

Bloomberg Code	LT IN
No of share O/S (in Cr)	140.5
Market Cap (in Rs Cr)	3,10,154.6
Face Value (in Rs)	2.0
Dividend Yield (%)	1.0
52 Wk High/Low (in Rs)	2,416.4/ 1,456.2

Shareholding (%)	
Government	0.2
Institutional	63.3
Public	36.5
Total	100.0

Key result highlights:

- L&T reported a consolidated revenue YoY / QoQ growth of 10.4%/ 25.8% to INR 58,335 cr aided by strong execution of a large order book in the Infrastructure Projects segment and robust momentum in the IT&TS portfolio.
- EBITDA reported at INR 3,435 cr giving a jump of YoY / QoQ growth of 5.0%/ 25.6%. The EBITDA margins for the quarter was at 14.3%.
- The PAT for the quarter stands at INR 781 cr YoY / QoQ growth of 7.7%/ 45.8% . The PAT includes an exceptional gain of INR 97 cr (net), attributed to profit on divestment of the Mutual Fund business of the Financial Services segment partly off-set by a one time charge due to remeasurement of the wholesale loan assets of the Financial Services segment at fair value.

Highlights for the year:

- Strong execution momentum in Hydrocarbon, Hi-Tech Manufacturing and IT&TS.
- MCO expense variation is reflective of activity levels and revenue mix
- Resource augmentation and salary hikes across businesses drives staff cost
- SG&A reflective of lower credit cost in FS
- Drop in EBIDTA margin primarily due to cost pressures in Projects portfolio

VERTICAL PERFORMANCE

Major segments for Larsen and Toubro noted to be Infrastructure Projects, Energy Projects, Hi-Tech Manufacturing, IT & Technology Services, Financial Services, Development Project and others.

- Revenue from Infrastructure Projects reported to be at INR 31,549 cr grew 4.3% YoY and 42.1% on QoQ basis. The infrastructure segment of the company had a good year in terms of order inflows, reporting a growth of 25% YoY at INR 1,171 bn. The growth was driven by multiple large value orders across all sub-segments. Heavy civil infrastructure, water and effluent treatment, and minerals and metals performed well with the receipt of prestigious orders, while the power transmission business benefited from renewable opportunities in the GCC region. However, transportation infrastructure saw a decline in order inflow due to deferral of targeted prospects. The order book for this segment as of FY23 is at INR 3 tn with a book bill of around 3 years. The Q4 revenues registered a growth of 5% over the comparable quarter of the previous year, and the EBITDA margin for the quarter and year remained subdued due to a largely government-public centered tendered projects under execution and input price pressures.
- Total Income for Energy Projects is INR 7,929 cr increased by 17.0% YoY and 24.9% on QoQ basis. The energy projects segment of Larsen and Toubro received multiple domestic and international orders for hydrocarbon and power. The hydrocarbon business improved the order book while thermal orders were deferred. The order prospect pipeline for this segment is INR 3 tn in FY24. The Q4 revenue growth of 18% largely led by the execution momentum in hydrocarbon. The improvement in EBITDA margin for the quarter and full year is largely a function of execution cost savings and favorable customer claim settlement in hydrocarbon.
- Revenues of Hi-Tech Manufacturings grew by 24.6% YoY and 24.6% on QoQ basis to INR 2,321 cr. The segment includes heavy engineering and defense engineering businesses. The growth in Q4 and full year revenue is largely attributed to higher progress in the refinery business of heavy engineering and execution ramp-up of selected projects in the defense engineering business. The order prospect pipeline for this segment is INR 252 bn with a share of defense around 78%. The order book for this segment is INR 262 bn as of FY23. Margin variance for the quarter and full year is largely due to job miss and execution delays arising out of supply chain issues, respectively.

VERTICAL PERFORMANCE

- Revenue from IT & Technology Services reported to be at INR 10,739 cr grew 1.3% on QoQ basis and 21.9% YoY basis. L&T's this segment saw a revenue growth of 21% in Q4 and 26% for the full year, reaching INR 106 bn and INR 407 bn, respectively. The merger of LTI and Mindtree has positioned the entity to compete for larger deals and benefit from cost and revenue synergies. Margin decline for the quarter was due to higher staff costs, while for the full year, it was impacted by higher employee costs and one-time integration expenses. Further details are available in the public domain as both companies in this segment are listed entities.
- The Financial Services segment's revenue for the period was INR 3,116 cr registering growth of -6.9% on QoQ basis and 5.2% YoY basis. Highlights for Q423 included improved net interest margin, lower credit costs, and better asset quality. The strategic focus was on portfolio reorganization and improving the ROA. The company aims to become a top-class digitally enabled retail finance company and has sufficient growth capital available on the balance sheet.
- The Development Projects segment includes NABA Power, Hyderabad Metro, and Uttaranchal hydel power. NABA Power contributes most to the revenue growth, while Hyderabad Metro has seen an increase in ridership. The revenue stands at INR 1,232 cr having growth of 11.3% and 12.4% QoQ and YoY basis respectively. The segment margin in Q423 increased primarily due to NABA profits. Other segments include reality, industrial world, smart world, communications, construction equipment, mining machinery, and rubber processing machinery. The Q4 and FY23 growth in this segment is mainly in reality, rubber processing machinery, and construction equipment and mining machinery. LMT IDPL's profit consolidation has been discontinued from Q423.

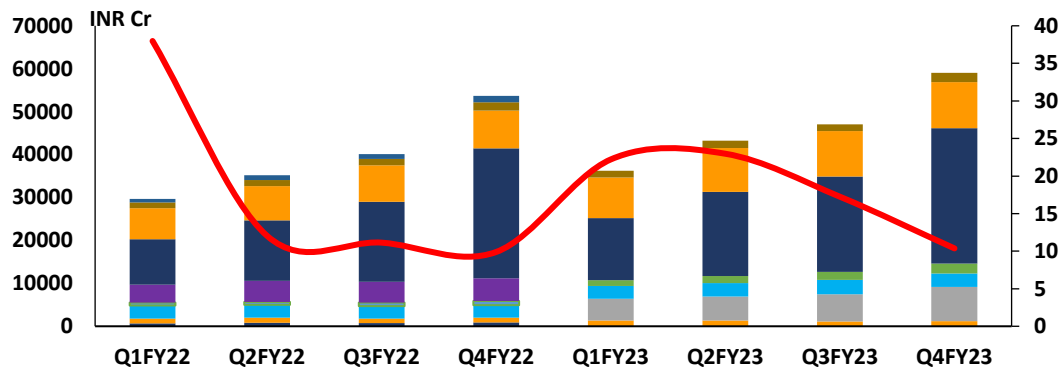
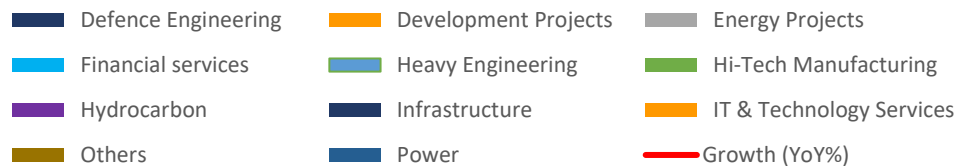
Concall Highlights:

- The company has achieved record-high order flows and a strong order book, with revenues growing by 17%. It has also successfully merged subsidiaries and entered into agreements and partnerships to expand its business.
- The company's reality business is expected to continue growing in residential and commercial formats, while order inflows increased by 19% and the prospects pipeline for FY24 is at INR 9.73 tn.
- The infrastructure segment saw growth in order inflows due to prestigious public space orders and others, with an order book of INR 2.845 tn as of FY23. The energy segment's hydrocarbon business improved the order book, but the thermal power segment faced deferrals.
- The high tech manufacturing segment's defense engineering is driven by the government's push for indigenization, while heavy engineering ordering was impacted by differences.
- The company commissioned a pilot green hydrogen plant, marking its entry into the green hydrogen business, and its energy finance subsidiary will transform into a retail-oriented, digitally enabled business.
- The speaker also mentioned the company's gross debt to equity ratio, return on equity, and net working capital drop, highlighting its financial performance and potential areas of improvement.

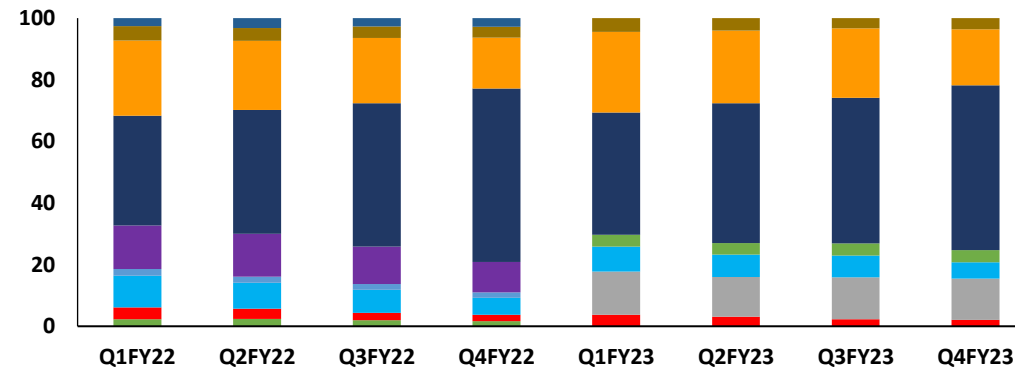
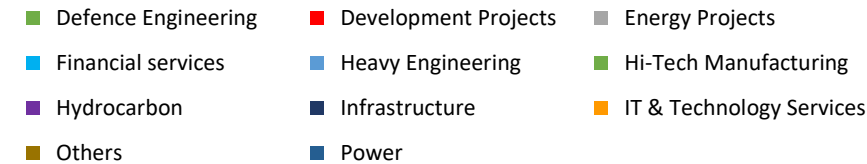
VALUATION

At the CMP of INR 2,242.8, the stock is trading at 24.9x FY25 P/E

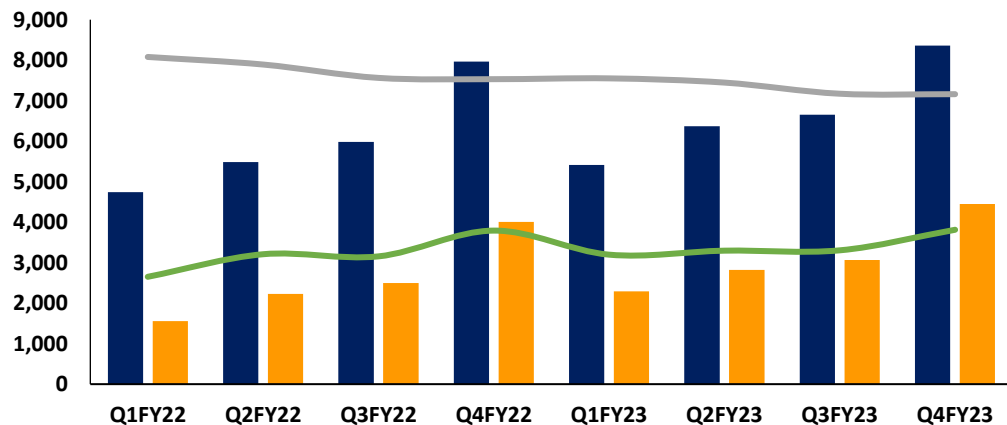
Segmental Revenue



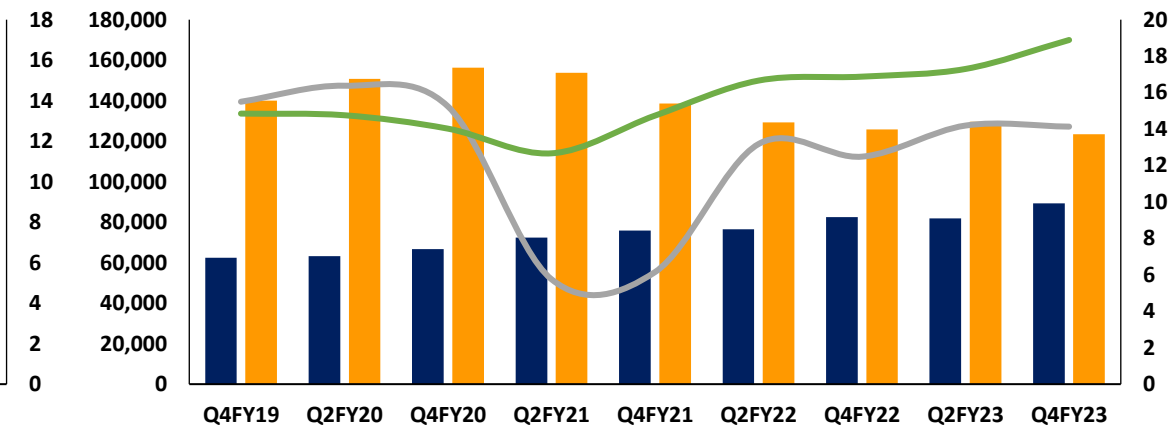
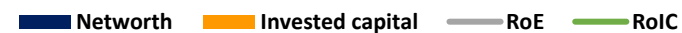
Revenue Contribution



EBITDA & PAT Margins



ROE & ROIC



Financial Summary

Figures in INR Cr	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY(%)
Revenue from Operations	58,335	52,851	10.4	46,390	25.8	183,341	156,521	17.1
Employee Cost	9,981	7,965	25.3	9,533	4.7	37,214	29,696	25.3
<i>Employee Cost To Sales (%)</i>	<i>17.1</i>	<i>15.1</i>		<i>20.5</i>		<i>20.3</i>	<i>19.0</i>	
Other Expenses	40,000	36,927	8.3	30,204	32.4	119,347	102,668	16.2
<i>Other Expenses To Sales (%)</i>	<i>68.6</i>	<i>69.9</i>		<i>65.1</i>		<i>65.1</i>	<i>65.6</i>	
EBITDA	8,354	7,959	5.0	6,653	25.6	26,780	24,157	10.9
<i>EBITDA Margin (%)</i>	<i>14.3</i>	<i>15.1</i>		<i>14.3</i>		<i>14.6</i>	<i>15.4</i>	
Depreciation	854	769	10.9	825	3.4	3,502	2,948	18.8
<i>Depreciation To Sales (%)</i>	<i>8.6</i>	<i>9.7</i>		<i>8.7</i>		<i>9.4</i>	<i>9.9</i>	
Operating income	7,501	7,189	4.3	5,828	28.7	23,277	21,209	9.8
<i>Operating Margin (%)</i>	<i>12.9</i>	<i>13.6</i>		<i>12.6</i>		<i>12.7</i>	<i>13.6</i>	
Other Income	741	516	43.7	755	-1.9	2,929	2,267	29.2
Interest	2,334	2,147	8.7	2,383	-2.0	9,234	9,078	1.7
Interest Coverage Ratio (X)	3	3	-4.0	2	31.4	3	2	7.9
<i>Interest Cost to Sales (%)</i>	<i>4.0</i>	<i>4.1</i>		<i>5.1</i>		<i>5.0</i>	<i>5.8</i>	
Profit Before Tax	5,907	5,558	6.3	4,200	40.6	16,973	14,398	17.9
<i>PBT Margin (%)</i>	<i>10.1</i>	<i>10.5</i>		<i>9.1</i>		<i>9.3</i>	<i>9.2</i>	
Tax	1,461	1,551	-5.8	1,271	15.0	4,484	4,204	6.7
<i>Tax Rate (%)</i>	<i>24.7</i>	<i>27.9</i>		<i>30.2</i>		<i>26.4</i>	<i>29.2</i>	
Profit After Tax	4,459	4,138	7.7	3,058	45.8	12,531	10,419	20.3
<i>PAT Margin (%)</i>	<i>7.6</i>	<i>7.8</i>		<i>6.6</i>		<i>6.8</i>	<i>6.7</i>	
Cons. Net Profit	3,987	3,621	10.1	2,553	56.2	10,471	8,669	20.8
<i>Cons. Net Profit Margin (%)</i>	<i>6.8</i>	<i>6.9</i>		<i>5.5</i>		<i>5.7</i>	<i>5.5</i>	
Adjusted EPS (INR)	28.4	25.8	10.1	18.2	56.2	74.5	61.7	20.8

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