

LARSEN & TOUBRO

Analyst Presentation
Q1 FY23

July 26th, 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



Mumbai Coastal Road Project

Performance improvement in a seasonally soft quarter

Order Inflows

Strong momentum in Projects & Manufacturing portfolio

Prospects bright

Revenue

Improved execution in Infra & ITTS

Margin

Function of activity levels and input costs

PAT

Aided by improved performance across major businesses

NWC

Maintained despite seasonal softness

Leverage

Stable Gross & Net Debt levels at Group

ROE

On an improving trajectory - @ 11.5%

INDIA - A bright spot amidst global "CHAOS"

Key Financial Indicators

(Rs. bn)

Q1 FY22	Particulars	Q1 FY23	(y-o-y)
266	Order Inflow	418	57%
3237	Order Book	3634	12%
293	Revenue	359	22%
10.8%	EBITDA (%)	11.0%	
11.7	Operational PAT	17.0	45%
11.7	Overall PAT	17.0	45%
22.9%	Net Working Capital	20.9%	
17.2%*	RONW (TTM)	11.5%	

Includes gain on divestment of Discontinued (IT&A) business

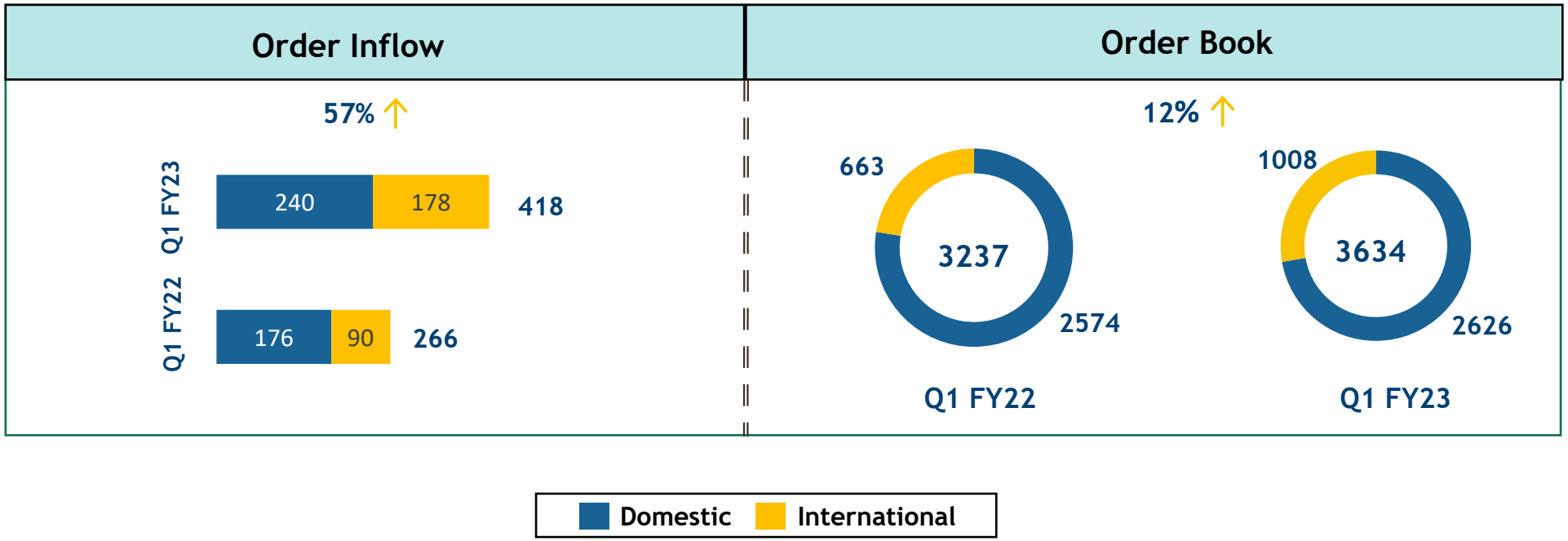
02 Group Performance



Onshore project in Algeria

Q1 FY23 Order Inflow/Order Book

(Amount in Rs. bn)



- Q1 Order Inflows from Infrastructure, Hydrocarbon & Defence; increased share of international orders
- Pick up in Domestic award finalisation
- Healthy prospects pipeline
- Higher composition of international orders in the order book

Group Performance - Sales & Costs

Rs. Billion	Q1 FY22	Q1 FY23	% Var
Revenue	**293.4**	**358.5**	**22%**
International Rev.	*38%*	*37%*	
MCO Exp.*	154.8	195.2	**26%**
Fin. Charge Opex**	15.7	14.6	**-7%**
Staff Costs	68.7	85.6	**25%**
Sales & Admin.	22.5	23.6	**5%**
Total Opex	261.6	**319.0**	**22%**
EBITDA	**31.7**	**39.6**	**25%**
EBITDA %	**10.8%**	**11.0%**	

Remarks

- Infrastructure and IT&TS businesses drive revenue growth
- MCO expense variation is reflective of activity levels, revenue mix and input costs
- Reduction in Finance Charge Opex is a function of lower average liabilities & reduced borrowing cost in FS business
- Resource augmentation across service businesses drives staff cost
- SG&A reflective of normalized operations partly offset by lower credit costs
- Improved Services portfolio performance drives EBITDA margin

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

Group Performance – Profit Parameters

Rs. Billion	Q1 FY22	Q1 FY23	% Var
EBITDA	**31.7**	**39.6**	**25%**
Fin. Cost	(8.3)	(7.6)	**-9%**
Depreciation	(7.2)	(9.6)	**34%**
Other Income	6.5	7.0	**7%**
Tax Expense	(7.2)	(6.4)	**-11%**
JV/S&A PAT Share	(0.3)	(0.7)	**>100%**
Non-controlling Int.	(3.6)	(5.3)	**47%**
Operational PAT	**11.7**	**17.0**	**45%**
Exceptionals	-	-	
Reported PAT	**11.7**	**17.0**	**45%**

Remarks

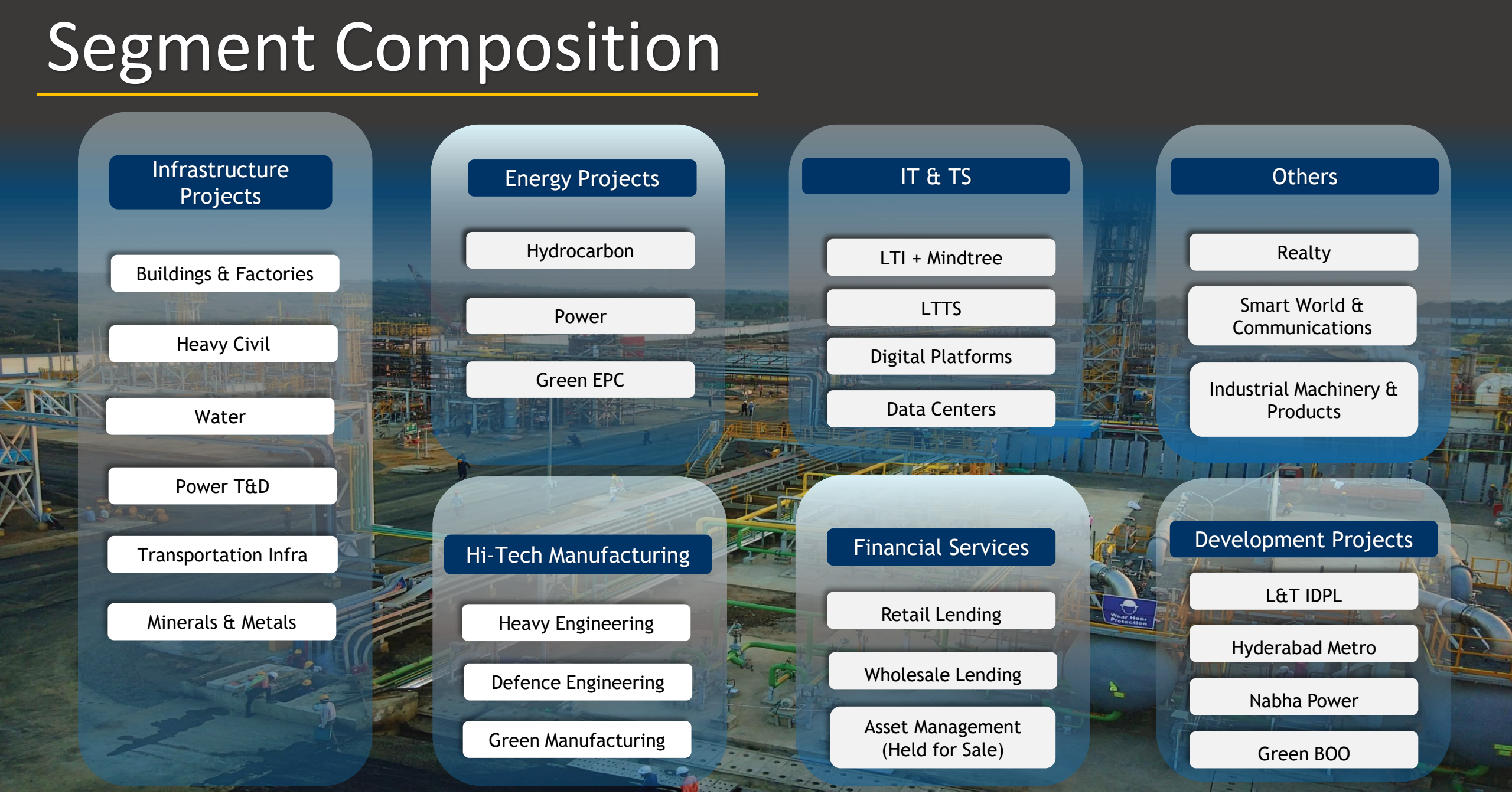
- Finance cost commensurate with level of borrowing at parent, Metro refinancing aids improvement
- Other income reflective of level of treasury investments & yields during the quarter
- Share of JV / Associate PAT primarily comprises results of L&T IDPL and Power JVs
- NCI variation largely due to improved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

03 Segment Performance Analysis



Nuapada Water Supply Project, Odisha

Segment Composition



Infrastructure Projects

- Buildings & Factories
- Heavy Civil
- Water
- Power T&D
- Transportation Infra
- Minerals & Metals

Energy Projects

- Hydrocarbon
- Power
- Green EPC

IT & TS

- LTI + Mindtree
- LTTS
- Digital Platforms
- Data Centers

Others

- Realty
- Smart World & Communications
- Industrial Machinery & Products

Hi-Tech Manufacturing

- Heavy Engineering
- Defence Engineering
- Green Manufacturing

Financial Services

- Retail Lending
- Wholesale Lending
- Asset Management (Held for Sale)

Development Projects

- L&T IDPL
- Hyderabad Metro
- Nabha Power
- Green BOO

Order Inflow Composition - Q1 FY23

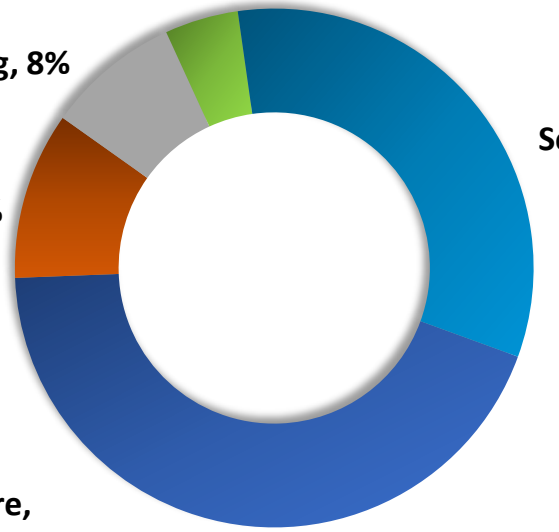
Segment

HE	1.6%
Defence	6.7%

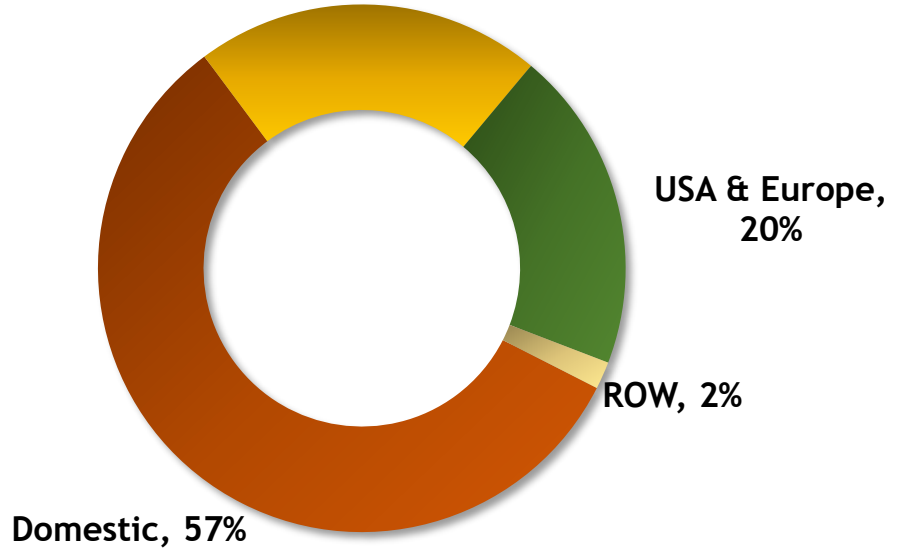
Hi-Tech Manufacturing, 8%

Hydrocarbon	10.0%
Power	0.4%

Energy, 10%



Geography

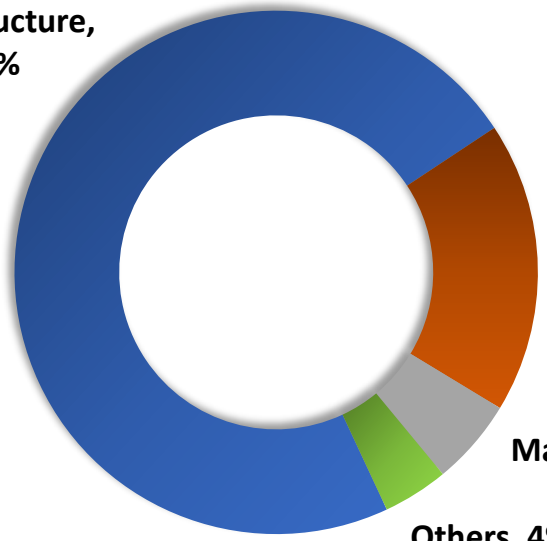


Order Inflow Rs. 418 Bn

EPC Projects | Hi-Tech Manufacturing | Services

Order Book Composition as on 30-Jun-22

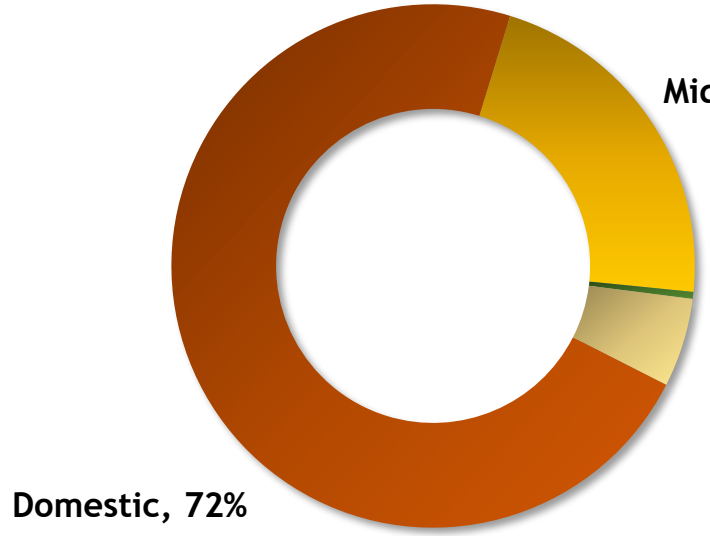
Segment



Hydrocarbon	15.8%
Power	2.2%

HE	1.3%
Defence	4.0%

Geography

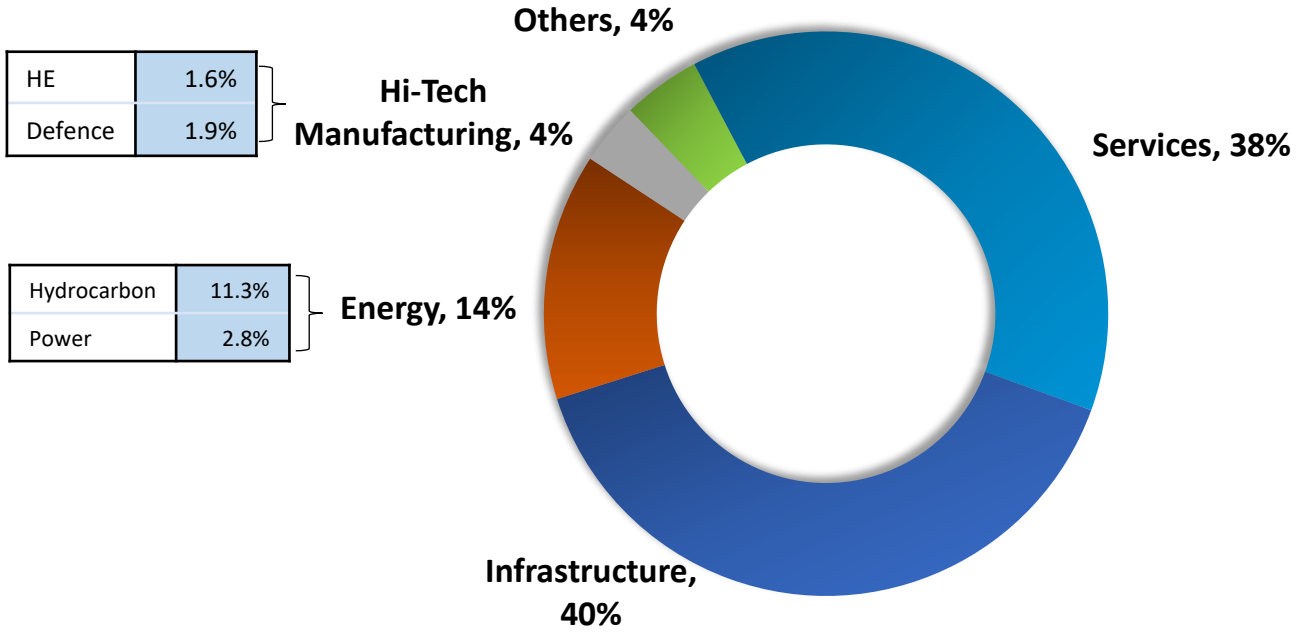


Order Book Rs. 3634 Bn

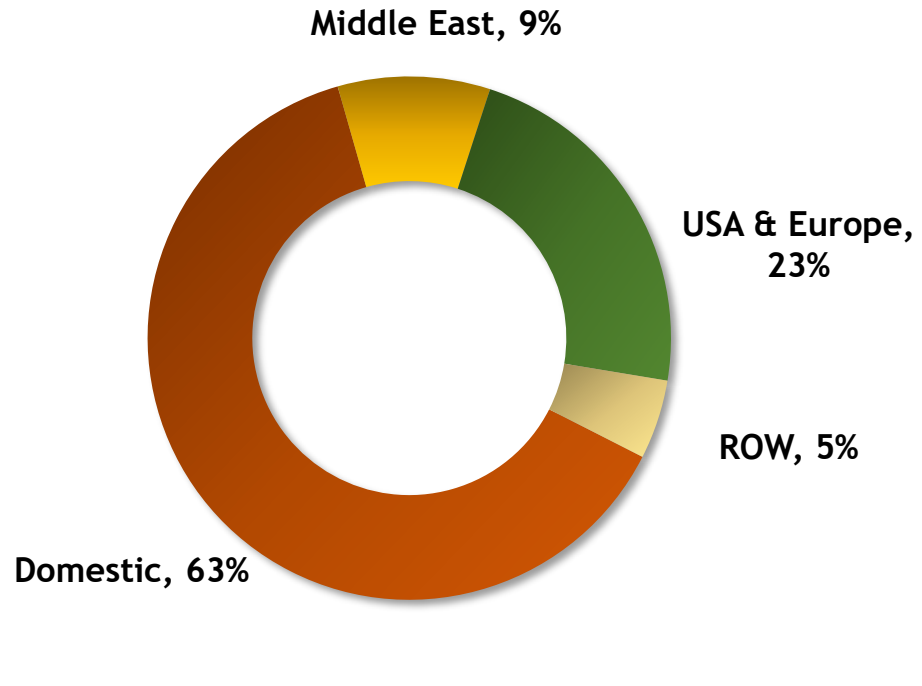
EPC Projects | Hi-Tech Manufacturing | Services

Revenue Composition - Q1 FY23

Segment



Geography

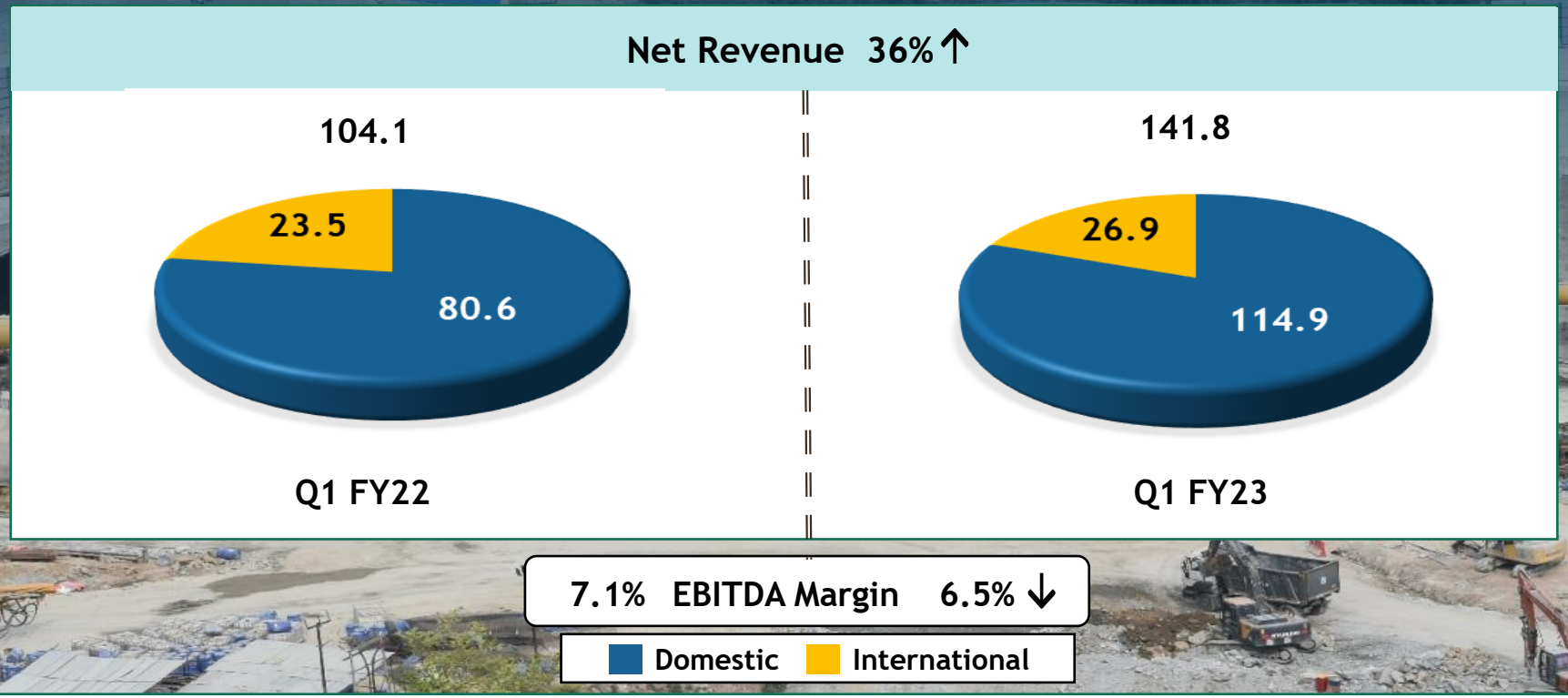


Revenue Rs. 359 Bn

EPC Projects | Hi-Tech Manufacturing | Services

Infrastructure Projects Segment

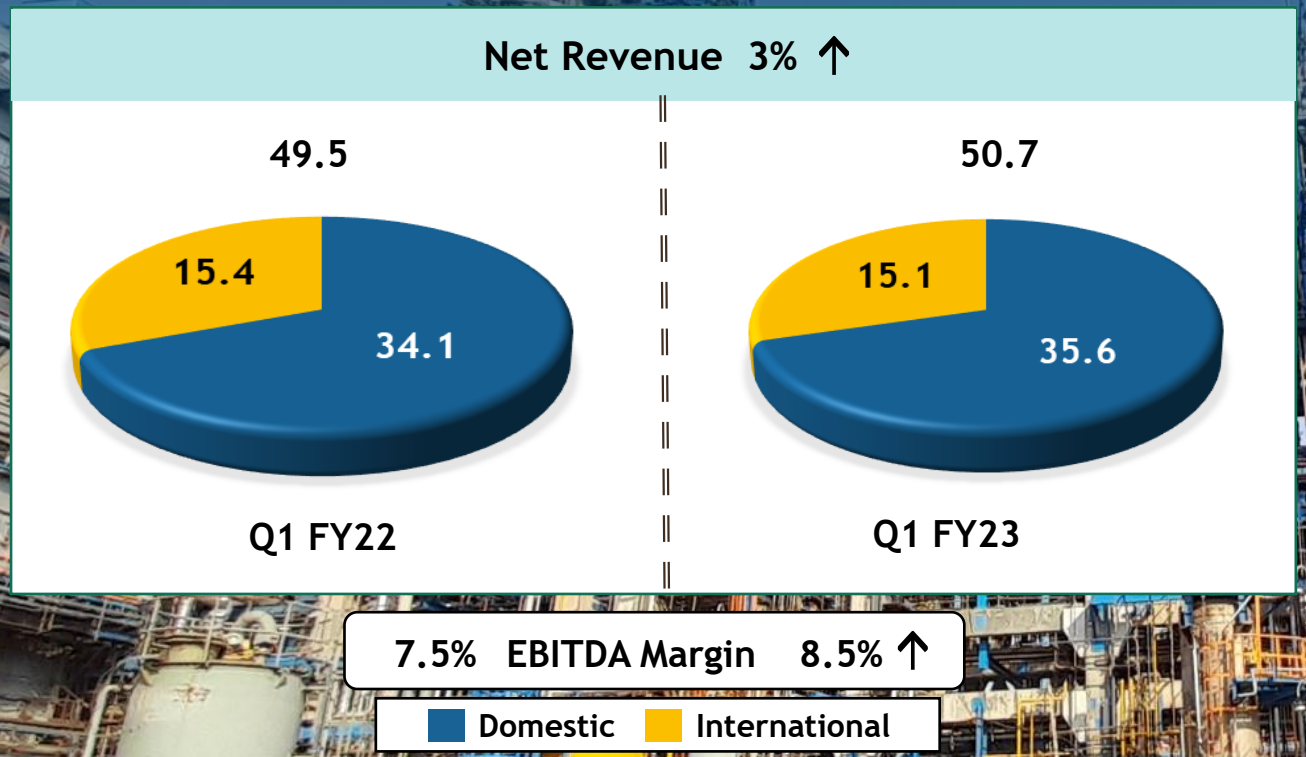
(Amount in Rs. bn)



- Order inflows pick up in Q1, renewed traction in international orders
- Strong prospect pipeline
- Robust execution growth
- Input cost headwinds impact margin for the quarter

Energy Projects Segment

(Amount in Rs. bn)

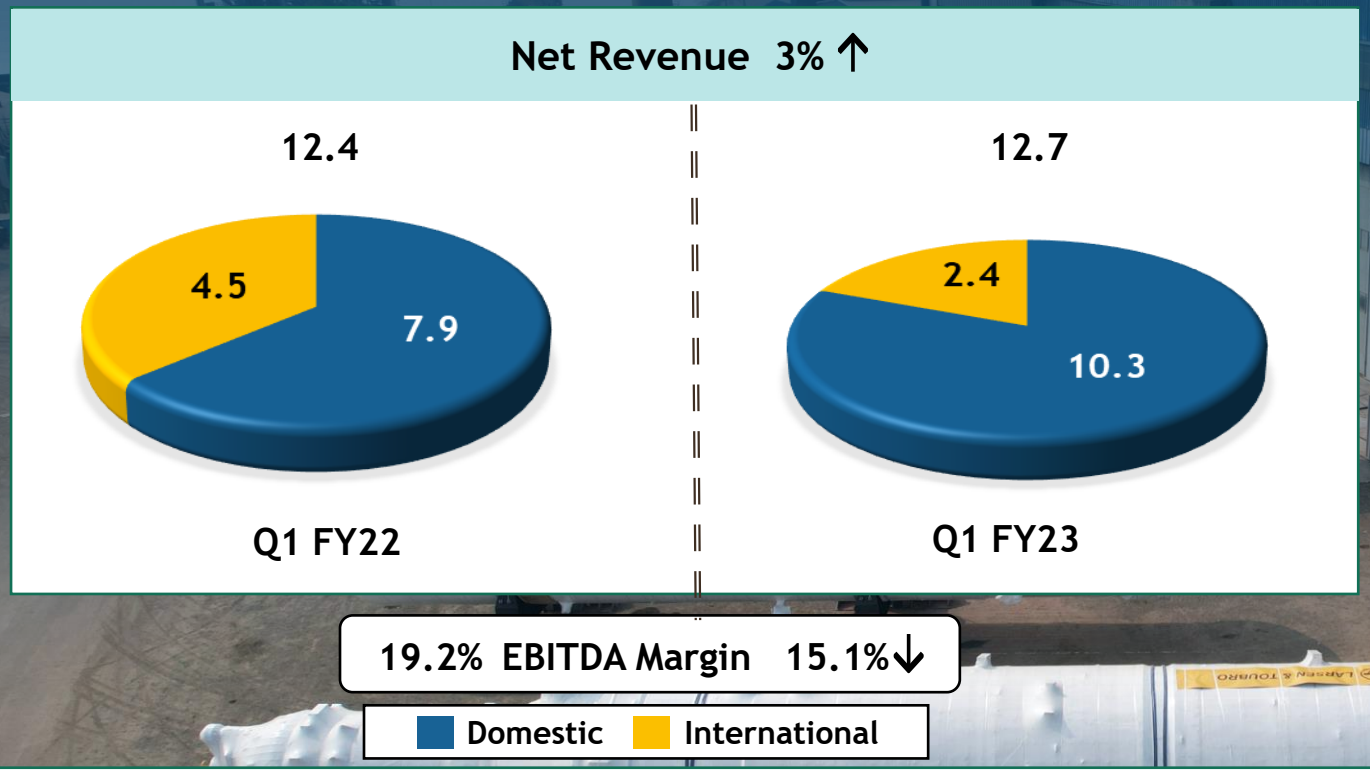


Rs. bn	Q1 FY22	Q1 FY23	% Var
Revenue	**49.5**	**50.7**	**3%**
Hydrocarbon	41.9	40.6	**(-3%)**
Power	7.6	10.1	**33%**
EBITDA			
Hydrocarbon	8.4%	10.0%	**160 bps**
Power	2.5%	3.3%	**80 bps**

- Receipt of a large order in Hydrocarbon buoys Order Book. Subdued ordering environment continues in thermal business
- Opening Order Book drives healthy execution in Power whereas Hydrocarbon revenues were impacted due to client delays and supply chain issues
- Execution cost savings aids Hydrocarbon margin; cost contingency release buoys Power margin

Hi-Tech Manufacturing Segment

(Amount in Rs. bn)



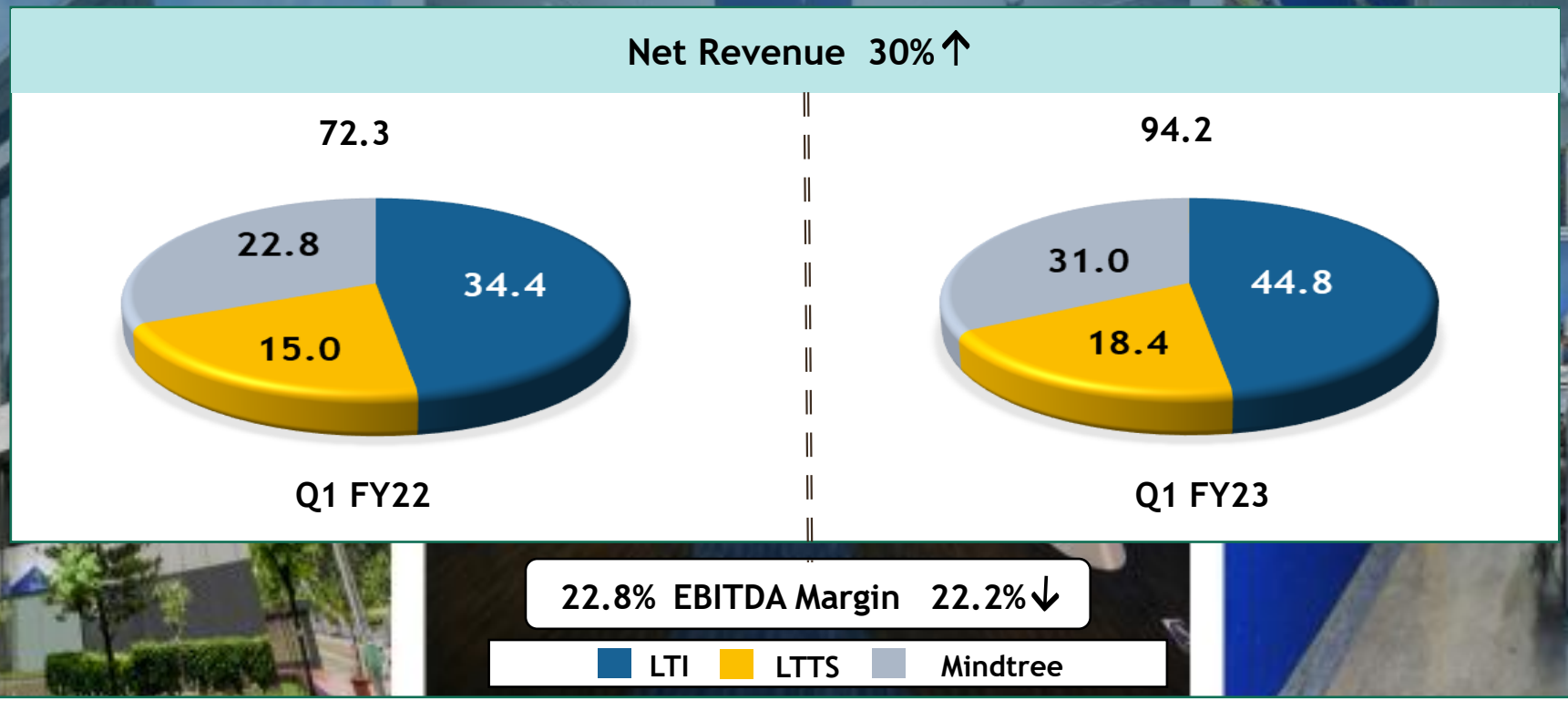
Rs. bn	Q1 FY22	Q1 FY23	% Var
Revenue	**12.4**	**12.7**	**3%**
Heavy Engineering	5.5	5.9	**8%**
Defence Engineering	6.9	6.8	**(1%)**
EBITDA			
Heavy Engineering	17.9%	13.7%	**(430 bps)**
Defence Engineering	20.3%	16.4%	**(390 bps)**

- Broad based pickup in order inflows across Defence & Heavy Engineering businesses
- Improved execution drives Heavy Engineering revenue whereas tapering of certain Shipbuilding jobs impacts Defence execution
- PY margin was higher due to release of cost provisions on completion of a key project and recognition of customer claims

The Defence Engineering 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

IT & Technology Services Segment

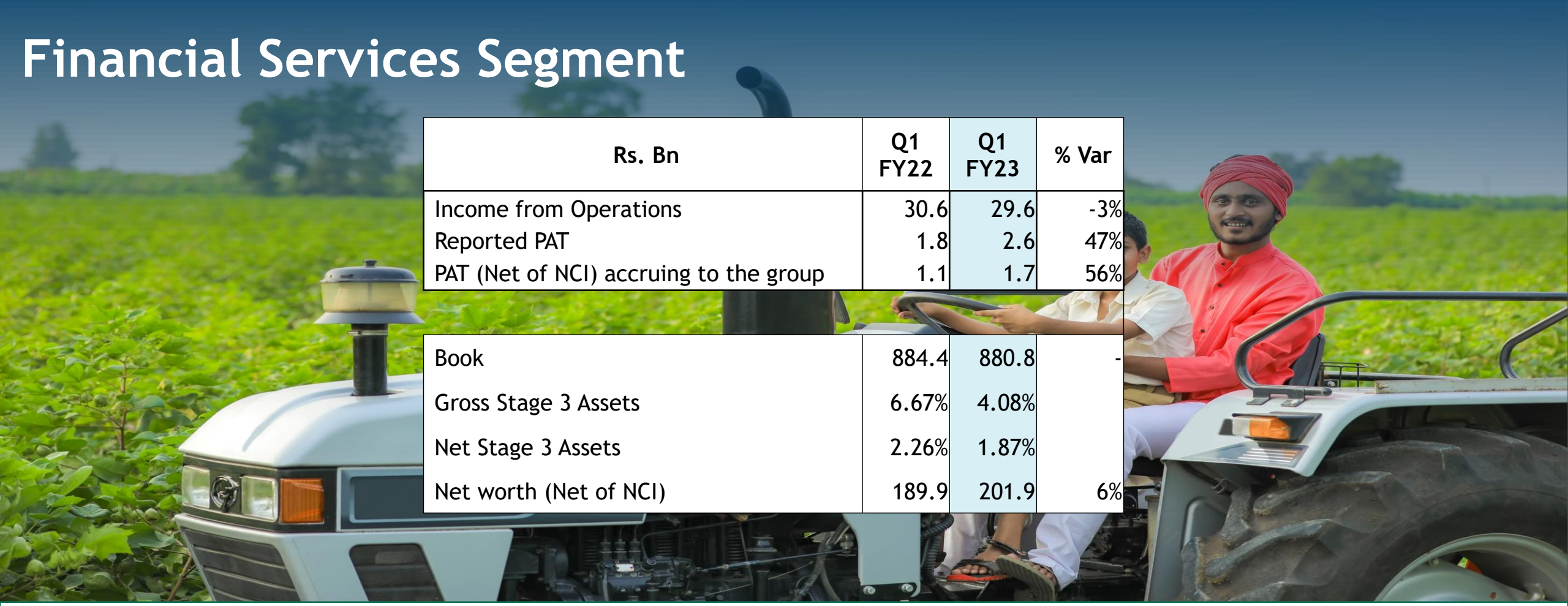
(Amount in Rs. bn)



- LTI revenue growth led by BFS
- LTTS revenue growth led by Transportation & Plant Engineering
- Mindtree revenue growth led by Healthcare and Travel, Transportation & Hospitality
- Margin is a function of wage cost offset by operational efficiencies

Revenues and margin of Digital Platforms & Data Centers are not significant as they have been launched recently

Financial Services Segment

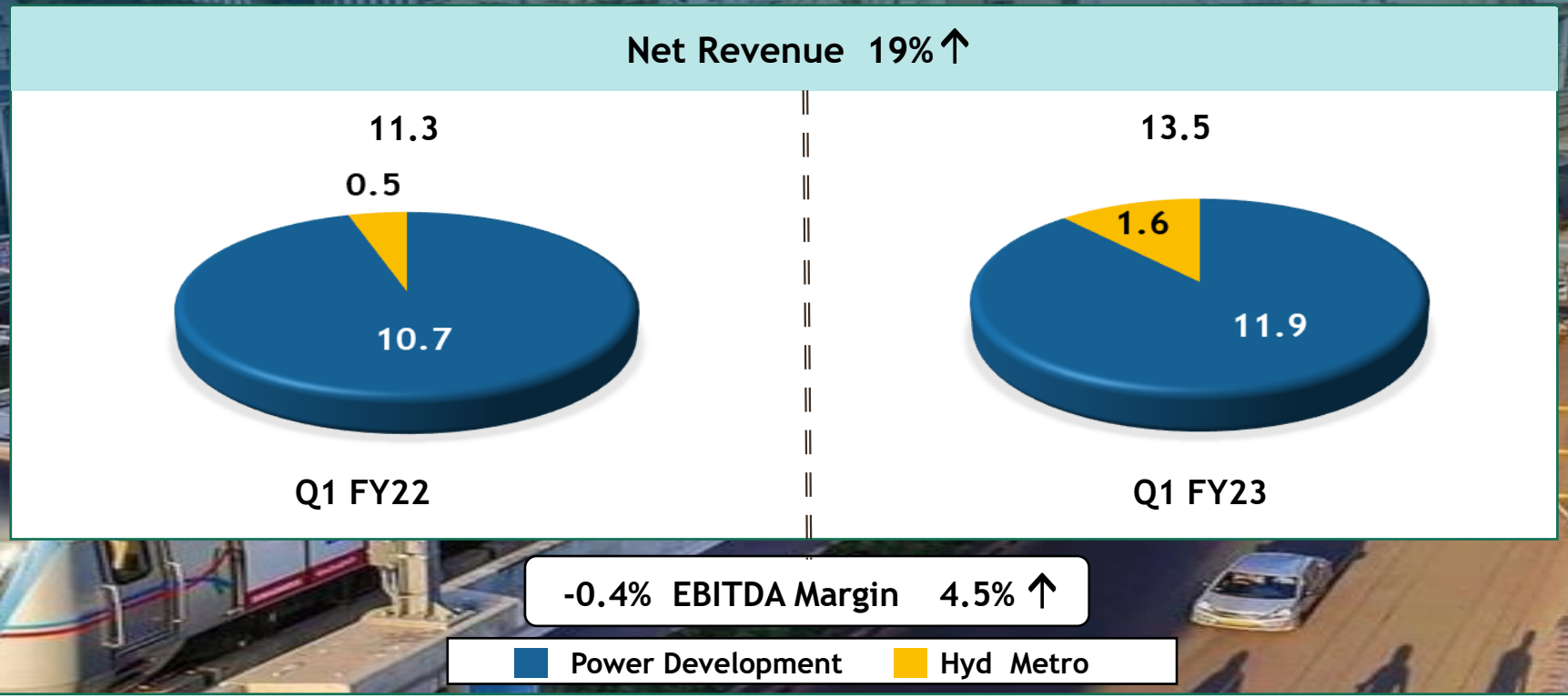


Rs. Bn	Q1 FY22	Q1 FY23	% Var
Income from Operations	30.6	29.6	-3%
Reported PAT	1.8	2.6	47%
PAT (Net of NCI) accruing to the group	1.1	1.7	56%
Book	884.4	880.8	-
Gross Stage 3 Assets	6.67%	4.08%	
Net Stage 3 Assets	2.26%	1.87%	
Net worth (Net of NCI)	189.9	201.9	6%

- Thrust towards “Retaili-sation”; share of Retail at 54% in Q1
- Strategic deliverables revolve around portfolio reorganization, strong asset quality & improvement in ROA
- To be a top class ‘digitally enabled’ retail finance company moving from ‘product-focused’ to ‘customer-focused’ approach
- Sufficient growth capital available

Development Projects Segment

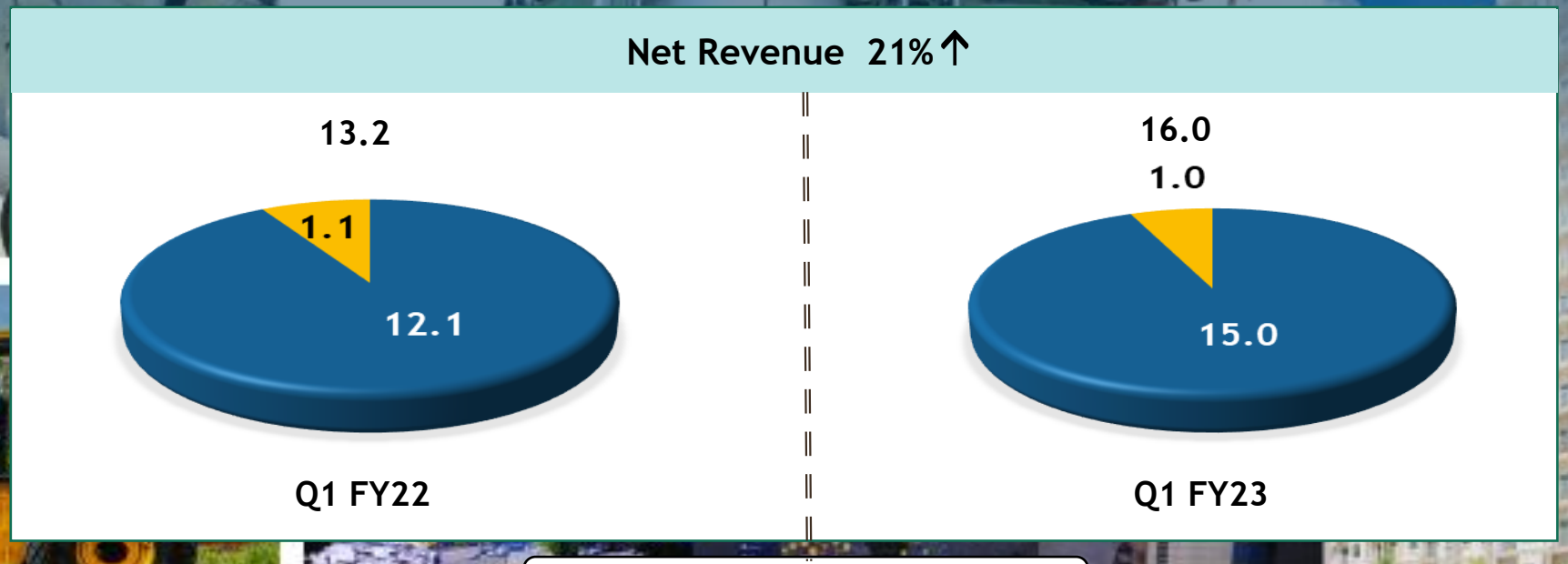
(Amount in Rs. bn)



- Segment includes Hyderabad Metro, Nabha Power & Hydel (up to the date of its divestment i.e. 30th August 2021)
- Improved ridership in Metro & higher PLF in Nabha drive revenue growth
- Segment margin contributed by Metro operations; Nabha profits not being consolidated from Q3 FY21
- L&T IDPL is consolidated at PAT level under the Equity method

Others Segment

(Amount in Rs. bn)

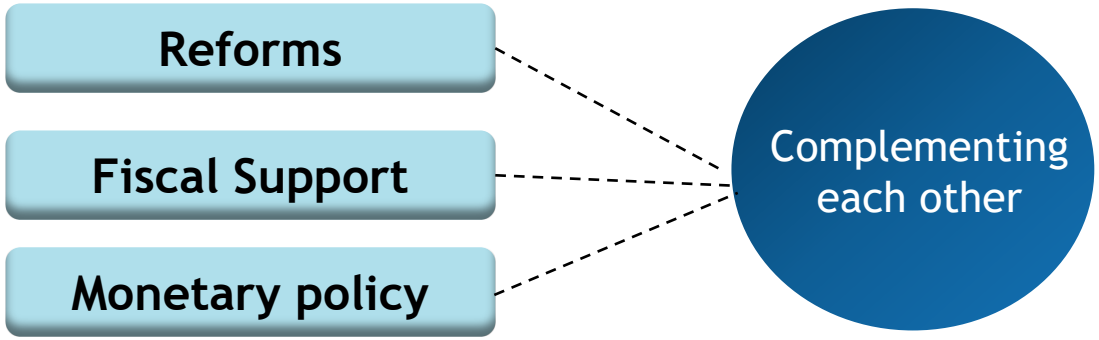


- Segment comprises Realty, Industrial Machinery & Products and Smart World & Communications
- Strong Q1 revenue growth in Realty and Industrial Machinery
- Segment margin improvement led by Realty business

India - An oasis of stability amidst global macroeconomic volatility



Visible Green Shoots



Risks:

- Disproportionate rise in energy prices could derail growth
- Widening internal & external balances
- Supply chain constraints
- Talent management
- Lacklustre Private Capex



Thank You

Investor Relations:

P Ramakrishnan (P.Ramakrishnan@larsentoubro.com)
Harish Barai (Harish.Barai@larsentoubro.com)
Shalmali Dange (Shalmali.Dange@larsentoubro.com)

Balance Sheet

Rs Billion	Mar-22	Jun-22	Incr / (Decr)
Equity & Reserves	824	833	9
Non Controlling Interest	130	134	4
Borrowings - Financial Services	841	805	(36)
Development Projects	181	162	(19)
Others	213	236	23
Sources of Funds	**2188**	**2170**	**(18)**
Fixed Assets (incl ROU assets)	137	140	3
Intangible Assets & Investment Property	302	300	(3)
Loans towards Financing Activities	814	819	5
Finance lease receivable	65	64	(2)
Net Non-Current Assets	175	192	17
Current Investments, Cash & Cash Equivalents	487	422	(65)
Net Current Assets	199	226	27
Assets held for Sale (net)	8	8	0
Application of Funds	**2188**	**2170**	**(18)**
Gross Debt / Equity Ratio	1.29	1.24	
Net Debt / Equity Ratio	0.81	0.82	

Cash Flow

Rs Bn	Q1 FY22	Q1 FY23
Operating Profit	33.6	42.8
Changes in Working Capital [(Inc)/Dec]	(33.8)	(41.2)
Direct Taxes (Paid) / Refund [Net]	(6.9)	(10.7)
Net Cash from / (used in) Operations (A)	**(7.1)**	**(9.2)**
Net Investment in Fixed Assets (incl. Intangible & Investment Property)	(3.5)	(8.4)
Net (Purchase) / Sale of Long Term investments	(2.6)	(9.1)
Net (Purchase) / Sale of Current investments	17.7	28.4
Loans/Deposits made with JV/Associate Cos.	-	-
Interest & Dividend Received	3.1	3.7
Net Cash from /(used in) Invest. Act. (B)	**14.7**	**14.6**
Issue of Share Capital / NCI	0.1	0.1
Net Borrowings [Inc/(Dec)]	(61.6)	(21.2)
Loans towards financing activities (Net)	66.8	(9.0)
Interest & Dividend paid	(15.2)	(12.7)
Net Cash from / (used in) Financing Activities (C)	**(9.9)**	**(42.8)**
Net (Dec) / Inc in Cash & Bank (A+B+C)	**(2.3)**	**(37.3)**

Segment Margin – Q1 FY23

Segment (Rs Cr)	Q1 FY22			Q1 FY23		
	Net Revenue	EBITDA	EBITDA %	Net Revenue	EBITDA	EBITDA %
Infrastructure Segment	10409	736	7.1%	14181	919	6.5%
Energy Segment	4949	371	7.5%	5073	432	8.5%
Hi-Tech Manufacturing Segment	1237	238	19.2%	1272	192	15.1%
Other Segment	1320	225	17.1%	1599	275	17.2%
Total (Projects & Manufacturing)	**17915**	**1570**	**8.8%**	**22125**	**1818**	**8.2%**
IT, TS & Mindtree Segment	7232	1648	22.8%	9424	2091	22.2%
Financial Services Segment	3061	257	8.4%	2958	384	13.0%
Developmental Projects Segment	1126	(5)	-0.4%	1345	60	4.5%
Total (Services & Concessions)	**11420**	**1900**	**16.6%**	**13728**	**2535**	**18.5%**
Total	**29335**	**3470**	**11.8%**	**35853**	**4353**	**12.1%**

	EBITDA to PAT (Q1 FY23)					
Particulars	**IT&TS**	**Financial Services**	**Dev. Projects**	**Projects & Manufacturing***	**Corporate**	**Total**
EBITDA	2091	384	60	1818	298	4651
Depreciation	(316)	(28)	(81)	(351)	(187)	(963)
Segment Result	1775	356	(21)	1468	111	3688
Finance Cost & Tax Expense	(495)	(97)	(302)	(68)	(433)	(1395)
Non-controlling interest	(397)	(87)	-	2	(45)	(526)
Share in profit/(loss) of JV and associate			(20)	(44)		(65)
PAT	**883**	**172**	**(344)**	**1357**	**(367)**	**1702**

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

Share in Profit/(Loss) of JVs/Associates

Rs Bn	Q1 FY22	Q1 FY23
L&T Power JVs	0.29	(0.03)
L&T IDPL Group	(0.45)	(0.20)
Others	(0.09)	(0.41)
Total	**(0.25)**	**(0.65)**