Overall Financial Review FY 2022-23

I. L&T Consolidated

In backdrop of global volatility and uncertainty, the Group has recorded a good performance across its businesses, spread across diverse sectors and geographies. The Company continued to focus on its goal of maximising shareholder value by divesting assets identified for sale, achieving operational excellence through digital initiatives in furtherance to improved cost competitiveness, containing working capital along with better funds management and effective as well as profitable execution of its large Order Book.

During the year, as part of the strategy to exit non-core businesses, the Company, subject to necessary approvals, has entered into a Share Purchase Agreement with Edelweiss Alternatives to sell its entire shareholding in L&T Infrastructure Development Projects Limited, a joint venture, primarily engaged in the development and operation of the toll road and power transmission assets. Also, the Finance arm of the Group, L&T Finance Holding Limited, has divested its Mutual Fund business to HSBC AMC in pursuit of its strategy to become a leading retail-financing, digitally-enabled FinTech@scale.

Effective April 1, 2022, some of the existing segments of the Company have been realigned to reflect the Group's Lakshya 2026 strategy. The changes are as follows:

- **Energy Projects -** This is a newly formed segment that constitutes the existing segments of Hydrocarbon and Power, and the newly established Green EPC business to reflect the Group's entry into the Green Energy space and an integrated pursuit of opportunities in a rapidly transforming Energy sector
- **Hi-Tech Manufacturing -** This is a new segment comprising Heavy Engineering and Defence Engineering businesses – combined to leverage the extensive engineering, manufacturing and fabrication expertise across the various customer segments. In addition, the Group's venture into manufacturing Electrolysers and Batteries will also form part of this segment
- **IT & Technology Services -** This segment comprises existing listed IT&TS subsidiaries of the Group, viz., (a) LTIMindtree Limited, and (b) L&T Technology Services. Further, it will also include the new-age businesses of Data Centers and E-commerce / Digital Platforms (both businesses were reported under the 'Others' segment in the previous year).

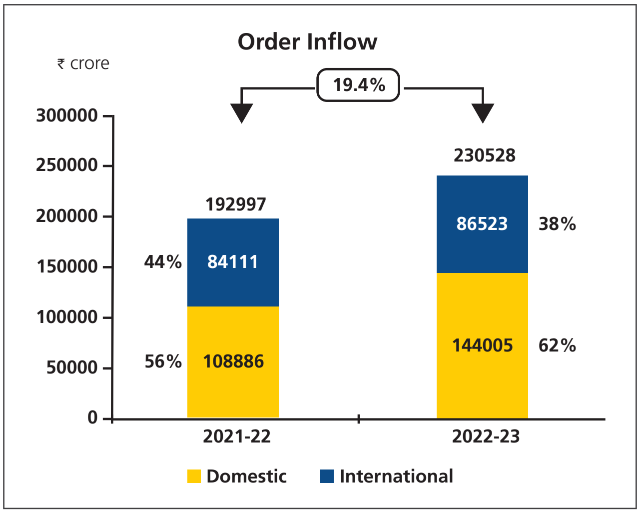
During the year, the Company has commissioned a pilot Green Hydrogen plant at the Hazira location, marking its foray into the Green Hydrogen business. The pilot plant produces 45 kg of high-purity Green Hydrogen daily. Additionally, the Company has entered into a technology licence agreement with McPhy Energy (France) for the manufacture of Pressurised Alkaline Electrolysers. The Company has also entered into an MoU to develop floating Green Ammonia projects for industrial-scale applications with Norway-based H2Carrier (H2C).

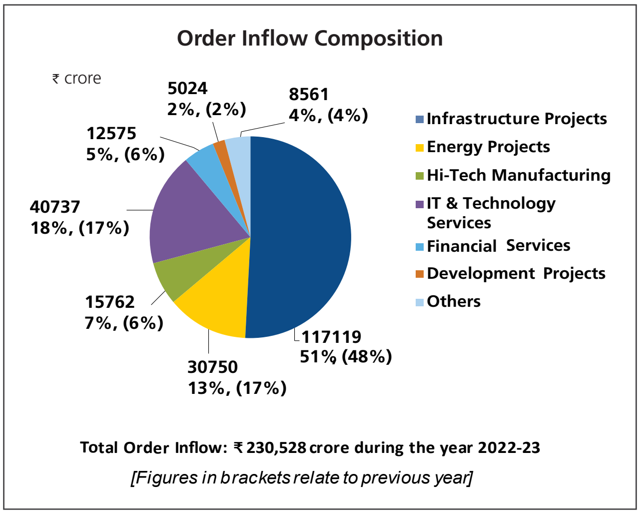
The Group, during the year, also concluded one of the largest mergers in the Indian information technology (IT) sector, by merging its two listed subsidiaries, viz., Larsen & Toubro Infotech Limited and Mindtree Limited into one listed subsidiary namely LTIMindtree Limited. The merged entity is uniquely positioned to scale up by competing for larger deals and will benefit from cost and revenue synergies on upselling, cross-selling and stitching services together.

Further, the Company also divested a portion of Smart World & Communication (SWC) business to its subsidiary L&T Technology Services (LTTS) effective April 01, 2023. The endeavour of the business transfer is to transform SWC into a global solutions player in the domains of Digital, IoT, 5G, Cyber Security, Data Centers and Cloud, Analytics, etc., by effectively leveraging LTTS's global presence.

As at March 31, 2023, the L&T Group comprised 92 subsidiaries, 5 associate companies, 27 joint ventures and 35 jointly held operations. Out of the total 159 entities, 49 companies belong to the listed subsidiaries and 20 are related to Development Projects. The rest of the entities in the Group are mostly strategic extensions of the traditional businesses, viz., EPC Contracts and Hi-Tech Manufacturing, for enabling access to new geographies, technologies and nuanced business segments.

Order Inflow and Order Book

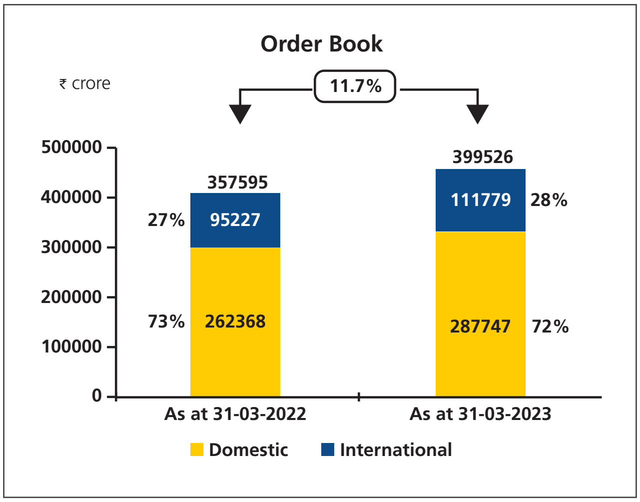




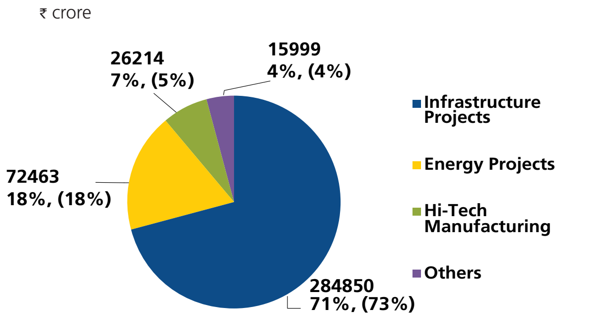
L&T Group achieved order inflows of ₹ 230,528 crore during FY 2022-23, registering a growth of 19.4% over the previous year. Growth was largely driven across businesses with strong domestic investment activity momentum assisted by the Government of India's capex push and buoyant private consumption. This, however, led to a decline in the relative share of international order inflow to 38% from 44% in the previous year.

The year witnessed the booking of some noteworthy orders in domestic irrigation projects and wastewater projects in the Water & Effluent Treatment business, a project in the public space business in the Buildings & Factories vertical, multiple renewable energy projects from the Middle East in Power Transmission & Distribution business, few orders in Hydel & Tunnels business including a lift irrigation project and a strategic order in Heavy Civil business, a couple of orders in the ferrous metal space, few large orders in the Defence business, a large order in the Onshore vertical and multiple orders in the Offshore vertical of the Hydrocarbon business.

With the tepid ordering momentum in the Energy segment primarily due to subdued investment in coal-based power projects, the contribution of the Infrastructure segment in the overall order inflow increased to 51% from 48% in the previous year.



Order Book Composition



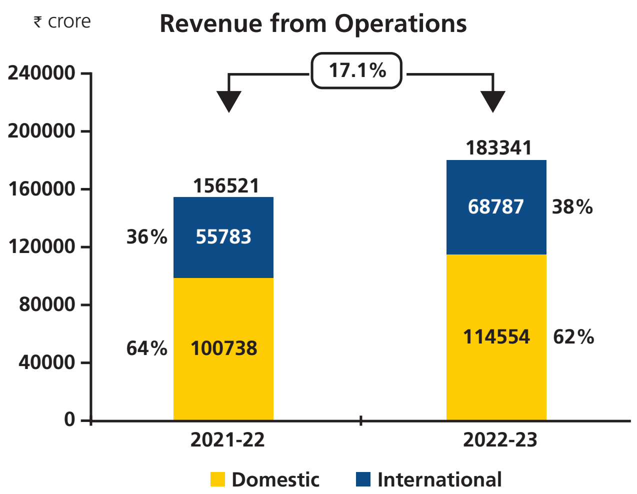
Total Order Book: ₹ 399,526 crore as at March 31, 2023
[Figures in brackets relate to previous year]

As at March 31, 2023, the Order Book is at a record level of ₹ 399,526 crore, providing multi-year revenue visibility for the Company. The Infrastructure segment continues to dominate with a share of 71% of the consolidated Order Book.

The Order Book registered a growth of 11.7% on a y-o-y basis, mainly with the receipt of some high-value orders during the year. Around 75% of the total Order Book comprises orders received from Indian Central and State Governments (including local authorities) and State-owned enterprises (both domestic and international). The private sector is gathering momentum with its contribution increasing to 25% of the total Order Book as at March 2023, as against 20% as at March 2022. Of the domestic Order Book, 28% of the orders are funded by multilateral agencies.

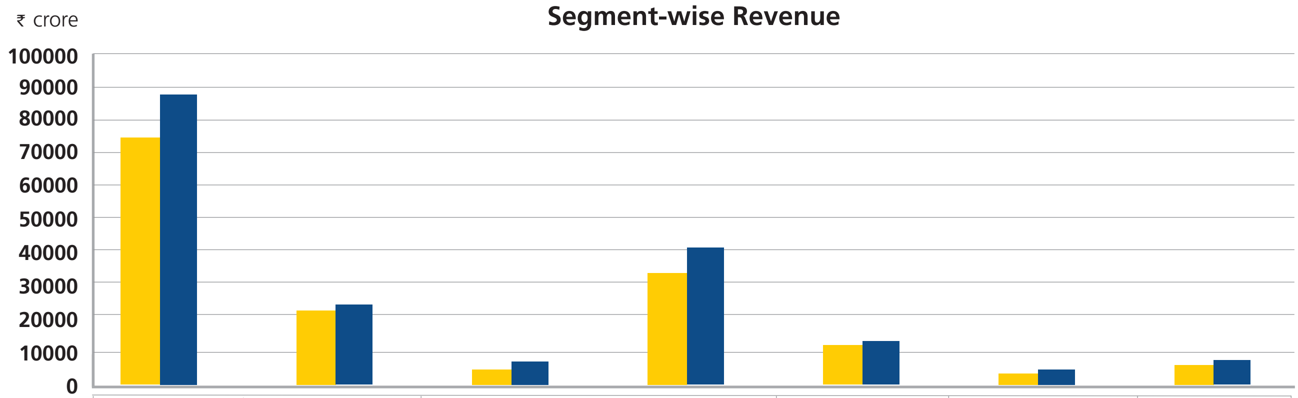
The share of the international Order Book marginally increased from 27% to 28%.

Consolidated Revenue from Operations



L&T Group recorded revenue of ₹ 183,341 crore during FY 2022-23, registering a growth of 17.1%. The growth was mainly achieved with the pick-up of execution momentum in project and manufacturing businesses and healthy growth in IT & TS businesses. The composition of international revenue at the group level is at 38% in FY 2022-23 compared to 36% in the previous year.

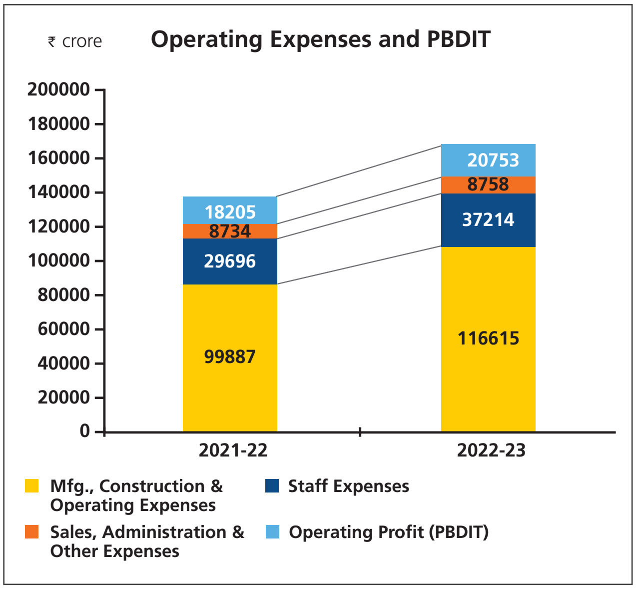
Segment-wise Revenue



	Infrastructure Projects	Energy Projects	Hi-Tech Manufacturing	IT & Technology Services	Financial Services	Development Projects	Others
FY 2021-22	73560	23713	6265	32455	11971	4368	6262
FY 2022-23	87823	24956	7161	40988	12575	5029	7072

During the year, all the segments registered growth over the previous year. The revenue from the IT & TS segment continues to register industry-leading growth.

Operating Expenses and PBDIT



Manufacturing, Construction and Operating (MCO) expenses for FY 2022-23 at ₹ 116,615 crore increased by 16.7% over the previous year. These expenses mainly comprise the cost of construction materials, raw materials and components, sub-contracting expenses and interest costs in the Financial Services business. This represents 63.6% of revenue, mostly in line with the previous year.

Staff expenses for the year FY 2022-23 at ₹ 37,214 crore increased by 25.3% over the previous year and as a percentage of revenue increased by 130 bps, reflecting a combination of manpower ramp-up and salary revisions. The Group continues to focus on productivity improvements, digitalisation and manpower optimisation across most of its businesses.

Sales and administration expenses at ₹ 8,758 crore is almost in line with the previous year at ₹ 8,734 crore. This represents 4.8% of revenue vs. 5.6% in the previous year.

The Group's operating profit at ₹ 20,753 crore for FY 2022-23 registered a growth of 14.0% y-o-y, largely due to improved activity levels. The EBITDA margin for the year however declined by 30 bps and is at 11.3%.

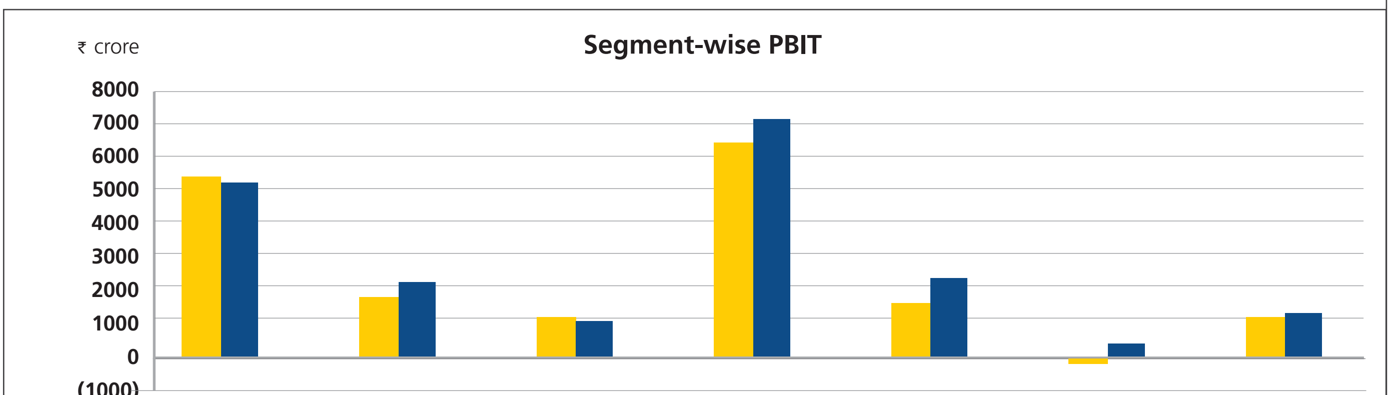
The impact of additional execution costs incurred in the Infrastructure segment, high commodity prices, one-time integration expense on the merger of erstwhile LTI and Mindtree, and higher staff costs impacted the Company's overall margin. At the same time, cost saving in projects of the Energy segment, higher NIM in Financial Services, improved ridership in Hyderabad Metro and lower provisions on contract assets and customer receivables partially mitigated the impact.

Depreciation and Amortisation Charge

Depreciation and amortisation charge for FY 2022-23 increased to ₹ 3,502 crore from ₹ 2,948 crore in the previous year, registering an increase of 18.8%, mainly on account of higher capex spends during the year.

Profit Before Interest and Tax

Segment-wise composition of PBIT for FY 2022-23 is represented below:



	Infrastructure Projects	Energy Projects	Hi-Tech Manufacturing	IT & Technology Services	Financial Services	Development Projects	Others
FY 2021-22	5182	1640	1004	6321	1470	(231)	1016
FY 2022-23	5140	2067	995	7172	2259	392	1146

The segment-wise PBIT registered improvement over the previous year, majorly in Energy Projects, IT&TS businesses and Financial Services business. Further, the PBIT of Development Projects turned positive during the year primarily due to the value restatement for Nabha Power Limited (NPL), in line with the improvement in benchmark valuations due to the visibility of improved profitability and favourable outcomes of company-specific litigations.

Other Income

It mainly consists of profit on the sale of liquid / short-term investments and interest income. Other income at ₹ 2,929 crore improved by 29.2% over ₹ 2,267 crore, reflective of higher investible surpluses and efficient treasury operations.

Finance Cost

The interest expense for FY 2022-23 at ₹ 3,207 crore was marginally higher by 2.6% over ₹ 3,126 crore for the previous year. The reduction in average borrowing at a group level was partly offset by an increase in interest rates during the year. Further, refinancing of Hyderabad Metro term loans with market borrowings also contributed to the containment of the interest cost for the year.

Tax Expense

The Income Tax charge for FY 2022-23 was higher at ₹ 4,484 crore by 6.7% compared to ₹ 4,204 crore in the previous year on increased profits.

Exceptional Items

Exceptional items during the year mainly comprise divestment of the Mutual Fund business of the Financial Services, partially offset by a one-time charge on remeasurement of the wholesale loan assets of the Financial Services segment at fair value. The previous year mainly included divestment gain on the sale of L&T Uttaranchal Hydropower Limited, partly offset by tax liabilities on the transfer of L&T-Nxt to the erstwhile Mindtree Limited.

Consolidated Profit After Tax and EPS

Consolidated Profit After Tax (PAT) at ₹ 10,471 crore for FY 2022-23 increased by 20.8% over the previous year at ₹ 8,669 crore. The increase is mainly on account of growth in revenues and other income. Consolidated Basic Earnings per Share (EPS) for FY 2022-23 at ₹ 74.51 improved over the previous year at ₹ 61.71.

Return on Consolidated Net Worth

The Consolidated Net Worth, as at March 31, 2023, at ₹ 89,326 crore, reflects a net increase of ₹ 6,918 crore, as compared to the position as at March 31, 2022. The Return on Net Worth (RONW) for FY 2022-23 was higher at 12.2%, compared to 11.0% in the previous year, mainly on account of higher profits.

Liquidity and Gearing

Cash flow from Operations (including change in loans and advances towards financing activities) increased to ₹ 22,777 crore as compared to ₹ 19,163 crore in the previous year, supported by healthy execution and smart working capital management. During the year, additional funds were also generated mainly from the divestment of the Mutual Fund business of the Financial Services business, treasury and dividend income.

Funds were utilised mainly for repayment of borrowings of ₹ 4,832 crore, capital expenditure of ₹ 3,793 crore, and payment of dividend of ₹ 3,091 crore. Further, funds were applied for the purchase of current investments of ₹ 8,955 crore and net interest payment of ₹ 3,047 crore during FY 2022-23.

Consequently, there was a net increase of ₹ 2,893 crore in the cash balances as at March 31, 2023, compared to the beginning of the financial year.

Consolidated Fund Flow Statement		**₹ crore**
Particulars	***FY 21-22***	**FY 22-23**
Operating Activities	*19,163*	22,777
Net Divestment	*665*	2,670
Treasury and Dividend Income	*1,130*	1,767
ESOP Proceeds (Net)	*11*	10
Source of Funds	***20,969***	**27,224**
Capital expenditure (net)	*3,040*	3,793
Repayment of borrowings	*8,677*	4,832
Purchase of Investments	*2,422*	8,955
Dividend Paid	*2,528*	3,091
Interest Paid	*2,968*	3,047
Payment to minority interest (net)	*1,020*	613
Increase in cash balance	*314*	2,893
Utilisation of Funds	***20,969***	**27,224**

The total Group borrowings as at March 31, 2023, was lower at ₹ 118,513 crore, compared to ₹ 123,468 crore as at March 31, 2022. The major decrease is in borrowings of the Parent entity, Financial Services and Nabha Power. At a Group level, the gross debt-equity ratio decreased to 1.14:1 as at March 31, 2023, from 1.29:1 as at March 31, 2022. The net debt-equity ratio improved to 0.62:1 as at March 31, 2023, from 0.81:1 as at March 31, 2022.

Details of significant changes in Key Financial Ratios:

In compliance with the requirement of listing regulations, the key financial ratios of the Group have been provided hereunder:

Sr. No.	Particulars	FY 21-22	FY 22-23	% Growth
(i)	Gross Debt Equity Ratio	1.29	1.14	11.6%
(ii)	PBDIT as % of net revenue	11.6%	11.3%	(2.7%)
(iii)	Net Working Capital as % of Sales (Excluding Financial Services and Corporate)	19.7%	16.1%	18.2%
(iv)	Interest Coverage ratio (excluding Financial Services and Finance Lease Activity)	5.14	5.45	6.2%

II. L&T Standalone

L&T's Standalone financials reflect the performance of Infrastructure Projects, Energy Projects, Hi-Tech Manufacturing and Others. The Others segment comprises Realty, Construction & Mining Machinery, Rubber Processing Machinery, Smart World & Communication and E-commerce / Digital Platforms and Data Centers.

Brief summary of performance at Standalone level:

Particulars (₹ crore)	FY 21-22	FY 22-23	% Growth y-o-y
Order Inflow	118,956	149,984	26%
Share of international order inflow	26%	20%	
Revenue	101,000	110,501	9%
Share of international revenue	20%	17%	
Order Book	315,567	330,555	5%
Share of international order book	19%	15%	
PBDIT	9,055	9,295	3%
PAT	7,879	7,849	
Net Worth	67,114	71,528	7%
RONW (%)	12.2%	11.3%	
EPS (₹)	56.09	55.85	

Liquidity and Gearing

Business operations generated cash flows of ₹ 7,264 crore during the year, compared to ₹ 5,999 crore in the previous year. The increase is largely attributable to improved working capital management. The proceeds from cash generated through net divestment in S&A companies at ₹ 352 crore, treasury income of ₹ 1,323 crore and dividend income from S&A companies at ₹ 1,712 crore, has been utilised towards repayment of borrowings (incl. repayment of lease liability) of ₹ 2,027 crore, purchase of a short-term investment at ₹ 2,904 crore, in addition to capex payments of ₹ 2,236 crore, a dividend payment of ₹ 3,091 crore, and interest payment of ₹ 2,333 crore.

There was a net decrease of ₹ 1,930 crore in the cash balances as at March 31, 2023, compared to the beginning of the year.

Fund Flow Statement ₹ crore

Particulars	FY 21-22	FY 22-23
Operating Activities	5,999	7,264
Net (Investment) / Divestment	(667)	352
Treasury and Dividend Income	2,468	3,035
ESOP Proceeds (net)	11	10
(Increase) / Decrease in Cash Balance	(2,164)	1,930
Source of Funds	**5,647**	**12,591**
Capital Expenditure (net)	1,350	2,236
Repayment of Borrowings (net of Additional Borrowings)	4,236	2,027
Purchase / (Sale) of Investments	(4,075)	2,904
Dividend paid	2,528	3,091
Interest paid	1,608	2,333
Utilisation of Funds	**5,647**	**12,591**

Total borrowings as at March 31, 2023, reduced to ₹ 18,151 crore, compared to ₹ 20,298 crore in the previous year. The loan portfolio of the Company comprises a mix of rupee and suitably hedged foreign currency loans. The gross debt-equity ratio reduced to 0.25:1 as at March 31, 2023, from 0.30:1 as at March 31, 2022. The Company remains debt-free after considering cash and cash equivalent during the year.