 42 | 45 | 49 | 59 | 73 | 77 | 94 |
| Tax Rate (%) | 23.2 | 33.2 | 29.1 | 26.2 | 24.1 | 25.0 | 27.5 | 25.0 | 25.5 |
| Minority Interest | 13 | 14 | 17 | 21 | 25 | 26 | 29 | 30 | 32 |
| AI | 1 | 0 | 1 | -1 | -0 | -0 | -2 | 1 | 1 |
| **Reported PAT** | **95** | **151** | **87** | **105** | **131** | **150** | **161** | **203** | **243** |
| Adjusted PAT | 90 | 68 | 86 | 104 | 130 | 147 | 170 | 196 | 243 |
| Change (%) | 4.0 | -24.5 | 25.9 | 20.6 | 25.2 | 13.0 | 15.9 | 15.5 | 23.6 |
| Margin (%) | 6.2 | 5.0 | 5.5 | 5.7 | 5.9 | 5.7 | 5.9 | 6.3 | 6.3 |

| Consolidated - Balance Sheet | | | | | | | | | (INR b) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| Equity Share Capital | 2.8 | 2.8 | 2.8 | 2.8 | 2.7 | 2.8 | 2.8 | 2.7 | 2.7 |
| Total Reserves | 664 | 756 | 821 | 890 | 861 | 974 | 1,090 | 1,227 | 1,391 |
| **Net Worth** | **667** | **759** | **824** | **893** | **864** | **977** | **1,093** | **1,230** | **1,394** |
| Minority Interest | 95 | 121 | 130 | 142 | 162 | 177 | 192 | 236 | 267 |
| Total Loans | 1,410 | 1,346 | 1,255 | 1,207 | 1,163 | 1,324 | 1,255 | 1,188 | 1,239 |
| Deferred Tax Liabilities | -24 | -15 | -18 | -34 | -33 | -34 | -41 | -41 | -41 |
| Other liabilities | 20 | 0 | 0 | 3 | 1 | 3 | 20 | 20 | 20 |
| **Capital Employed** | **2,168** | **2,210** | **2,191** | **2,211** | **2,156** | **2,447** | **2,519** | **2,633** | **2,879** |
| Gross Block | 497 | 570 | 531 | 594 | 634 | 681 | 589 | 636 | 755 |
| Less: Accum. Deprn. | 98 | 127 | 133 | 168 | 204 | 246 | 289 | 309 | 357 |
| **Net Fixed Assets** | **399** | **443** | **427** | **426** | **430** | **436** | **300** | **327** | **398** |
| Capital WIP | 77 | 5 | 20 | 41 | 41 | 27 | 78 | 57 | 57 |
| **Total Investments** | **238** | **396** | **396** | **448** | **456** | **553** | **693** | **713** | **733** |
| **Curr. Assets, Loans&Adv.** | **2,329** | **2,241** | **2,328** | **2,349** | **2,431** | **2,741** | **3,203** | **3,235** | **3,781** |
| Inventory | 57 | 58 | 59 | 68 | 66 | 77 | 95 | 94 | 115 |
| Account Receivables | 407 | 422 | 461 | 447 | 488 | 537 | 605 | 658 | 809 |
| Cash and Bank Balance | 151 | 162 | 190 | 225 | 154 | 230 | 208 | 123 | 203 |
| Loans and Advances | 1,061 | 991 | 955 | 889 | 951 | 1,070 | 1,310 | 1,346 | 1,408 |
| Others | 652 | 607 | 662 | 719 | 773 | 828 | 984 | 1,014 | 1,246 |
| **Curr. Liability & Prov.** | **875** | **875** | **980** | **1,052** | **1,201** | **1,310** | **1,754** | **1,699** | **2,090** |
| Other Current Liabilities | 840 | 838 | 939 | 1,009 | 1,157 | 1,252 | 1,696 | 1,628 | 2,002 |
| Provisions | 35 | 38 | 42 | 44 | 44 | 58 | 58 | 72 | 88 |
| **Net Current Assets** | **1,455** | **1,366** | **1,347** | **1,296** | **1,230** | **1,431** | **1,449** | **1,536** | **1,691** |
| **Appl. of Funds** | **2,168** | **2,210** | **2,191** | **2,211** | **2,156** | **2,447** | **2,519** | **2,633** | **2,879** |

# Financials and valuations

| Ratios | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| **Basic (INR)** | | | | | | | | | |
| EPS | 65.8 | 49.7 | 62.6 | 75.4 | 94.5 | 106.8 | 123.7 | 142.9 | 176.7 |
| Cash EPS | 83.7 | 70.8 | 84.0 | 100.9 | 121.3 | 136.8 | 155.5 | 172.5 | 211.1 |
| BV/Share | 485.4 | 551.9 | 599.5 | 649.8 | 628.2 | 710.4 | 795.0 | 894.9 | 1,014.2 |
| DPS | 0.0 | 36.0 | 22.0 | 30.0 | 28.0 | 34.0 | 38.0 | 48.0 | 57.4 |
| Payout (%) | 30.8 | 39.1 | 34.9 | 39.4 | 29.5 | 31.1 | 32.5 | 32.5 | 32.5 |
| **Valuation (x)** | | | | | | | | | |
| P/E | 61.6 | 81.6 | 64.8 | 53.8 | 42.9 | 38.0 | 32.8 | 28.4 | 23.0 |
| Cash P/E | 48.4 | 57.3 | 48.3 | 40.2 | 33.4 | 29.7 | 26.1 | 23.5 | 19.2 |
| P/BV | 8.4 | 7.3 | 6.8 | 6.2 | 6.5 | 5.7 | 5.1 | 4.5 | 4.0 |
| EV/Sales | 3.8 | 4.1 | 3.6 | 3.0 | 2.5 | 2.2 | 2.0 | 1.8 | 1.4 |
| EV/EBITDA | 34.2 | 35.7 | 30.6 | 26.9 | 23.7 | 21.1 | 19.1 | 17.6 | 14.4 |
| Dividend Yield (%) | 0.0 | 0.9 | 0.5 | 0.7 | 0.7 | 0.8 | 0.9 | 1.2 | 1.4 |
| FCF per share | 24.7 | 159.5 | 117.3 | 138.1 | 102.3 | 40.9 | 89.3 | 30.9 | 83.6 |
| **Return Ratios (%)** | | | | | | | | | |
| RoE | 14.0 | 9.6 | 10.9 | 12.1 | 14.8 | 16.0 | 16.4 | 16.9 | 18.5 |
| RoCE | 6.3 | 5.2 | 5.9 | 7.1 | 8.8 | 9.2 | 9.5 | 10.0 | 11.4 |
| RoIC | 6.9 | 5.1 | 6.7 | 8.3 | 10.0 | 10.7 | 11.3 | 12.7 | 13.9 |
| **Working Capital Ratios** | | | | | | | | | |
| Fixed Asset Turnover (x) | 2.9 | 2.4 | 2.9 | 3.1 | 3.5 | 3.8 | 4.9 | 4.9 | 5.1 |
| Asset Turnover (x) | 0.7 | 0.6 | 0.7 | 0.8 | 1.0 | 1.0 | 1.1 | 1.2 | 1.3 |
| Inventory (Days) | 14 | 16 | 14 | 14 | 11 | 11 | 12 | 11 | 11 |
| Debtor (Days) | 102 | 113 | 108 | 89 | 81 | 77 | 77 | 77 | 77 |
| **Leverage Ratio (x)** | | | | | | | | | |
| Current Ratio | 2.7 | 2.6 | 2.4 | 2.2 | 2.0 | 2.1 | 1.8 | 1.9 | 1.8 |
| Interest Cover Ratio | 5.0 | 3.3 | 4.9 | 5.4 | 5.6 | 6.7 | 8.7 | 15.4 | 18.8 |
| Net Debt/Equity | 1.5 | 1.0 | 0.8 | 0.6 | 0.6 | 0.6 | 0.3 | 0.3 | 0.2 |

| Consolidated - Cash Flow Statement | | | | | | | | | (INR b) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| OP/(Loss) before Tax | 143 | 230 | 144 | 170 | 204 | 231 | 277 | 281 | 336 |
| Depreciation | 25 | 29 | 29 | 35 | 37 | 41 | 44 | 41 | 47 |
| Interest & Finance Charges | 20 | 25 | 21 | 14 | 11 | 9 | -4 | 18 | 18 |
| Direct Taxes Paid | -40 | -35 | -46 | -51 | -53 | -56 | -60 | -77 | -94 |
| (Inc)/Dec in WC | -78 | 100 | 48 | 54 | -14 | -121 | -105 | -172 | -75 |
| **CF from Operations** | **69** | **350** | **196** | **221** | **185** | **104** | **152** | **90** | **233** |
| Others | -2 | -121 | -5 | 7 | -3 | -13 | 16 | 0 | 0 |
| **CF from Operating incl EO** | **67** | **228** | **192** | **228** | **183** | **92** | **167** | **90** | **233** |
| (Inc)/Dec in FA | -33 | -9 | -30 | -38 | -42 | -35 | -45 | -47 | -118 |
| **Free Cash Flow** | **34** | **219** | **161** | **190** | **141** | **56** | **123** | **42** | **115** |
| (Pur)/Sale of Investments | 39 | -176 | -24 | -90 | 27 | -137 | -87 | -20 | -20 |
| Others | -88 | 131 | 18 | 44 | 36 | 17 | 15 | 0 | 0 |
| **CF from Investments** | **-83** | **-54** | **-37** | **-83** | **22** | **-155** | **-117** | **-67** | **-138** |
| Issue of Shares | 0 | 0 | 0 | 0 | -123 | 0 | 0 | -0 | 0 |
| Inc/(Dec) in Debt | 138 | -87 | -84 | -45 | -41 | 157 | 73 | -67 | 51 |
| Interest Paid | -29 | -33 | -34 | -35 | -41 | -42 | -39 | -18 | -18 |
| Dividend Paid | -46 | -40 | -25 | -31 | -42 | -38 | -47 | -66 | -79 |
| Others | -1 | 8 | -9 | -5 | -8 | -11 | -9 | 43 | 32 |
| **CF from Fin. Activity** | **64** | **-153** | **-152** | **-116** | **-254** | **66** | **-22** | **-108** | **-15** |
| **Inc/Dec of Cash** | **48** | **21** | **3** | **29** | **-50** | **2** | **28** | **-85** | **80** |
| Opening Balance | 0 | 151 | 162 | 190 | 225 | 154 | 230 | 208 | 123 |
| **Closing Balance** | **151** | **162** | **190** | **225** | **154** | **230** | **208** | **123** | **203** |

# NOTES

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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