

LARSEN & TOUBRO

Analyst Presentation
Q3/9M FY22

January 28th, 2022

Disclaimer

This presentation contains certain forward looking statements concerning L&T's future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward looking statements.

The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and the target countries for exports, ability to attract and retain highly skilled professionals, time and cost over runs on contracts, our ability to manage our international operations, government policies and actions with respect to investments, fiscal deficits, regulations, etc., interest and other fiscal costs generally prevailing in the economy. Past performance may not be indicative of future performance.

The company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the company.



01

Key Highlights

Performance parameters improves as Indian economy re-integrates back in Q3



- Balancing "execution growth" & "working capital intensity"
- Stable group margin performance despite commodity headwinds in the "P&M" portfolio
- Healthy Order Book
- Subdued award finalization
- Strong demand conditions in IT&TS business
- LTFH business amidst "Strategic Shift"
- Divestment of non-core businesses a priority
- The road to Improved "Return Ratios"

Visible signs of strong economic growth in Q4 aided by public capex

Key Financial Indicators

(Rs. bn)

Q3 FY21		Q2 FY22	Q3 FY22		(y-o-y)	(q-o-q)	Particulars		9M FY21	9M FY22		(y-o-y)
732		421	504		-31%	20%	Order Inflow		1248	1191		-5%
							Order Book		3311	3404		3%
356		348	396		11%	14%	Revenue		879	1037		18%
12.0%		11.5%	11.5%				EBITDA (%)		10.5%	11.3%		
23		17	21		-9%	19%	Operational PAT		35	50		40%
25		18	21		-17%	13%	Overall PAT		83	50		-39%

Particulars		9M FY21	9M FY22
Net Working Capital		26.2%	23.1%
RONW (TTM)* (%)		16.5%	11.0%

**Includes gain on divestment of Discontinued (E&A) business*

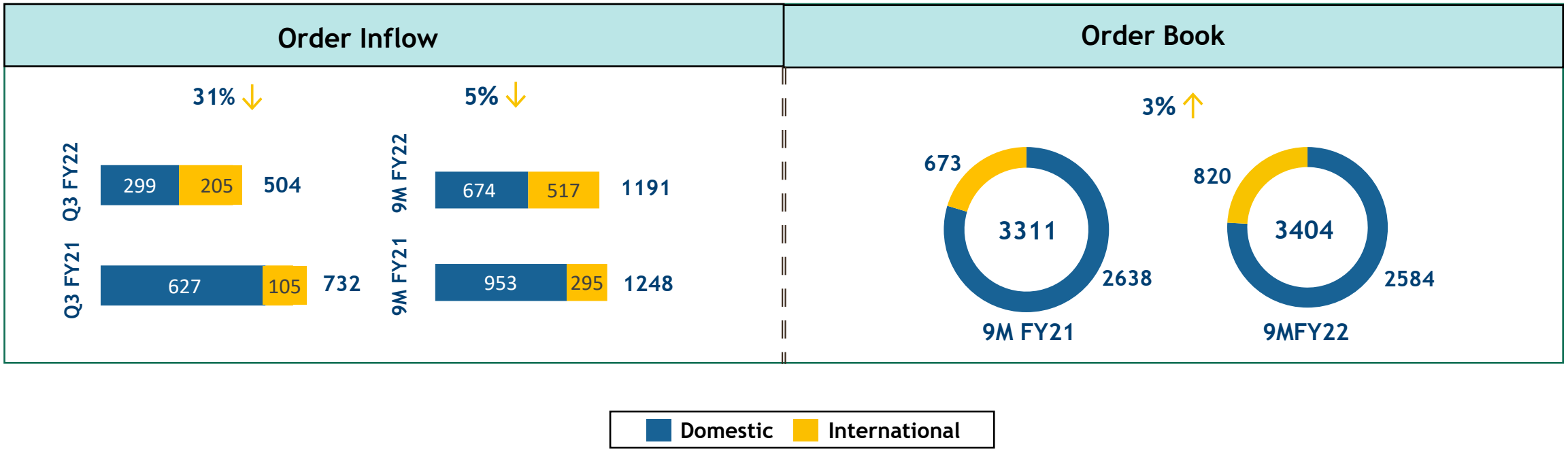


02

Group Performance

Q3/9M FY22 Order Inflow/Order Book

(Amount in Rs. bn)



- Q3 Order Inflows primarily from Infrastructure & Hydrocarbon. PY orders had large domestic packages
- Delay in awards finalization despite robust tendering activity
- Strong prospects pipeline for Q4
- Large and diversified order book provides multi-year revenue visibility

Group Performance - Sales & Costs

Q3 FY21	Q3 FY22	% Var	Rs. Billion	9M FY21	9M FY22	% Var
356.0	**395.6**	**11%**	Revenue	**878.9**	**1036.7**	**18%**
36%	*37%*		*International Rev.*	*39%*	*37%*	
210.8	238.4	**13%**	MCO Exp.*	478.2	590.2	**23%**
17.9	14.5	**-19%**	Fin. Charge Opex**	58.7	45.1	**-23%**
61.7	76.3	**24%**	Staff Costs	184.0	217.6	**18%**
22.8	21.1	**-7%**	Sales & Admin.	65.6	66.8	**2%**
313.2	350.3	**12%**	Total Opex	786.6	**919.7**	**17%**
42.8	**45.3**	**6%**	**EBITDA**	**92.4**	**117.0**	**27%**
12.0%	**11.5%**		**EBITDA %**	**10.5%**	**11.3%**	

Remarks for the Quarter

- Projects and IT&TS businesses drive revenue growth
- MCO expense variation is reflective of job progress, revenue mix and higher input costs
- Reduction in Finance Charge Opex is a function of lower average liabilities & reduced borrowing cost in FS business
- Resource augmentation in service businesses drives staff cost
- SG&A reflective of lower credit costs in FS business
- Stable EBITDA margin despite cost headwinds

** Manufacturing, Construction and Operating expenses*
***Finance cost of financial services business and finance lease activity*

Group Performance – Profit Parameters

Q3 FY21	Q3 FY22	% Var	Rs. Billion	9M FY21	9M FY22	% Var
42.8	**45.3**	**6%**	**EBITDA**	**92.4**	**117.0**	**27%**
(9.6)	(8.1)	**-15%**	Fin. Cost	(30.6)	(24.2)	**-21%**
(7.0)	(7.3)	**4%**	Depreciation	(20.9)	(21.8)	**4%**
10.6	5.7	**-46%**	Other Income	24.0	17.5	**-27%**
(10.4)	(10.6)	**2%**	Tax Expense	(19.2)	(26.6)	**38%**
0.1	0.2	**>100%**	JV/S&A PAT Share	(1.5)	(0.0)	**-98%**
(3.9)	(4.6)	**18%**	Non-controlling Int.	(8.7)	(12.3)	**41%**
22.6	**20.6**	**-9%**	**Operational PAT**	**35.5**	**49.5**	**40%**
2.1	-		Discontinued Operations	83.6	-	
-	-		Exceptionals (net of tax and NCI)	(36.2)	1.0	
24.7	**20.6**	**-17%**	**Reported PAT**	**82.9**	**50.5**	**-39%**

Remarks for the Quarter

- Finance cost commensurate with reduced level of borrowing at parent
- Other income reflective of level of treasury investments during the quarter
- Share of JV / Associate PAT primarily comprises results of L&T IDPL and Power JVs
- NCI variation largely due to improved profitability of services portfolio
- Operational PAT variance primarily on treasury operations



03

Segment Performance Analysis

Segment Composition

Infrastructure

- Buildings & Factories (B&F)
- Transportation Infra (TI)
- Heavy Civil infra (HC)
- Water & Effluent Treatment (WET)
- Power T&D (PT&D)
- Metall. & Mat. Handling (MMH)

Power

- EPC- Coal & Gas
- Thermal Power Plant
- Construction
- Electrostatic Precipitator
- Power Equipment Mfg. *

Heavy Engineering (HE)

- Process Plant Equipment
- Nuclear Power Plant Equipment
- Piping Centre
- Forgings*

Defence Engineering

- Defence
- Aerospace
- Shipbuilding

Hydrocarbon

- Onshore
- Offshore

Others

- Realty
- Industrial Products & Machinery
- Smart World & Comm.(SW&C)
- Edutech

Projects and Manufacturing

IT & TS

- Information Technology
- Technology Services

Financial Services

- Rural Lending
- Housing Finance
- Wholesale Finance
- Asset Management

Developmental Projects

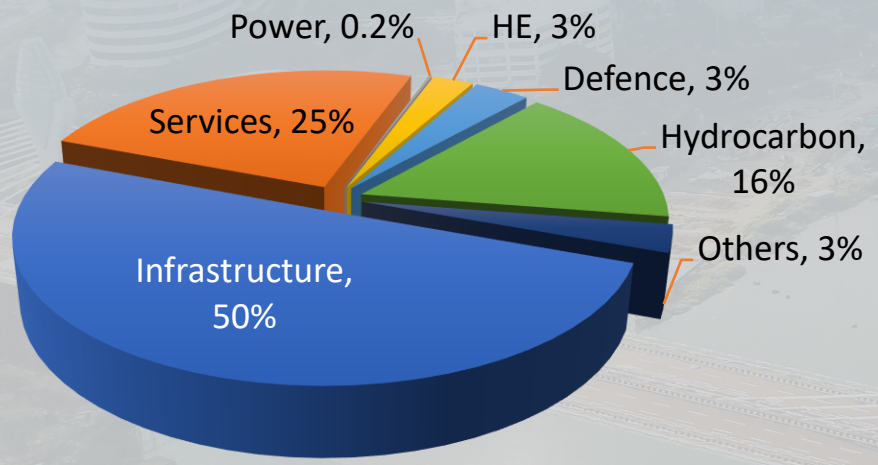
- Roads / Trans. Line *
- Metros
- Power Generation

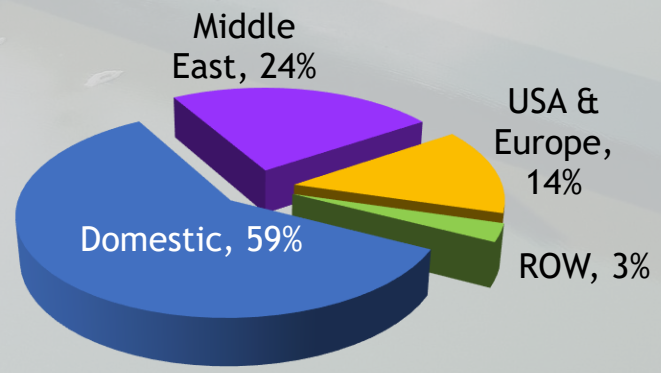
IT&TS, FS and Concessions

* Consolidated at PAT level

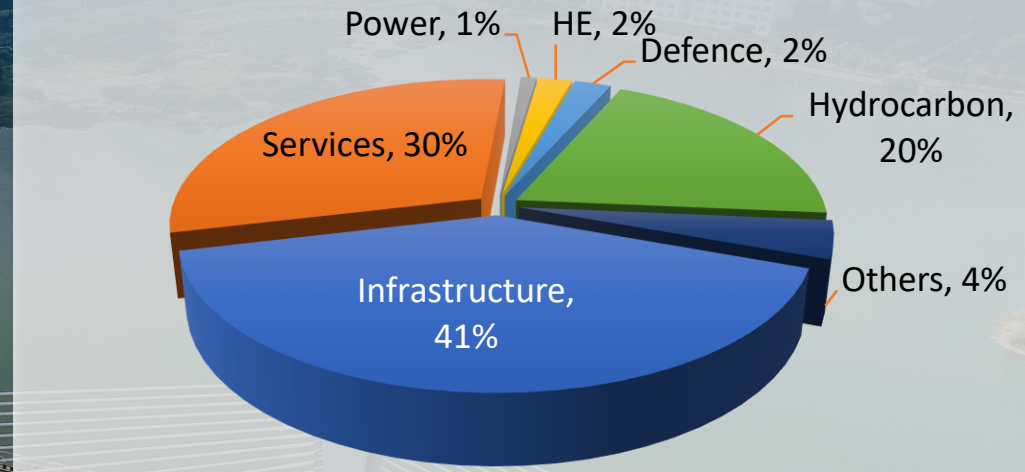
Order Inflow Composition

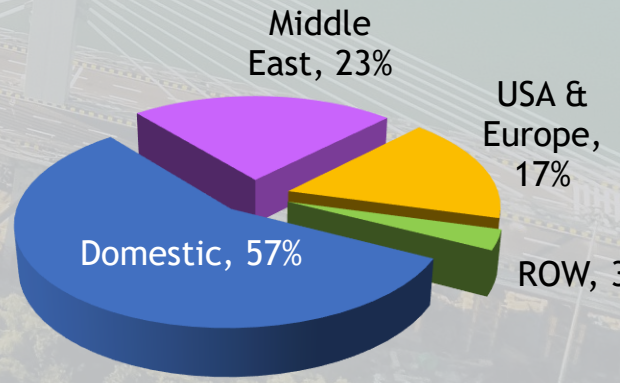
Q3 FY22 Rs. 504 Bn



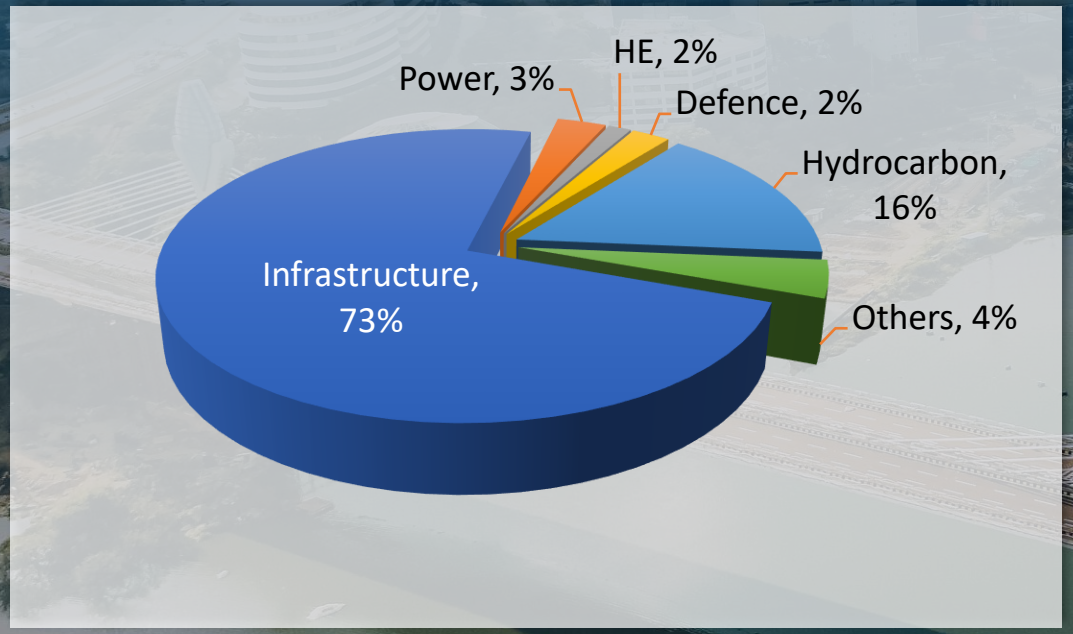


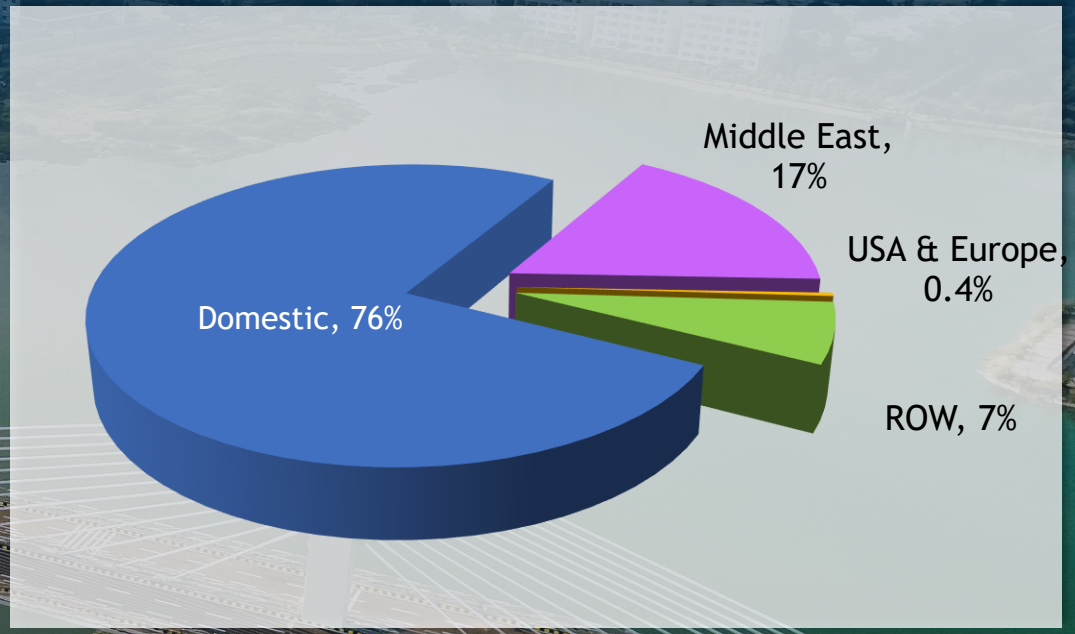
9M FY22 Rs. 1191 Bn





Order Book Composition as on 31-Dec-21

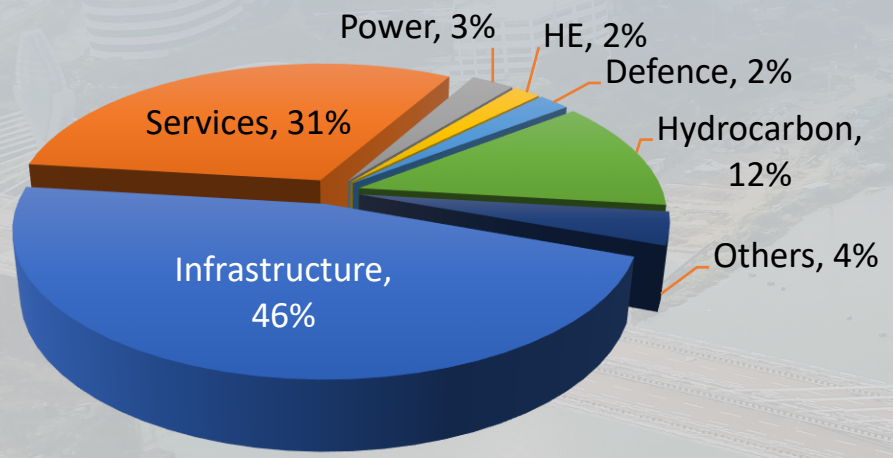


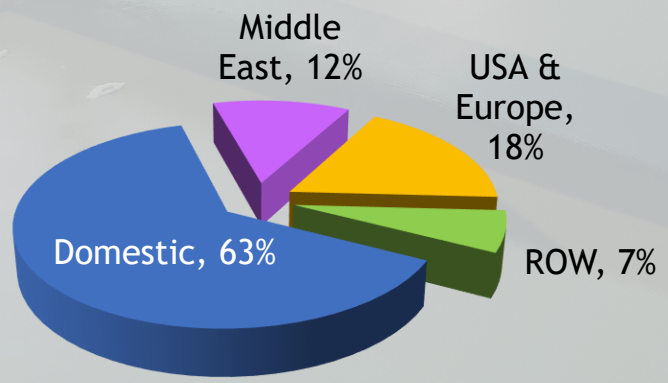


Order Book Rs. 3404 Bn

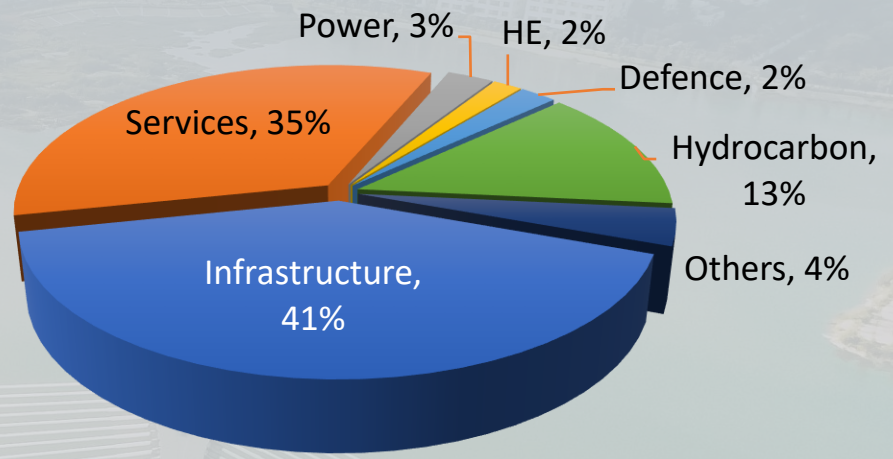
Revenue Composition

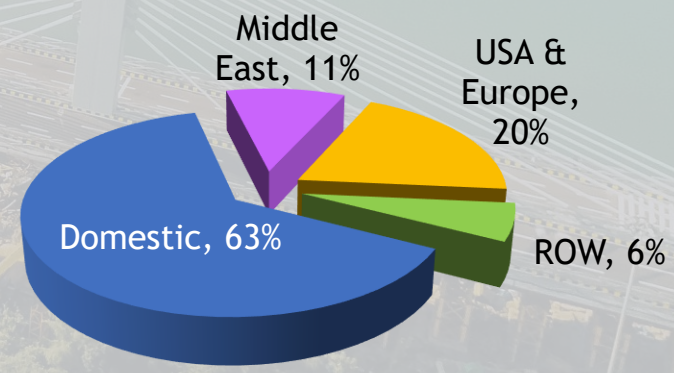
Q3 FY22 Rs. 396 Bn





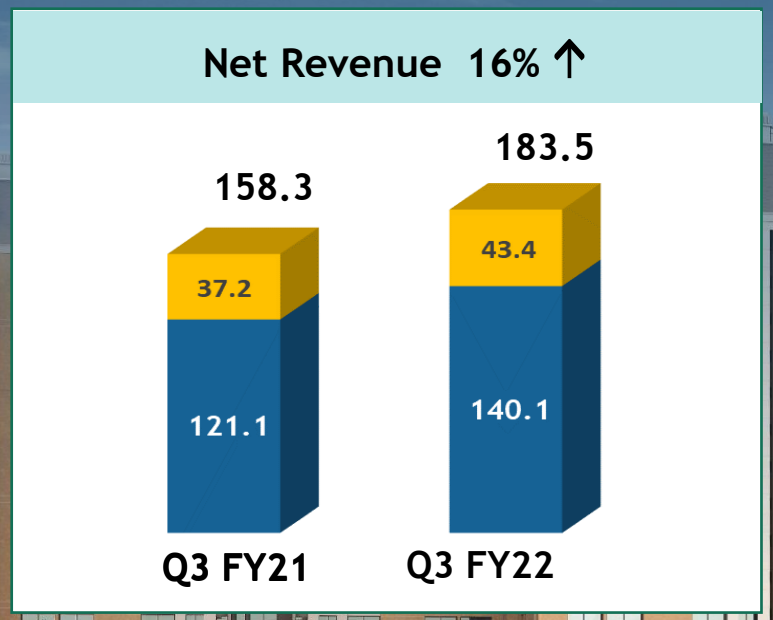
9M FY22 Rs.1037 Bn

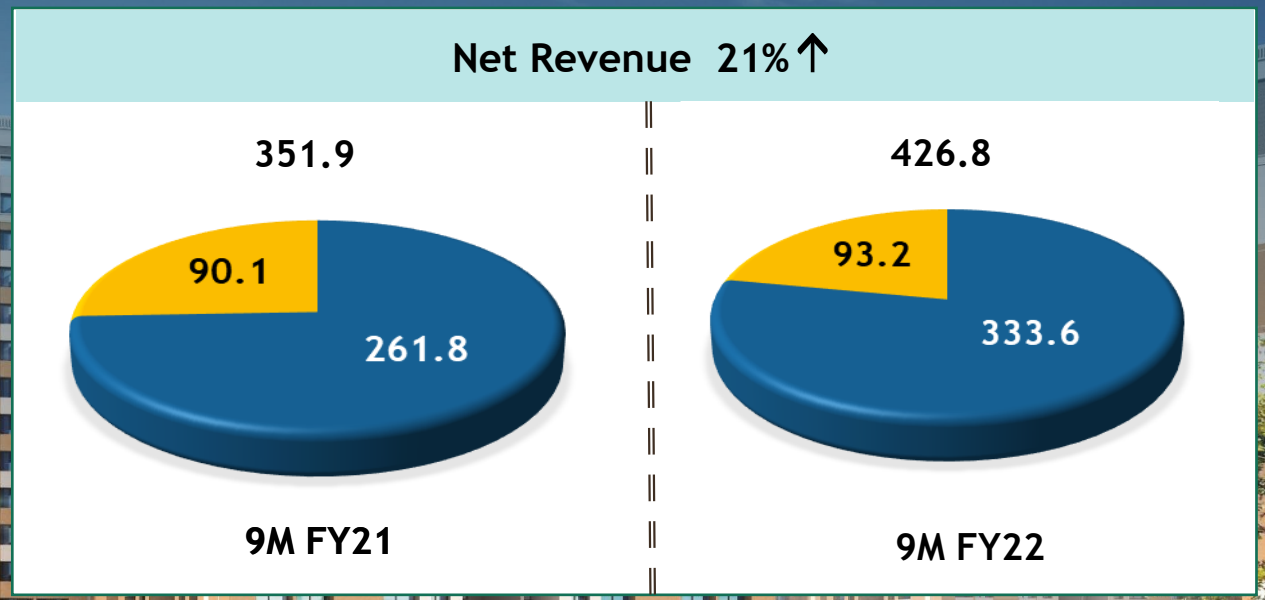




Infrastructure Segment

(Amount in Rs. bn)





6.2% EBITDA Margin 7.1% ↑

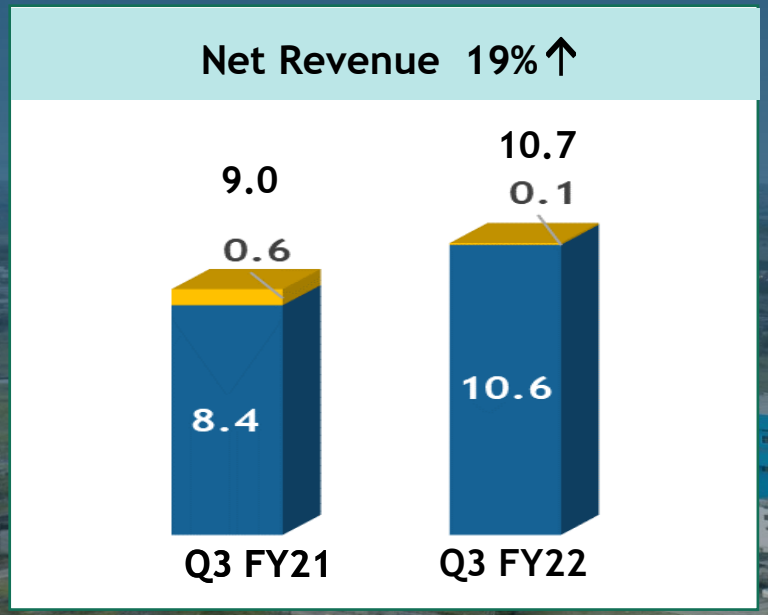
6.3% EBITDA Margin 7.5% ↑

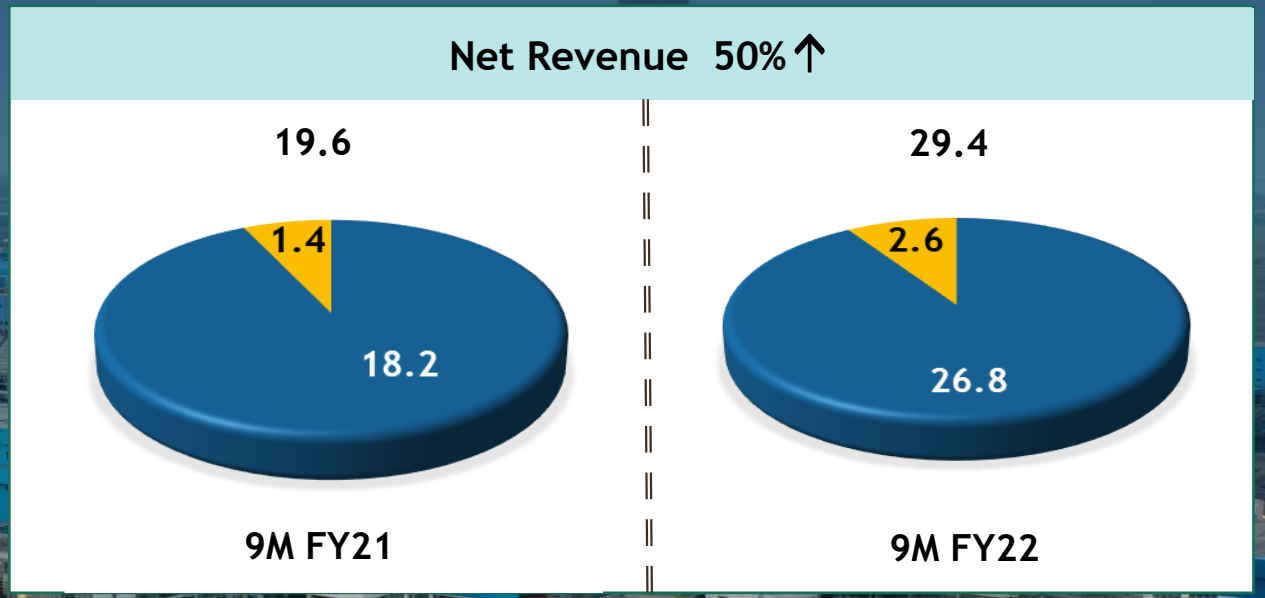
Domestic International

- Delays in awards finalization despite robust order announcements, tendering activity and improved Government finances
- Healthy prospect pipeline for Q4
- Maintaining balance between “Execution” & “Cash Inflows”
- Job mix and improved overhead recovery aids margin despite commodity headwinds

Power Segment

(Amount in Rs. bn)





2.0% EBITDA Margin 4.2% ↑

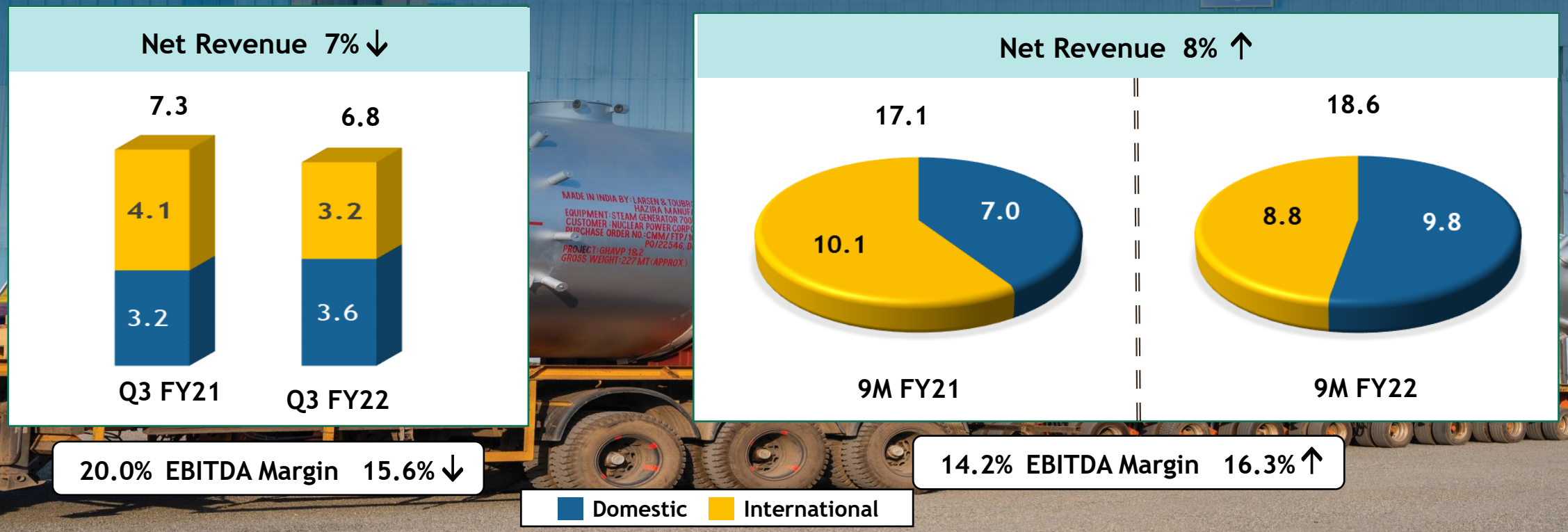
2.2% EBITDA Margin 3.2% ↑

Domestic International

- Subdued ordering environment in thermal business
- Opening order book drives healthy execution
- Higher EBITDA margin on certain jobs reaching valuation threshold
- Profits of Boiler, Turbine & other JV companies are consolidated at PAT level under equity method

Heavy Engineering Segment

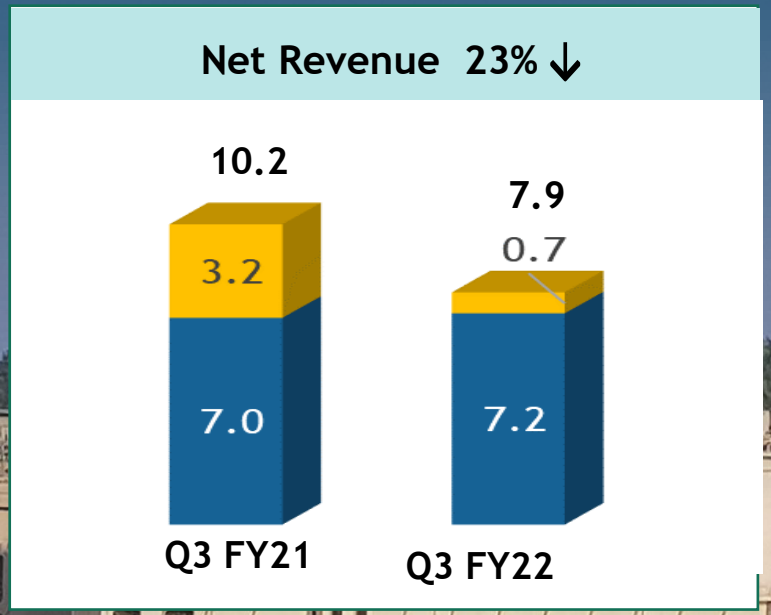
(Amount in Rs. bn)

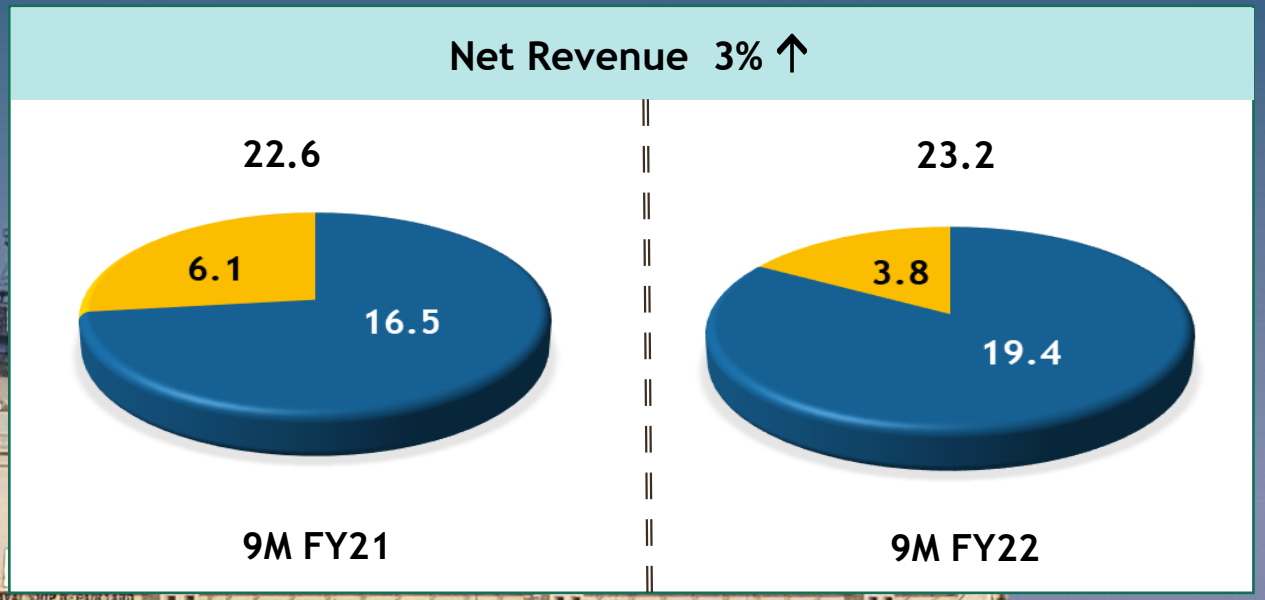


- Multiple order wins in Refinery, Oil & Gas vertical buoys order book
- Tapering of certain jobs impacts revenue in Q3
- Margin variance explained by change in sales mix and adverse claim settlement in an international project

Defence Engineering Segment

(Amount in Rs. bn)





16.9% EBITDA Margin 23.6% ↑

18.6% EBITDA Margin 19.0% ↑

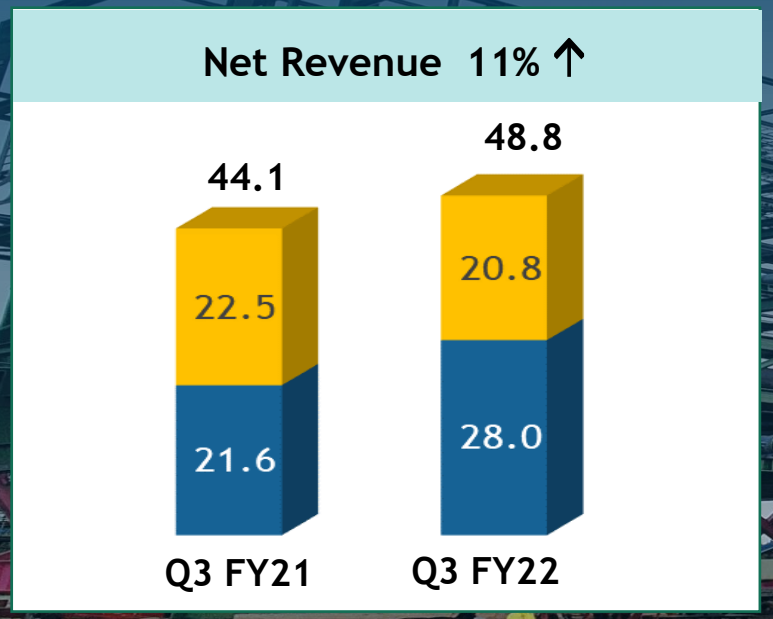
Domestic International

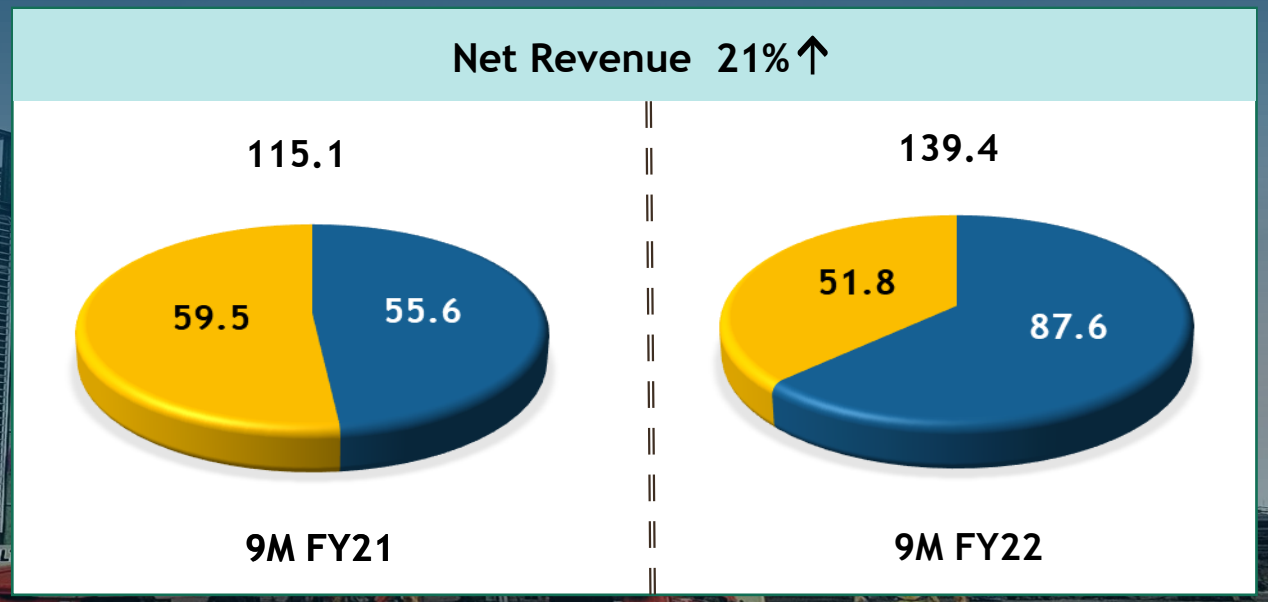
- Receipt of multiple orders in Q3
- Slow progress due to customer delays and supply chain disruption impacts revenue
- Price variation claim & jobs crossing recognition threshold drives margin

The business does not manufacture any explosives nor ammunition of any kind, including cluster munitions or anti-personnel landmines or nuclear weapons or components for such munitions. The business also does not customise any delivery systems for such munitions

Hydrocarbon Segment

(Amount in Rs. bn)





12.2% EBITDA Margin 9.6% ↓

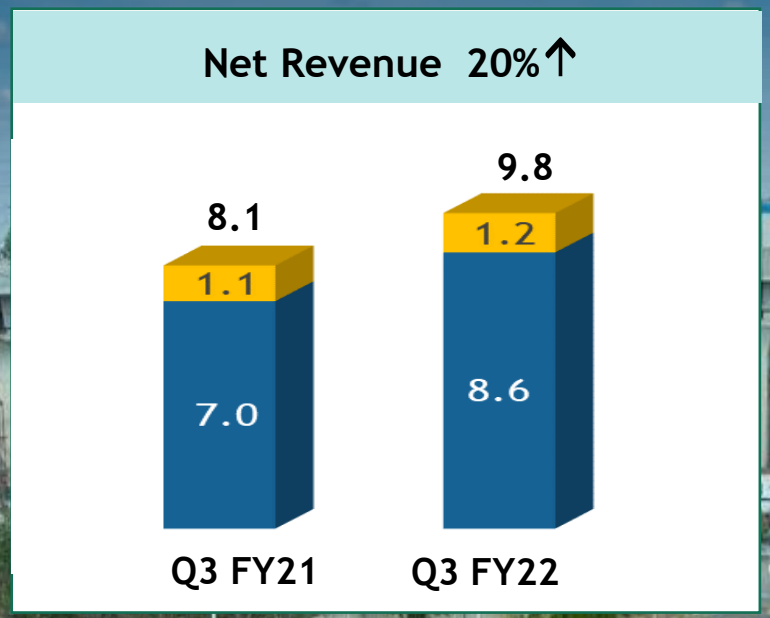
9.1% EBITDA Margin 9.1% ↔

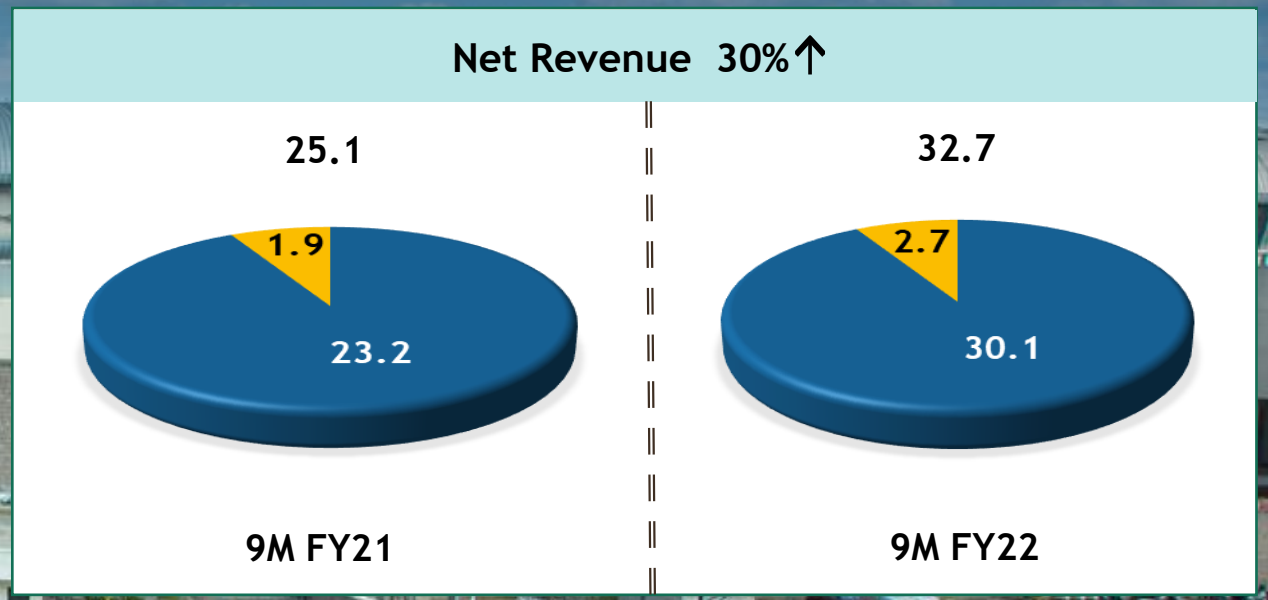
Domestic International

- Receipt of high value international orders buoys order book
- Progress in onshore jobs drive revenues in Q3
- Margin variation due to job mix and stage of completion

Developmental Projects Segment

(Amount in Rs. bn)





0.1% EBITDA Margin 3.2% ↑

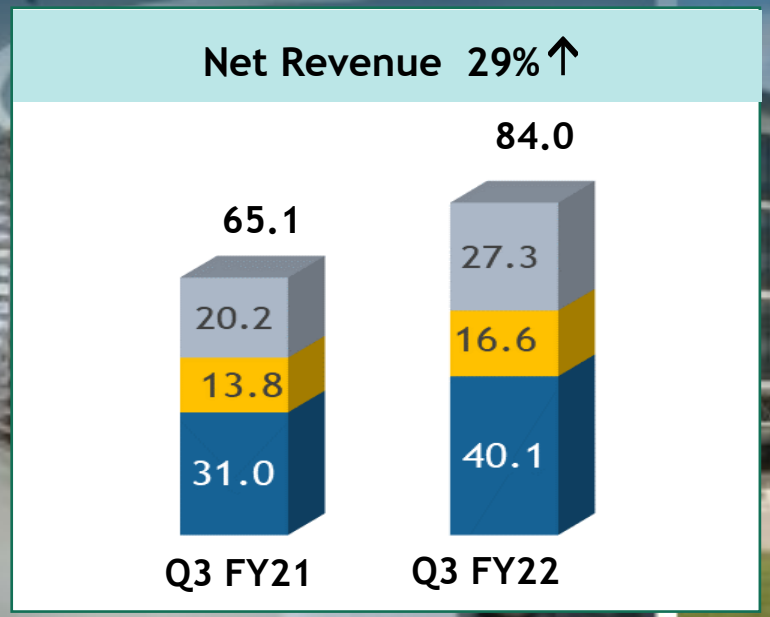
4.0% EBITDA Margin 2.3% ↓

Power Development | Hyd Metro

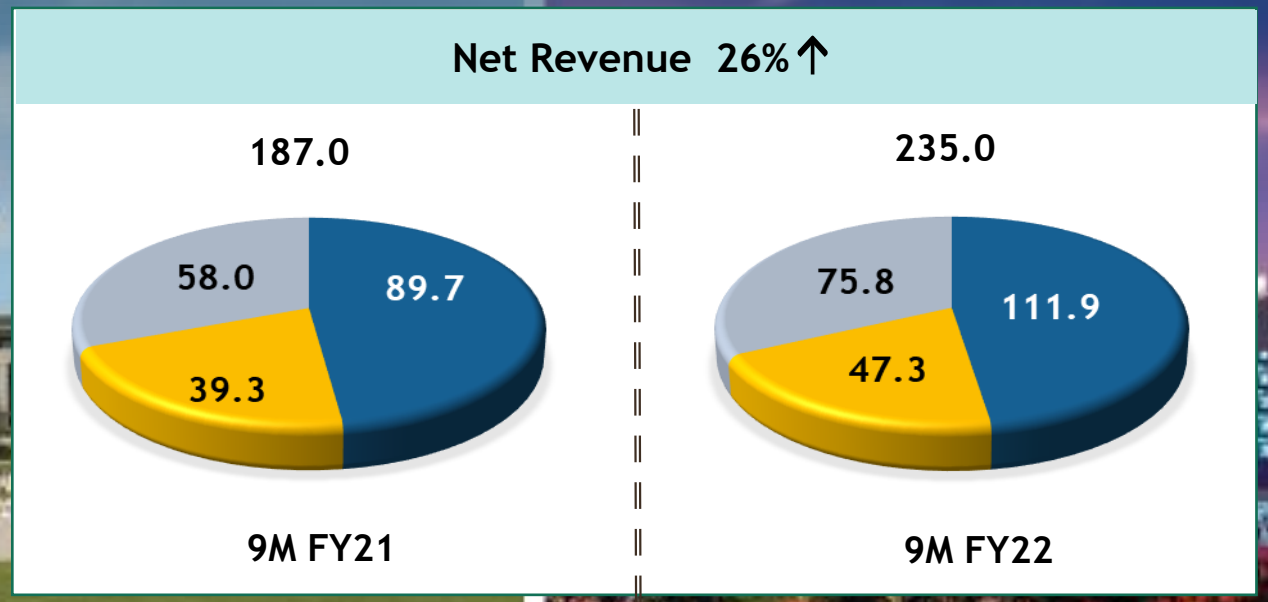
- Segment includes Power Development business (Thermal & Hydel up to the date of divestment i.e. 30th August 2021) and Hyderabad Metro
- High PLF explains Nabha revenue growth; and subsiding Covid 2nd wave leads to improved Metro ridership
- Segment margin contributed by Metro operations; Nabha margin not being recognised from Q3 FY21
- Roads & TL concessions (part of L&T IDPL) are consolidated at PAT level under the Equity method

IT & Technology Segment

(Amount in Rs. bn)



25.5% EBITDA Margin 23.8% ↓



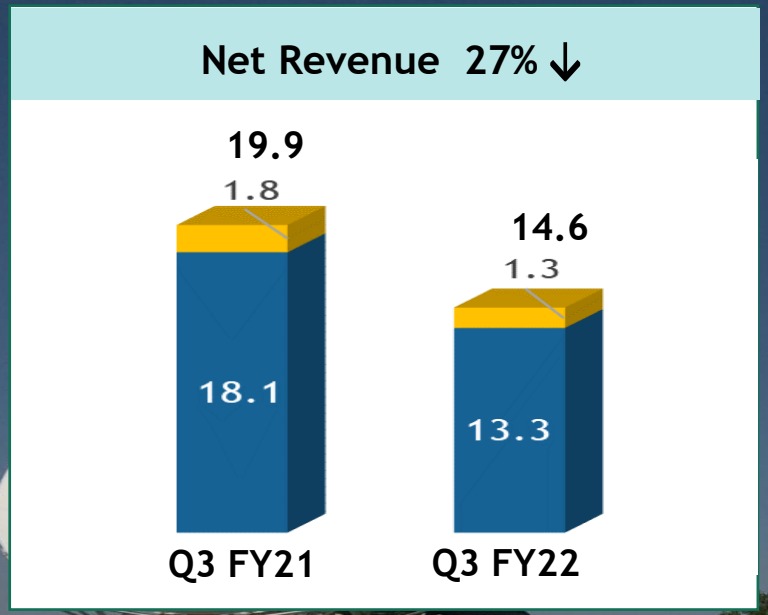
23.2 % EBITDA Margin 23.4% ↑

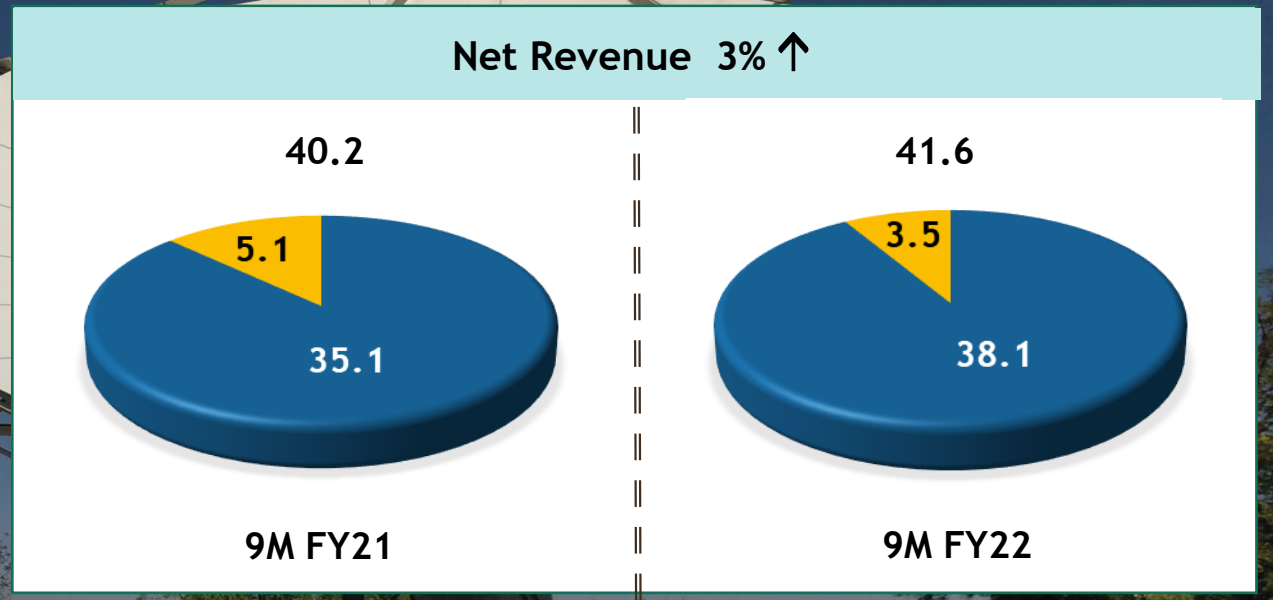
LTI LTTS Mindtree

- LTI revenue growth led by Hi-Tech, Media & Entertainment, BFS, Manufacturing and CPG, Retail & Pharma
- LTTS revenue growth led by Plant Engineering, Transportation & Industrial Products
- Mindtree revenue growth led by Retail, CPG & Manufacturing, Travel Transportation & Hospitality and Communications, Media & Technology
- Robust business outlook
- Margin is a function of utilization, wage cost, onshore: offshore mix and operational efficiencies

Others Segment

(Amount in Rs. bn)





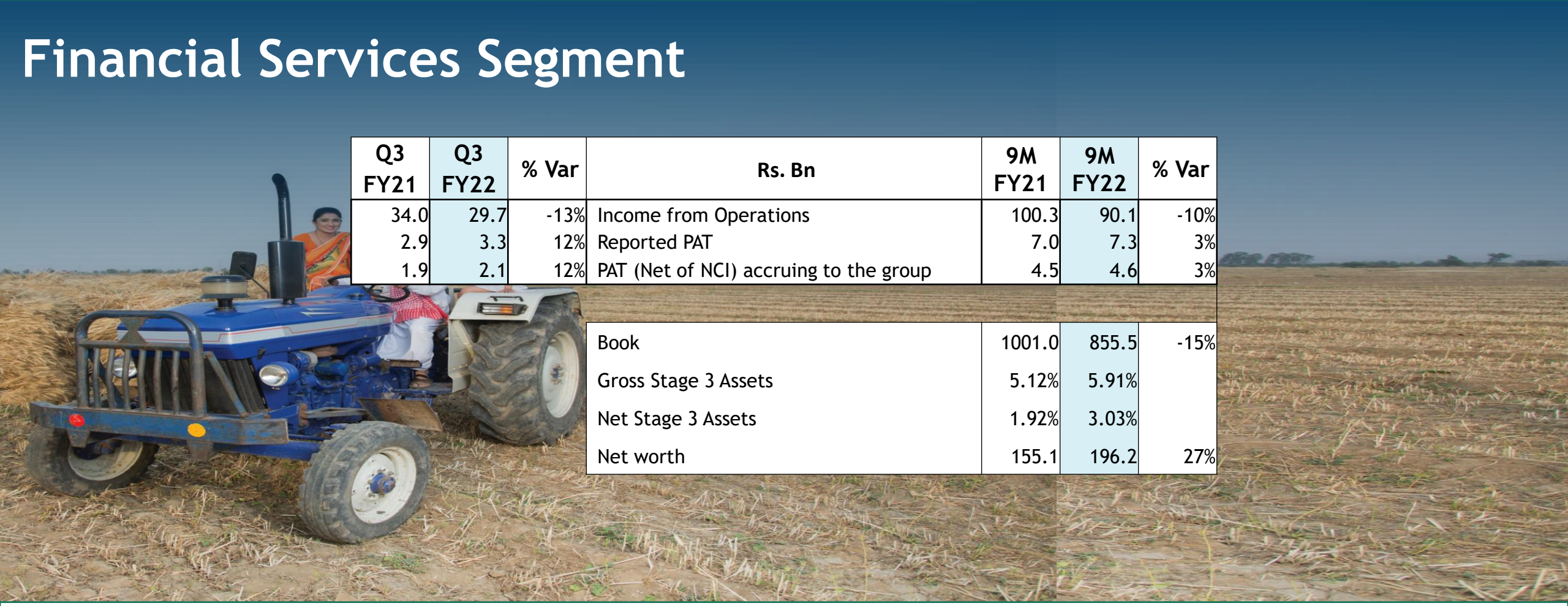
34.3% EBITDA Margin 13.7% ↓

24.1% EBITDA Margin 16.5% ↓

Domestic International

- Segment comprises Realty, Industrial Machinery, Valves, Smart World & Communications & Edutech business
- Strong revenue growth in Industrial Machinery business offset by muted revenues in Realty, Smart World & Communications and Valves
- Margin variation due to bulk sale in Realty in Q3 PY

Financial Services Segment



Q3 FY21	Q3 FY22	% Var	Rs. Bn	9M FY21	9M FY22	% Var
34.0	29.7	-13%	Income from Operations	100.3	90.1	-10%
2.9	3.3	12%	Reported PAT	7.0	7.3	3%
1.9	2.1	12%	PAT (Net of NCI) accruing to the group	4.5	4.6	3%
			Book	1001.0	855.5	-15%
			Gross Stage 3 Assets	5.12%	5.91%	
			Net Stage 3 Assets	1.92%	3.03%	
			Net worth	155.1	196.2	27%

- Strategic deliverables revolve around “Higher Retaili-sation”, strong asset quality and improvement in ROA
- In Q3, the business entered into a definitive agreement to sell its Asset Management business, subject to regulatory approvals
- Sufficient growth capital available

Balance between "need to support recovery" & "macro economic stability" - a central challenge for 2022



Global trends to "Watch"

- Pandemic to Endemic
- Inflation
- Future of work
- Digitization → Productivity → Cyber Threats
- Divergent economic recovery and collaboration on global challenges (climate)
- Emerging implications of "crypto" and the associated technologies



India's "Constructive Outlook"

- Enhanced fiscal focus towards "Public Capex" spend is the key
- Calibrated monetary stimulus withdrawal will aid balancing of "Growth" & "Inflation" objectives
- "Certainty" of demand to drive Private Capex
- "Structural reforms" of the near past sets base for quality growth



Key drivers for L&T

- Capex thrust
- Return of Private Capex
- Stable International Capex in response to "Oil Prices"
- Government revenue buoyancy leading to normal "collection cycle" for the group
- Growing IT&TS portfolio



Key Risks for L&T

- Subdued macros may impact business outcomes
- Input cost pressures impacting margin



Thank You

Investor Relations:

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Shalmali Dange (Shalmali.Dange@larsentoubro.com)

Balance Sheet

Rs. Billion	Mar-21	Dec-21	Incr / (Decr)
Equity & Reserves	759	787	28
Non Controlling Interest	121	130	10
Borrowings - Financial Services	865	812	-53
Development Projects	206	185	-21
Others	255	225	-30
Sources of Funds	**2205**	**2140**	**-65**
Fixed Assets (incl ROU assets)	138	134	-4
Intangible Assets & Investment Property	310	301	-9
Loans towards Financing Activities	861	779	-83
Finance lease receivable	70	67	-3
Net Non-Current Assets	150	168	18
Current Investments, Cash & Cash Equivalents	473	434	-39
Net Current Assets	203	247	44
Assets held for Sale (net)	0.03	11	11
Application of Funds	**2205**	**2140**	**-65**
Gross Debt / Equity Ratio	1.51	1.33	
Net Debt / Equity Ratio	1.00	0.87	

Cash Flow

Q3 FY21	Q2 FY22	Q3 FY22	Rs. Bn	9M FY21	9MFY22
42.8	41.9	46.9	Operating Profit	96.2	122.4
11.4	12.2	(26.3)	Changes in Working Capital [(Inc)/Dec]	6.4	(48.7)
(10.5)	(13.8)	(11.6)	Direct Taxes (Paid) / Refund [Net]	(22.3)	(32.3)
43.7	**40.4**	**9.0**	**Net Cash from / (used in) Operations (A)**	**80.2**	**41.4**
(3.5)	(5.7)	(8.7)	Net Investment in Fixed Assets (incl. Intangible & Investment Property)	(10.7)	(18.0)
(6.5)	8.2	(3.3)	Net (Purchase) / Sale of Long Term investments	124.5	2.4
39.4	(29.2)	10.9	Net (Purchase) / Sale of Current investments	(192.6)	0.2
(0.5)	(1.2)	(0.3)	Loans/Deposits made with JV/Associate Cos.	(1.2)	(1.5)
1.2	2.1	2.7	Interest & Dividend Received	8.5	7.9
30.1	**(25.8)**	**1.2**	**Net Cash from /(used in) Invest. Act. (B)**	**(71.4)**	**(9.0)**
(1.3)	(3.1)	(1.5)	Issue of Share Capital / NCI	(3.0)	(4.5)
(13.6)	(18.5)	(25.6)	Net Borrowings [Inc/(Dec)]	34.7	(105.7)
(19.3)	12.2	9.3	Loans towards financing activities (Net)	(2.0)	88.4
(34.3)	(29.5)	(6.3)	Interest & Dividend paid	(64.3)	(51.0)
(68.6)	**(38.9)**	**(24.0)**	**Net Cash from / (used in) Financing Activities (C)**	**(34.5)**	**(72.8)**
5.2	**(24.3)**	**(13.8)**	**Net (Dec) / Inc in Cash & Bank (A+B+C)**	**(25.7)**	**(40.4)**

Segment Margin – Q3 FY22

Segment (Rs. Cr)	Q3 FY21			Q3 FY22		
	Net Revenue	EBITDA	EBITDA %	Net Revenue	EBITDA	EBITDA %
Infrastructure Segment	15828	982	6.2%	18345	1298	7.1%
Power Segment	897	18	2.0%	1065	45	4.2%
Hydrocarbon Segment	4407	539	12.2%	4880	469	9.6%
Heavy Engineering Segment	733	146	20.0%	683	107	15.6%
Defence Engineering Segment	1022	172	16.9%	791	187	23.6%
Other Segment	1989	683	34.3%	1455	199	13.7%
Total (Projects & Manufacturing)	**24877**	**2540**	**10.2%**	**27220**	**2305**	**8.5%**
IT, TS & Mindtree Segment	6505	1656	25.5%	8397	2002	23.8%
Financial Services Segment	3401	373	11.0%	2971	459	15.4%
Developmental Projects Segment	814	1	0.1%	976	31	3.2%
Total (Services & Concessions)	**10720**	**2030**	**18.9%**	**12343**	**2492**	**20.2%**
Total	**35596**	**4571**	**12.8%**	**39563**	**4797**	**12.1%**

	EBITDA to PAT (Q3 FY22)					
Particulars	**IT&TS**	**Financial Services**	**Dev. Projects**	**Projects & Manufacturing***	**Corporate**	**Total**
EBITDA	2002	459	31	2305	305	5102
Depreciation	(302)	(25)	(79)	(301)	(26)	(732)
Segment Result	1701	434	(48)	2004	279	4369
Finance Cost & Tax Expense	(462)	(126)	(437)	(200)	(647)	(1873)
Non-controlling interest	(369)	(100)	-	2	5	(462)
Share in profit/(loss) of JV and associate			(1)	22		20
Exceptional Items (net of tax)						-
PAT	**869**	**207**	**(487)**	**1828**	**(363)**	**2055**

* Note: Interest cost and tax provisions are reflected under Corporate

Segment Margin – 9M FY22

Segment (Rs. Cr)	9M FY21			9M FY22		
	Net Revenue	EBITDA	EBITDA %	Net Revenue	EBITDA	EBITDA %
Infrastructure Segment	35191	2207	6.3%	42677	3186	7.5%
Power Segment	1958	43	2.2%	2938	94	3.2%
Hydrocarbon Segment	11512	1045	9.1%	13938	1273	9.1%
Heavy Engineering Segment	1712	243	14.2%	1855	303	16.3%
Defence Engineering Segment	2260	420	18.6%	2324	442	19.0%
Other Segment	4023	969	24.1%	4163	689	16.5%
Total (Projects & Manufacturing)	**56657**	**4928**	**8.7%**	**67896**	**5987**	**8.8%**
IT, TS & Mindtree Segment	18700	4330	23.2%	23495	5506	23.4%
Financial Services Segment	10027	619	6.2%	9008	1065	11.8%
Developmental Projects Segment	2508	100	4.0%	3272	74	2.3%
Total (Services & Concessions)	**31234**	**5050**	**16.2%**	**35775**	**6645**	**18.6%**
Total	**87891**	**9978**	**11.4%**	**103671**	**12632**	**12.2%**

	EBITDA to PAT (9M FY22)					
Particulars	**IT&TS**	**Financial Services**	**Dev. Projects**	**Projects & Manufacturing***	**Corporate**	**Total**
EBITDA	5506	1065	74	5987	816	13448
Depreciation	(886)	(76)	(248)	(891)	(78)	(2179)
Segment Result	4620	989	(174)	5096	738	11270
Finance Cost & Tax Expense	(1262)	(286)	(1187)	(565)	(1782)	(5082)
Non-controlling interest	(999)	(243)	-	5	5	(1232)
Share in profit/(loss) of JV and associate			(72)	69		(4)
Exceptional Items (net of tax)					97	97
PAT	**2359**	**460**	**(1433)**	**4605**	**(943)**	**5049**

* Note: Interest cost and tax provisions are reflected under Corporate

Share in Profit/(Loss) of JVs/Associates

Q3 FY21	Q3 FY22	Rs. Bn	9M FY21	9M FY22
0.53	0.47	L&T Power JVs	1.06	1.20
(0.30)	(0.01)	L&T IDPL Group	(1.45)	(0.72)
0.00	-	L&T Special Steels and Heavy Forgings	(0.73)	-
(0.14)	(0.25)	Others	(0.34)	(0.51)
0.09	**0.20**	**Total**	**(1.45)**	**(0.04)**