

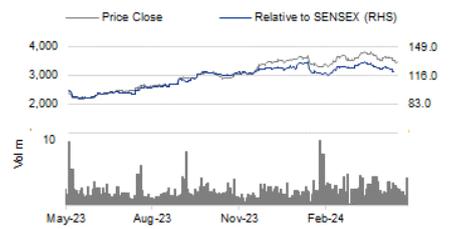
India

ADD (no change)

Consensus ratings*: Buy 31 Hold 3 Sell 2	
Current price:	Rs3,487
Target price:	Rs3,870
Previous target:	Rs3,965
Up/downside:	11.0%
InCred Research / Consensus:	-2.2%
Reuters:	LART.NS
Bloomberg:	LT IN
Market cap:	US\$57,392m
	Rs4,793,264m
Average daily turnover:	US\$96.5m
	Rs8056.7m
Current shares o/s:	1,374.7m
Free float:	87.5%
*Source: Bloomberg	

Key changes in this note

- We raise our revenue estimates by 1% each for FY25F/26F.
- We lower our PAT estimate by 3% for FY25F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(8.4)	4.5	47.7
Relative (%)	(6.9)	1.9	24.2

Major shareholders	% held
LIC	12.5
L&T Employees Welfare Foundation	13.9
SBI Mutual Fund	4.4

Research Analyst(s)



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Larsen & Toubro Ltd

Strong growth likely in 2HFY25F

- 4Q EBITDA was at Rs72bn, up 6% YoY, which was 1.6% below our estimate & 1.1% above consensus. The EBITDA margin declined by 93bp YoY to 10.8%.
- Despite a high base and the slowdown due to general elections, management is looking at a 10% order inflow growth and a 15% revenue growth in FY25F.
- We lower our SOTP-based target price to Rs3,870 (Rs3,965 earlier) factoring in the lower valuation of its listed arms. We retain our ADD rating on the stock.

Sustains healthy revenue growth

L&T reported 4QFY24 revenue of Rs671bn, up 15% YoY (+22% QoQ), 0.4% above our estimate and 1.8% above BB consensus. Revenue of core infrastructure projects grew by 22% YoY to Rs384bn while the revenue of energy projects increased by 4% YoY to Rs82bn. EBITDA came in at Rs72bn, up 6% YoY, 1.6% lower than our estimate and 1.1% above BB consensus estimate. The EBITDA margin declined by 93bp YoY to 10.8% (our estimate of 11%). PAT increased by 8% YoY to Rs43bn, 2.3% lower than our estimate and 7.1% higher than BB consensus estimate. For 4QFY24, total order inflow declined by 5% YoY to Rs722bn in 4QFY24 due to a 30% YoY fall in international inflow to Rs252bn while domestic inflow grew by 17% YoY to Rs469bn. In FY24, order inflow grew by 31% YoY to Rs3,038bn, led by a 89% jump in international inflow. Order book increased by 19% YoY to Rs4,758bn. Domestic order book contributes 62% to the overall order book.

Guidance of 10% order inflow and 15% revenue growth for FY25F

Management gave guidance of being selective in taking new orders and will focus on large orders. Despite a high base, slowdown due to general elections in 1QFY25 and lower inflow from international market, management is looking at 10% order inflow growth and 15% revenue growth in FY25F, with strong inflow expecting from the domestic market in 2HFY25F. With the ongoing general elections, tendering activity is projected to stay subdued in 1HFY25F. Additionally, margins for the projects and manufacturing business are expected to maintain a level similar to FY24, hovering around 8.25%. Total order pipeline remains strong at Rs12.1tr (+24% YoY) led by a sharp improvement in infrastructure and hydrocarbon business prospects.

Retain ADD rating with a lower target price of Rs3,870

The order inflow/execution momentum is likely to continue coupled with divestments, deleveraging and the government's focus on infrastructure spending, which bode well for L&T. For FY25F, we raise our revenue estimate by 1% and lower PAT estimate by 3% factoring in a healthy order pipeline and lower margin guidance. We largely maintain our PAT estimate for FY26F. We have lowered our SOTP-based target price to Rs3,870 (Rs3,965 earlier) factoring in the lower valuation of listed arms. We retain our ADD rating on L&T. Slower-than-expected order inflow and margin pressure are downside risks.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	1,565,212	1,833,407	2,211,129	2,492,345	2,828,882
Operating EBITDA (Rsm)	182,173	207,621	234,936	284,087	327,693
Net Profit (Rsm)	86,693	103,347	129,655	164,824	200,010
Core EPS (Rs)	61.2	73.6	92.3	117.3	142.4
Core EPS Growth	6.3%	20.1%	25.5%	27.1%	21.3%
FD Core P/E (x)	56.50	47.41	37.79	29.72	24.49
DPS (Rs)	18.0	21.0	21.0	22.0	22.0
Dividend Yield	0.52%	0.60%	0.60%	0.63%	0.63%
EV/EBITDA (x)	33.34	28.91	25.74	21.57	18.64
P/FCFE (x)	69.16	36.27	47.08	34.44	45.62
Net Gearing	109.6%	92.7%	96.2%	92.0%	78.8%
P/BV (x)	5.95	5.48	5.67	4.91	4.20
ROE	10.9%	12.0%	14.8%	17.7%	18.5%

% Change In Core EPS Estimates
InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY24 conference-call highlights

- **Overview:** In 4QFY24, L&T posted a good performance with healthy revenue and order inflow. Revenue was up 15% YoY in 4QFY24 while it grew by ~21% in FY24. EBITDA/PAT improved 6%/8% during the quarter and 13%/26% for the full year.
- **Guidance:** The investment activity remains healthy, urban India is strong while rural is seeing signs of a recovery. Spending by the government, improved demand, and healthy balance sheets of banks, production-linked incentive or PLI schemes, etc. will foster growth. Private capex is picking up while public spending might be muted due to general elections. For FY25F, management expects order inflow growth of 10% and revenue growth of 15%. Due to the ongoing general elections, tendering activity is expected to remain muted in 1HFY25F. For the projects and manufacturing business, margins are expected to remain at a level similar to FY24, at ~8.25%.
- **Order inflow:** Order inflow for the quarter fell by 5% YoY to Rs721bn. The project businesses constituted Rs560bn (-8% YoY) of the total inflow, with orders mainly from the infrastructure, hydrocarbon and defence segments. The share of international orders in the P&M portfolio was 57% compared to 43% last year.
- **Order book:** It stood at Rs4.6tr (+19% YoY), with 62% being domestic orders and 38% international. The domestic order book comprises central govt. (14%), state govt. (28%), public sector corporations and state-owned enterprises (36%) and the private sector (22%). 19% were funded from bilateral and multilateral agencies. 92% of the total order book comprised infrastructure and energy sector orders. 92% of international orders are from the Middle East, 2% from Africa and the remaining 6% from other countries including the South-East Asia region. The company removed Rs2bn of non-moving orders during the quarter and Rs57bn from FY24. The share of slow-moving orders is only at 1% as of Mar 2024-end. 90% of the total order book comprises infrastructure and energy sector orders.
- **Order pipeline:** Total order pipeline stood at Rs12.1tr (+24% YoY). The increase is mainly due to a sharp improvement in the infrastructure, hydrocarbon order prospects pipeline. The pipeline constitutes segments such as infrastructure – Rs7.25tr, hydrocarbon – Rs3.87tr, power – Rs0.5tr and heavy engineering & defence - Rs0.35tr. The green energy portfolio constitutes Rs0.1tr.
- The Hyderabad metro rail project got financial support from the Telangana government amounting to ~Rs9bn on a cumulative basis.
- **Precision engineering:** The company has renamed the defence engineering segment as Precision Engineering & Systems, in line with its goal to explore opportunities in precision manufacturing and electronic systems, aerospace and other industries. The company received a major order to supply high-powered radar to the Indian Air Force.
- **New initiatives:** During the year, L&T manufactured its first alkaline electrolyzer of 1MW at its Hazira facility. In the green energy business, L&T Electrolyzer emerged as a successful bidder with an allotted capacity of 63MW under the PLI scheme for manufacture of electrolyzers.
- **Divestment:** L&T successfully completed the divestment of IDPL (Infrastructure Development Projects) on 10 Apr 2024.
- **Status of Lakshya Plan FY21-26:** The company has beat its Lakshya target with a 20% order inflow CAGR over FY21-24 vs. guidance of a 14% CAGR over FY21-26F. Revenue grew at a CAGR of 18% vs. a 15% guidance. RoE increased to 15% in FY24 from 10% in FY21 and the company is looking at 18% by FY26F.

Figure 1: Quarterly results snapshot

Rs m	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Net Revenue	6,70,787	5,83,352	15.0	5,51,278	21.7	22,11,129	18,33,407	20.6
Domestic	3,68,933	3,14,912	17.2	3,08,278	19.7	12,57,075	11,45,537	9.7
International	3,01,854	2,68,440	12.4	2,43,000	24.2	9,54,054	6,87,870	38.7
Expenditure								
RM costs	4,46,263	3,79,659	17.5	3,52,294	26.7	14,02,357	11,05,670	26.8
Employee expenses	1,07,295	99,811	7.5	1,02,533	4.6	4,11,710	3,72,358	10.6
Admin expense	30,698	20,339	50.9	24,465	25.5	1,04,976	87,493	20.0
Finance cost of financial activity	14,191	15,213	(6.7)	14,397	(1.4)	57,149	60,265	(5.2)
Total expenses	5,98,447	5,15,022	16.2	4,93,688	21.2	19,76,193	16,25,786	21.6
EBITDA	72,340	68,329	5.9	57,590	25.6	2,34,936	2,07,621	13.2
Depreciation	10,212	8,535	19.6	9,208	10.9	36,823	35,023	5.1
EBIT	62,128	59,794	3.9	48,382	28.4	1,98,113	1,72,598	14.8
Interest	9,263	8,130	13.9	9,042	2.4	35,458	32,072	10.6
Other income	10,417	7,409	40.6	8,378	24.3	41,580	29,292	42.0
PBT	63,282	59,074	7.1	47,718	32.6	2,04,235	1,69,819	20.3
Total tax	14,183	14,606	(2.9)	11,773	20.5	49,474	44,930	10.1
Adjusted PAT	49,099	44,467	10.4	35,945	36.6	1,54,761	1,24,889	23.9
Reported PAT	50,035	44,467	12.5	35,945	39.2	1,54,761	1,24,889	23.9
Profit of associates (net)	96	118	(18.7)	(17)	(676.6)	(226)	(943)	(76.0)
Adj. for MI in subsidiaries	(6,171)	(4,718)		(6,455)		(24,880)	(20,599)	
Reported PAT after MI	43,961	39,868	10.3	29,474	49.2	1,29,655	1,03,348	25.5
Adjusted PAT after MI	43,025	39,868	7.9	29,474	46.0	1,29,655	1,03,348	25.5
Adj. EPS (Rs)	31.3	29.0	7.9	21.4	46.0	94.3	75.2	25.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis

Key ratios	4Q FY24	4Q FY23	YoY (bp)	3Q FY24	QoQ (bp)	FY24	FY23	YoY (bp)
MCO expenses to sales (%)	66.5	65.1	145 bp	63.9	262 bp	63.4	60.3	312 bp
Staff cost to sales (%)	16.0	17.1	-111 bp	18.6	-260 bp	18.6	20.3	-169 bp
SGA expenses to sales (%)	4.6	3.5	109 bp	4.4	14 bp	4.7	4.8	-2 bp
EBITDA margin (%)	10.8	11.7	-93 bp	10.4	34 bp	10.6	11.3	-70 bp
EBIT margin (%)	9.3	10.3	-99 bp	8.8	49 bp	9.0	9.4	-45 bp
Net margin (%)	6.3	6.7	-43 bp	5.3	105 bp	5.8	5.5	21 bp
Effective tax rate (%)	22.4	24.7	-231 bp	24.7	-226 bp	24.2	26.5	-223 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental performance

Segment Revenue (Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Infrastructure	3,83,694	3,15,488	21.6	2,82,664	35.7	11,40,082	8,78,232	29.8
Energy	82,159	79,292	3.6	78,703	4.4	2,95,709	2,49,560	18.5
Hi-Tech Manufacturing	25,712	23,208	10.8	21,847	17.7	87,653	71,609	22.4
IT & Technology Services	1,13,827	1,07,393	6.0	1,13,260	0.5	4,49,163	4,09,885	9.6
Financial Services	35,982	31,163	15.5	34,067	5.6	1,31,086	1,25,749	4.2
Developmental Projects	12,588	12,321	2.2	12,199	3.2	56,282	50,288	11.9
Others	25,159	21,605	16.4	17,418	44.4	84,929	70,715	20.1
Total Revenue	6,79,121	5,90,470	15.0	5,60,157	21.2	22,44,904	18,56,037	21.0
Less: Inter-Segment revenue	8,333	7,118	17.1	8,879	(6.2)	33,773	22,633	49.2
Net Revenue	6,70,789	5,83,352	15.0	5,51,278	21.7	22,11,131	18,33,404	20.6
Revenue (Ex-Service)	5,20,979	4,44,795	17.1	4,03,952	29.0	16,30,882	12,97,770	25.7

Segment EBIT	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Infrastructure	28,298	20,830	35.9	12,054	134.8	59,209	51,402	15.2
Energy	6,606	7,712	(14.3)	6,952	(5.0)	25,006	20,667	21.0
Hi-Tech Manufacturing	3,568	3,753	(4.9)	2,948	21.0	11,398	9,952	14.5
IT & Technology Services	18,693	18,391	1.6	19,708	(5.2)	76,588	72,219	6.1
Financial Services	6,940	6,596	5.2	8,240	(15.8)	30,284	22,588	34.1
Developmental Projects	1,392	4,300	(67.6)	1,184	17.6	10,147	3,918	159.0
Others	4,816	3,562	35.2	3,453	39.5	15,077	10,962	37.5
Total Revenue	70,314	65,143	7.9	54,539	28.9	2,27,710	1,91,708	18.8
Less: Inter-Segment	570	258	120.7	1,122	(49.2)	2,486	694	258.1
Finance Costs	9,263	8,130	13.9	9,042	2.4	35,458	32,072	10.6
Unallocable Expenses	2,802	2,319	20.8	3,343	(16.2)	14,470	10,789	34.1
PBT	64,218	59,074	8.7	47,718	34.6	2,05,171	1,71,090	19.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order details

Orders	4Q FY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Order inflow	7,21,500	6,07,100	18.8	8,91,500	(19.1)	30,28,130	23,05,260	31.4
Order backlog	47,58,090	38,65,880	23.1	45,07,000	5.6	47,58,090	39,95,260	19.1

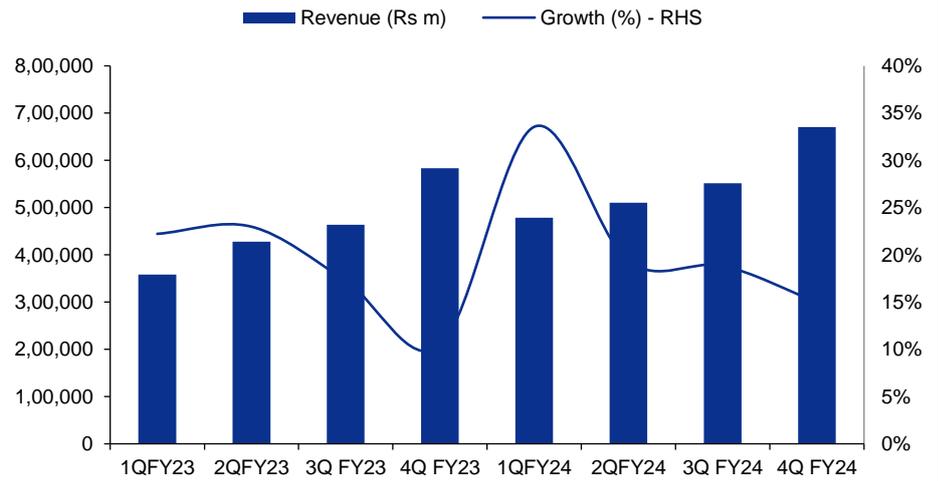
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Segment order inflow

(Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Infrastructure	3,13,400	4,11,870	(23.9)	4,32,080	(27.5)	14,25,890	11,71,180	21.7
Energy	1,31,200	88,920	47.5	1,32,810	(1.2)	7,37,870	3,07,500	140.0
Hi-Tech Manufacturing	87,900	85,730	2.5	20,430	330.2	1,42,790	1,57,610	(9.4)
IT & Technology Services	1,12,440	1,06,450	5.6	1,11,960	0.4	4,44,730	4,07,370	9.2
Financial Services	35,980	31,160	15.5	34,070	5.6	1,31,090	1,25,750	4.2
Developmental Projects	12,580	12,290	2.4	12,200	3.1	56,210	50,240	11.9
Others	28,000	24,560	14.0	16,350	71.3	89,550	85,610	4.6
Total Order Inflow (Rs m)	7,21,500	7,60,980	(5.2)	7,59,900	(5.1)	30,28,130	23,05,260	31.4

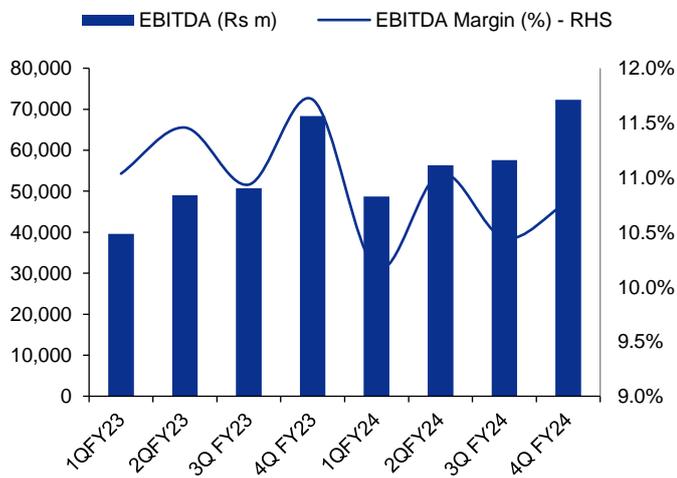
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Healthy revenue performance



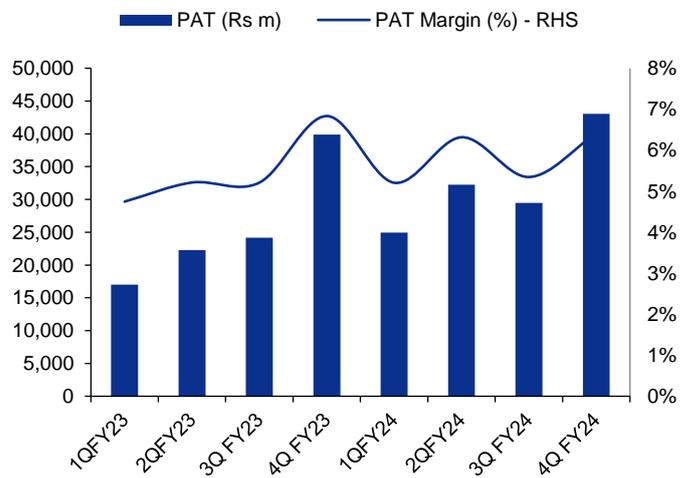
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: EBITDA trend



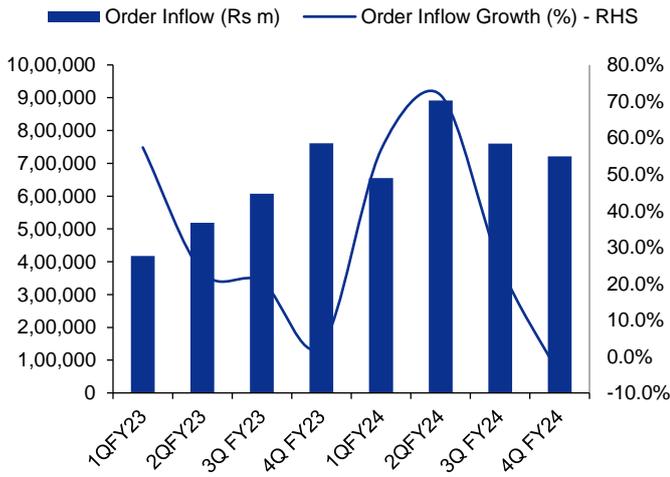
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Improved profitability



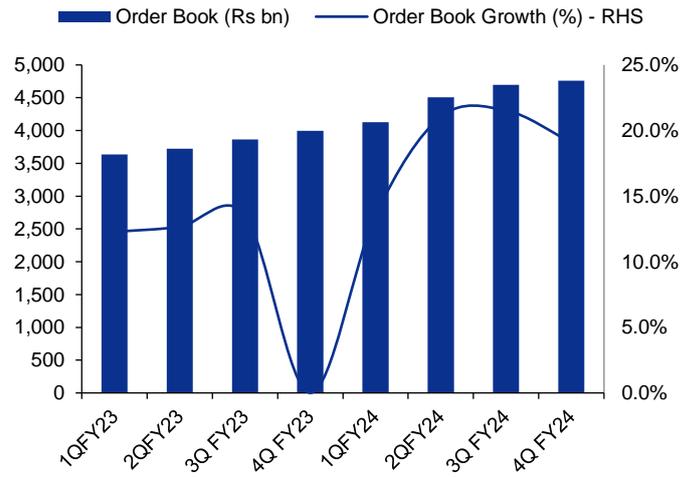
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Continued order inflow momentum



SOURCES INCRED RESEARCH, COMPANY REPORTS

Figure 10: Strong order book provides revenue visibility



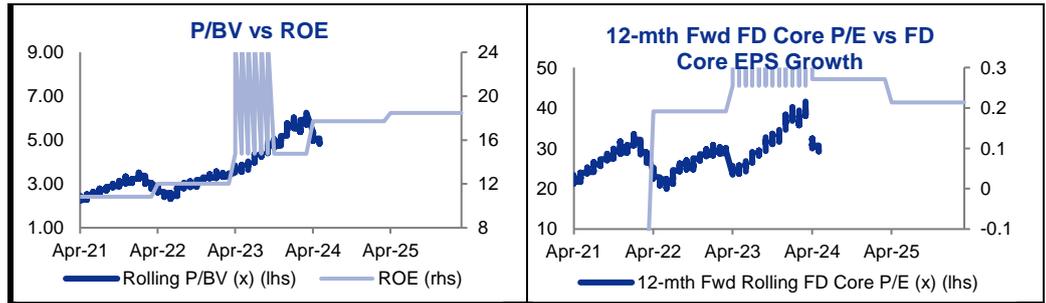
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Our revised earnings estimates

(Rs m)	Od Estimates		New estimates		Change	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Revenue	24,66,536	27,99,150	24,92,345	28,28,882	1.0%	1.1%
EBITDA	2,89,841	3,34,239	2,84,087	3,27,693	-2.0%	-2.0%
Core PAT	1,69,857	2,00,856	1,64,824	2,00,010	-3.0%	-0.4%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	1,565,212	1,833,407	2,211,129	2,492,345	2,828,882
Gross Profit	567,827	667,472	751,623	897,244	1,018,398
Operating EBITDA	182,173	207,621	234,936	284,087	327,693
Depreciation And Amortisation	(29,480)	(35,023)	(36,823)	(38,498)	(42,244)
Operating EBIT	152,694	172,598	198,113	245,590	285,449
Financial Income/(Expense)	(31,257)	(32,072)	(35,458)	(26,853)	(21,220)
Pretax Income/(Loss) from Assoc.	1,282	(943)	(226)	(249)	(299)
Non-Operating Income/(Expense)	22,671	29,292	41,580	43,659	48,680
Profit Before Tax (pre-EI)	145,389	168,876	204,009	262,148	312,611
Exceptional Items	969				
Pre-tax Profit	146,359	168,876	204,009	262,148	312,611
Taxation	(42,166)	(44,930)	(49,474)	(70,847)	(84,486)
Exceptional Income - post-tax					
Profit After Tax	104,192	123,946	154,535	191,301	228,125
Minority Interests	(17,499)	(20,599)	(24,880)	(26,477)	(28,115)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	86,693	103,347	129,655	164,824	200,010
Recurring Net Profit	86,003	103,347	129,655	164,824	200,010
Fully Diluted Recurring Net Profit	86,003	103,347	129,655	164,824	200,010

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	182,173	207,621	234,936	284,087	327,693
Cash Flow from Invt. & Assoc.	(38,066)	(37,802)	(30,701)	(21,691)	(14,784)
Change In Working Capital	(2,480)	14,097	104,377	(295,112)	(57,259)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	74,810	111,268	(107,354)	182,196	(39,185)
Net Interest (Paid)/Received	20,721	2,780	(6,122)	(16,807)	(27,460)
Tax Paid	(45,521)	(44,930)	(49,474)	(70,847)	(84,486)
Cashflow From Operations	191,636	253,033	145,662	61,827	104,520
Capex	(30,399)	(45,733)	(8,044)	(69,748)	(45,465)
Disposals Of FAs/subsidiaries	10,261	(51,949)	(30,409)	(10,000)	(10,000)
Acq. Of Subsidiaries/investments	(34,485)				
Other Investing Cashflow	17,947	29,292	41,580	43,659	48,680
Cash Flow From Investing	(36,677)	(68,391)	3,128	(36,089)	(6,785)
Debt Raised/(repaid)	(84,132)	(49,549)	(44,736)	116,501	9,658
Proceeds From Issue Of Shares	110	1	(62)		
Shares Repurchased			(100,300)		
Dividends Paid	(25,284)	(29,506)	(29,506)	(30,911)	(30,911)
Preferred Dividends					
Other Financing Cashflow	(42,509)	(49,327)	(56,995)	(49,986)	(45,992)
Cash Flow From Financing	(151,815)	(128,381)	(231,599)	35,603	(67,245)
Total Cash Generated	3,144	56,262	(82,810)	61,342	30,490
Free Cashflow To Equity	70,827	135,094	104,053	142,239	107,393
Free Cashflow To Firm	123,702	152,571	113,331	(1,114)	76,515

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	189,532	225,196	153,584	190,176	220,021
Total Debtors	461,389	447,315	487,710	764,774	868,041
Inventories	59,433	68,288	66,202	94,638	107,416
Total Other Current Assets	727,469	774,494	775,581	1,158,375	1,314,788
Total Current Assets	1,437,823	1,515,293	1,483,077	2,207,963	2,510,266
Fixed Assets	447,374	466,954	438,175	469,425	472,646
Total Investments	1,286,094	1,261,798	1,436,384	1,302,685	1,394,115
Intangible Assets					
Total Other Non-Current Assets	18,008	33,544	33,301	29,971	26,974
Total Non-current Assets	1,751,476	1,762,295	1,907,860	1,802,081	1,893,735
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	959,143	1,013,138	1,156,104	1,527,278	1,733,504
Other Current Liabilities	41,736	43,644	44,450	66,458	75,432
Total Current Liabilities	1,000,879	1,056,782	1,200,554	1,593,736	1,808,936
Total Long-term Debt	1,234,682	1,185,134	1,140,398	1,256,898	1,266,556
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	1,234,682	1,185,134	1,140,398	1,256,898	1,266,556
Total Provisions					
Total Liabilities	2,235,561	2,241,916	2,340,952	2,850,635	3,075,492
Shareholders Equity	824,077	893,260	863,592	997,505	1,166,604
Minority Interests	129,661	142,413	161,904	161,904	161,904
Total Equity	953,737	1,035,672	1,025,497	1,159,409	1,328,509

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	15.1%	17.1%	20.6%	12.7%	13.5%
Operating EBITDA Growth	16.6%	14.0%	13.2%	20.9%	15.3%
Operating EBITDA Margin	11.6%	11.3%	10.6%	11.4%	11.6%
Net Cash Per Share (Rs)	(743.85)	(683.21)	(702.33)	(759.21)	(744.84)
BVPS (Rs)	586.51	635.75	614.63	709.94	830.29
Gross Interest Cover	4.89	5.38	5.59	9.15	13.45
Effective Tax Rate	28.8%	26.6%	24.3%	27.0%	27.0%
Net Dividend Payout Ratio	29.5%	28.6%	22.8%	18.8%	15.5%
Accounts Receivables Days	103.04	90.45	77.17	91.71	105.34
Inventory Days	21.53	19.99	16.82	18.40	20.37
Accounts Payables Days	332.49	308.71	271.25	307.01	328.69
ROIC (%)	14.4%	15.8%	22.1%	17.8%	19.5%
ROCE (%)	7.0%	7.8%	9.0%	10.7%	11.4%
Return On Average Assets	3.9%	4.5%	5.3%	5.7%	5.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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