



“Larsen & Toubro Limited
Q2 FY '24 Earnings Conference Call”
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– LARSEN & TOUBRO LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Larsen & Toubro Limited Q2 FY '24 Earnings Conference Call.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. P. Ramakrishnan, Head Investor Relations from Larsen & Toubro Limited. Thank you, and over to you, sir.

P. Ramakrishnan: The earnings presentation was uploaded on the stock exchange at our website -- and our website around 7:05 p.m. I hope you had a quick glance at the numbers. As per past practice, instead of going through the entire presentation, I will take you through the key highlights for the quarter in the next 30 minutes or so, post which we will take the question-and-answer.

Before I begin the overview, disclaimer, the presentation that we have uploaded on the stock exchange and in our website today, including the discussions that we will have in this call contains or may contain certain forward-looking statements concerning our Group's business prospects and profitability, which are subject to several risks and uncertainties and actual results could materially differ from those in such forward-looking statements.

In contrast to global trends, the Indian economy in Q2 FY '24 has continued to demonstrate resilience on the back of strong domestic demand. Investment activity has been buoyant, supported by continuing public capex. Strong growth was seen in steel consumption, cement production as well as in imports and production of capital goods. Capacity utilization in the manufacturing sector is also trending up, which augers well for country-level capital formation.

It is heartening to note that despite the hiccups in the monsoon in Q2, the agriculture sowing momentum has been sustained and reservoir levels are fairly adequate. Finally, the September CPI index at 5.02% has come back to the RBI's comfort level of below 6% after a gap of two months.

On the other hand, global economic growth is losing momentum and is slowing under the impact of tight financial conditions, protracted and enhanced geopolitical tensions and increasing geo-economic fragmentation. The recent conflict in the Middle East has raised concerns about potential increases in crude prices because the region, as you may know, is not only a critical supplier of energy, but a key shipping passageway as well. To summarize the macro backdrop in a simple sentence, I would say that it's continuing India's resilience amidst global turbulence.

Before I get into details of the financial performance parameters, I would like to share a few important highlights for the quarter.

- Our Group has reported the highest ever order inflow in Q2 FY24, led by capex tailwinds in the Projects & Manufacturing segment across its primary geographies of India and GCC. The Hydrocarbon business has secured to win ultra-mega orders in the Middle East this

quarter. Our company now tops the list of international EPC contractors working in the MENA region in terms of value of projects under execution.

- Secondly, we are proud to be part of ISRO's moon mission, the Chandrayaan-3. L&T played a crucial role in the mission of manufacturing S200 booster motor casing and umbilical systems that included ground plates and flight plates. Further, we also helped in the system integration of the launch vehicle from the Sriharikota range.
- The Honourable Prime Minister of India, Shri. Narendra Modi inaugurated the India International Convention and Expo Center also known as YashoBhoomi at Dwarka, New Delhi on 17th of September, and this particular convention center was constructed by Larsen & Toubro.
- The Honourable Chief Minister of Madhya Pradesh, Shri Shivraj Chouhan, inaugurated the 108-feet tall statute of Shri Adi Shankaracharya known as the statute of Oneness at Omkareshwar in Madhya Pradesh on 21st of September, again constructed by L&T in a duration of 15 months.
- Coming to IT and Technology Services business, the voluntary attrition, both our listed subsidiaries, LTIMindtree and LTTS has reduced, both on sequential as well as Y-on-Y basis.
- Our financial services business has achieved the highest ever quarterly retail disbursements of Rs 13,499 crores, and the retail portfolio is currently at 88% of the overall book of the company.
- In Hyderabad Metro, the daily ridership touched an all-time high of 5.47 lakh passengers on September '23. Further, the monetization of the Raidurg commercial property was concluded during the quarter. The sale consideration for this transaction was around Rs 1,045 crores and a gain of Rs 512 crores has been booked in the Q2 of this financial year.
- Our thermal power plant at Nabha recorded the highest-ever PLF of 97.6% in the month of August '23. The previous high being 96.2% in May '22.
- In the Realty business, there was a complete sell-out of around 500 apartments in Phase 1 of the Avinya Enclave in Manapakkam, Chennai, our first residential launch in the city of Chennai.
- Finally, the company successfully completed the first ever buyback of 3,12,50,000 equity shares at a price of Rs 3,200 per share through the tender offer route with a total cash outflow of Rs 12,280 crores, which includes the tax on buyback and buyback related expenses, thereby resulting in extinguishment of around 2.2% of the equity share capital of the company.

I will now cover the various financial performance parameters for Q2 FY '24. Q2 FY '24 was a quarter of robust performance across the various financial parameters. Our group order inflows, revenues and PAT is up 72%, 19% and 45%, respectively, over the corresponding quarter of the previous year. Our Group net working capital to revenue is at 16.7% in Q2 FY '24, thereby registering a sequential improvement of 30 basis points and 310 basis points on a Y-on-Y basis.

Moving on to the individual performance parameters. Our Group order inflows for Q2 FY '24 at Rs 892 billion, registered a Y-on-Y growth of 72%. Within that, our Projects & Manufacturing business portfolio secured order inflows of Rs 730 billion for Q2, whereby growing by 97% over

the corresponding period of the previous year. Our Q2 order inflows in the Projects & Manufacturing portfolio are mainly from Infrastructure and Hydrocarbon segments.

During the current quarter, our share of international orders in the Projects & Manufacturing portfolio is at 68% vis-à-vis 21% in Q2 of last year. The share of private orders within the domestic Projects & Manufacturing orders is at 36% for Q2 current year vis-à-vis 29% in the corresponding quarter of the previous year. During this quarter, orders were received across diverse segments like the onshore vertical of Hydrocarbons business, urban transit systems, transmission and distribution as well as residential and commercial space.

Now moving on to prospects pipeline. As of 30th September '23, we have an aggregate prospect pipeline of Rs 8.8 trillion for the near term vis-à-vis Rs 6.32 trillion at the same time last year. This represents an increase of 39% on a Y-on-Y basis. The increase is largely due to the sharp improvement in the Hydrocarbon prospect's pipeline.

The broad breakup of the overall prospect's pipeline at the end of Q2 '24 is as follows.

- Infrastructure – Rs 5.06 trillion vis-à-vis Rs 4.54 trillion last year
- Hydrocarbon – Rs 2.9 trillion vis-à-vis Rs 1.13 trillion as of September '22
- Power is at Rs 0.5 trillion vis-à-vis Rs 0.38 trillion as of September '22
- Heavy Engineering, Defence, Green Energy EPC, all of them aggregate to around Rs 0.26 trillion, which is largely unchanged from that of last year.

Moving on to order book. Our order book is at Rs 4.5 trillion as on September '23, which is up 22% vis-à-vis September '22 last year. As our Projects & Manufacturing business is largely India centric, 65% of our order book is domestic and 35% is international. Now of the international order book of Rs 1.59 trillion around 90% is coming from Middle East and 2% from Africa and the remaining 7% or 8% from various countries, including Southeast Asia. It is evident that the GCC capex for both Infrastructure and Hydrocarbon is on an upswing looking at the actual order inflows and order prospects as of September '23.

Coming to the breakdown of the domestic order book of Rs 2.91 trillion, which I said is 65% of the overall order book. That combination is as follows:

- Central government - 13%
- State Government - 30%
- PSU or State-Owned Enterprises - 37%
- Private Sector - 20%

Approximately 20% of our total order book of Rs 4.5 trillion is funded by bilateral and multilateral funding agencies.

Again, 92% of our total order book is comprising from Infrastructure and Energy. You may refer to the presentation slides for further details. During this quarter, that is Q2 FY24, we have deleted orders of Rs 11 billion from the order book. As of September '23, our slow-moving orders is well below 1% of the total order book of Rs 4.5 trillion.

Now coming to revenues. Our Group revenues for Q2 FY24 at Rs 510 billion registered a Y-on-Y growth of 19%. International revenues constituted 43% of the revenues during the quarter.

The strong execution momentum in the Projects & Manufacturing portfolio drove the overall group revenues for the quarter. In the Projects & Manufacturing business, our revenues for Q2 FY'24 was at Rs 349 billion that registered a Y-on-Y growth of 25%. Moving on to EBITDA margin. Our group level EBITDA margin without other income for Q2 FY '24 is 11%, a drop of 40 basis points over Q2 of the previous year. This drop of 40 basis points is mainly due to job mix and cost pressures in the legacy EPC jobs under Projects & Manufacturing portfolio. The detailed breakup of the EBITDA margin business wise is also given in the annexures to the earnings presentation. The EBITDA margin in the Projects & Manufacturing business for Q2 FY '24 is at 7.4% vis-a-vis 8.2% in Q2 FY '23. I will cover the details a little later when I talk about the performance of each of the segments. Our reported PAT for Q2 FY '24 at Rs 32 billion is up 45% over Q2 of last year. This robust PAT growth is delivered on the back of substantially higher activity levels in the Projects & Manufacturing business and the financial services sector, improved treasury operations and further aided by the TOD monetization in Hyderabad Metro. The Group performance, P&L construct along with the reasons for major variances under the respective functions is provided in the earnings presentation. Kindly go through the same for further details.

Coming to working capital. Our NWC to sales ratio has improved from 19.8% in September '22 to 16.7% in September '23, an improvement of 310 basis points. For reference, our NWC sales ratio was 16.1% and 17% in March 23 and June 23, respectively. The Group level collections, excluding that of the Financial Services segment for Q2 FY '24 is Rs 462 billion vis-a-vis Rs 386 billion in Q2 FY '23, representing an increase of 20% on a Y-on-Y basis. Improvement in Gross Working Capital ratio on the back of improved customer collections is flowing into the overall improvement in the NWC to sales ratio.

Finally, the trailing 12-month ROE for Q2 FY '24 is 15.3% vis-à-vis 12.1% in Q2 FY '23, an improvement of 320 basis points. Improved profitability with every passing quarter, along with return of capital to shareholders in the form of buyback is contributing to this improvement. As stated in the past, the focus of the group during this Strat Plan period ending FY '26 is on profitable growth in the P&M and Services portfolio, emphasis on cash generation, divestment of non-core assets, normal capex and investment in existing and newer businesses and returning surplus cash to shareholders at regular intervals in order to create value over time.

Very briefly, I will now comment on the performance of each business segment before we give our final comments on our outlook for the medium term. I start with Infrastructure. On order inflows, this segment secured orders of Rs 280 billion for Q2 FY '24 vis-à-vis Rs 251 billion in Q2 FY '23, registering a growth of 12%. During the current quarter, the orders were largely received in urban transit systems, transmission and distribution as well as residential and commercial spaces. Our order prospects pipeline in Infra is around Rs 5.06 trillion vis-à-vis Rs 4.54 trillion during the same time last year, representing an increase of 11%. The Infra prospect pipeline of Rs 5.06 trillion comprises of domestic prospects of Rs 3.81 trillion and international prospects of Rs 1.24 trillion. The sub-segment breakup of the total order prospects in this

segment comprises as follows: Transportation Infra having a share of 26%, Water and Affluent Treatment at 20%; Buildings and Factories 18%; Heavy Civil Infrastructure 13%; Power Transmission and Distribution 13% and Minerals and Metals at 10%. The order book for this segment is at Rs 3.05 trillion as of September '23, and the book bill for this particular segment is around 2.5 years. Q2 revenues at Rs 246 billion registered a strong growth of 27% over the comparable quarter of the previous year, largely aided by the strong execution momentum or progress across multiple jobs from the opening order book. Our EBITDA margin in this segment for Q2 FY '24 at 5.4% vis-à-vis 6.6% in the corresponding quarter of the previous year. Margin for the quarter is a function of job mix and legacy COVID jobs nearing completion in the current year. We expect these legacy jobs to conclude by the end of this financial year. If you recall, we had at the time of declaring our Q1 numbers indicated earlier that the margin recovery in this segment will be visible somewhat in Q3 and largely from Q4 onwards. Having said that, I would also like to mention here that we have not lost hope on any customer claims, which are being rigorously pursued under the terms of the respective contracts, the settlements could be happening over time. Although Infra margin has been subdued due to the impact of legacy jobs and commodity prices over the last couple of years, it is good to note that the working capital intensity in this particular space has substantially improved during the same period, resulting in stable return ratios for the segment over a period of time.

Moving on to the next segment, which is Energy. This comprises Hydrocarbons and Power. The receipt of two ultra mega international orders in the onshore vertical of this business helped order book, whereas the Power business benefits from the receipt of a Flue Gas Desulfurization order. We have a strong order prospect pipeline of Rs 3.46 trillion for the Energy segment that comprising of Hydrocarbon prospects of Rs 2.91 trillion and Power prospects of Rs 0.55 trillion. The order book for this segment is at Rs 1.06 trillion as of September '23, with Hydrocarbon order book at Rs 1.01 trillion, and the Power segment at Rs 52 billion. The Q2 FY '24 revenues of Energy segment at Rs 67.9 billion registered a healthy growth of 22%, mainly driven by the pickup execution momentum in the international projects of the Hydrocarbon business, whereas lower revenues in Power business is reflective of a depleting order book. The Energy segment margin in Q2 FY '24 is at 9.5% vis-à-vis 8.5% in Q2 FY '23. Hydrocarbon margin in Q2 is in line with the previous year, whereas a particular job crossing the margin recognition threshold enabled EBITDA improvement in Power segment.

We will now move on to Hi-Tech manufacturing segment that comprises the Defense and Heavy Engineering business. The Defense business benefits from the receipt of a key order, whereas deferrals impacted order inflows in Heavy Engineering. Our order prospects pipeline for the Hi-Tech manufacturing segment is around Rs 231 billion. The order book for this segment is at Rs 259 billion as of September '23. A healthy execution momentum across both the businesses drives a 30% revenue growth in Q2 FY '24, whereas the margin deacceleration of 360 basis points over the corresponding quarter of the previous year is largely reflective of the execution phase of jobs in the portfolio. Since we are on this segment, let me once again repeat what we have always mentioned in the past that the Defence Engineering business does not manufacture any explosives nor ammunition of any kind, including cluster ammunitions or anti-personnel

land mines or nuclear weapons or components for such ammunitions. The business also does not customize any delivery systems for such ammunitions.

Moving on to the next segment, IT&TS that comprises two listed subsidiaries, LTIMindtree and LTTS. The revenues of this segment at Rs 111 billion in Q2 FY '24 registered a modest growth of 7%, largely in line with the subdued global macro conditions impacting IT spends. Despite ongoing macroeconomic concerns, the deal pipeline for this segment is healthy with good visibility across the various subsegments. The negative variance in EBITDA margin in Q2 FY '24 vis-à-vis the corresponding period of the previous year is largely attributed to increased talent acquisition retention costs partly offset by improved operational efficiency. I will not dwell too much on this segment as both the companies in the segment are listed companies and the detailed fact sheets of their performance already available in the public domain.

Next, we move on to Financial Services segment. Here again, L&T Finance Holdings is listed, and the detailed results are available in the public domain. Q2 of the current year revolved around strong retail disbursements, which was the highest ever in a quarter, lower credit costs, better asset quality and phasing down or a rundown on the wholesale book. The Balance Sheet is strong on the back of adequate Provision Coverage Ratio and have in-built macro prudential buffers as well. Financial Services achieved 88% Retailisation of its loan book in September 23, well ahead of the Lakshya '26 targets. The Retail book growth, asset quality and the return on assets are highly satisfactory. The business is building itself on the five pillars of growth, namely enhancing customer acquisition, sharpening credit underwriting, implementing futuristic digital architecture, higher brand visibility and capability building. And finally, sufficient capital in the balance sheet is available to pursue growth in the medium term. In a way, the stage is set for L&T Finance Holdings to truly achieve FinTech at scale.

Moving on to the Development Projects segment. This business includes Power Development (Nabha Power) and Hyderabad Metro. Let me once again mention here that the profit consolidation of L&T IDPL, that is the L&T Infrastructure Development Projects at PAT level has been discontinued from Q4 of the previous year post signing of definite agreement for sale of our entire stake. The investment in the JV is now classified as “Held for Sale” in the Balance Sheet. The majority of revenues in the Development Projects segment is contributed by Nabha Power. The monetization of a commercial property and improved ridership helped the revenue growth in Hyderabad Metro, whereas Nabha revenue was partly impacted by lower power demand that happened mainly in July '23.

To give you some statistics on Hyderabad Metro, the average metro ridership has improved from 3.55 lakh passengers a day in Q2 FY '23 to 4.62 lakh passengers per day in Q2 FY '24. Our average ridership in Q1 of the current year was 4.22 lakh passengers per day. Sequentially also, the ridership has improved. As I mentioned earlier, the ridership per day touched a record of 5.47 lakh passengers a day on September 23, 2023. The higher segment margin in Q2 FY '24 is primarily due to improved metro ridership as well as the TOD monetization and also due to consolidation of Nabha profits. In Hyderabad Metro at a PAT level, we consolidated profit of Rs 2.4 billion in Q2 FY '24 vis-à-vis a loss of Rs 3.28 billion in Q2 of the previous year. For H1,

the total loss from the metro operations was Rs 95 crores vis-à-vis a loss of Rs 653 crores in H1 of the previous year.

Moving on to the last segment, the residual segment, which is “Others”. This segment comprises Realty, Industrial Valves, Construction Equipment and Mining Machinery, Rubber Processing Machinery and a small residual portion of the Smart World and Communications business. The Q2 revenue growth of 14% over the corresponding quarter of the previous year is mainly contributed by higher handover of residential flats in the Realty business. The margin improvement in this segment is, again, primarily contributed by better profitability in the Realty business.

Coming to the last part of my presentation, the outlook. India's economic growth continues to display encouraging resilience despite the continuing global chaos. Prudent fiscal and monetary policy management from the government and RBI respectively has resulted in the partial decoupling of India growth story with the rest of the world. Encouraging real GDP growth with a stable inflation as well as manageable internal and external balances can be expected in the near to medium term. The Indian economy is expected to grow by 6.5% in FY '24, primarily aided by sustained buoyancy in services, consumer and business optimism, higher government spending, healthy Balance Sheet of banks and corporates, upcoming festival demand and supply chain normalization. Besides spend in basic infrastructure, a higher government capex allocation in the green economy, including clean and renewable energy will provide the necessary impetus to investments in energy transition and larger infrastructure projects. Outside India, the headwinds from global economic slowdown and the declining global trade further complicated by the current geopolitical developments continue to pose event risks. Despite this, we remain optimistic around fresh project starts in oil and gas, core industrialization and energy transition prospects in the GCC region in the near term.

The company backed by its all round capabilities in engineering, manufacturing, construction, project management and services will continue to focus on operational excellence and cost competitiveness for profitable execution of its large order book. The company will pursue its stated objective of demonstrating profitable growth with judicious use of capital and improve shareholder value on a sustained basis.

I will now finally comment on our guidance for FY '24 before we take Q&A. On Order Inflows and Revenue, we are indeed off to a good start in H1 in the current year, both in terms of orders secured and the revenues achieved during this period. At the start of the year, we had guided a 10% to 12% order inflow growth and a 12% to 15% revenue growth for FY '24. The improved performance on both these parameters so far in H1 make us believe that we will possibly outperform our yearly guidance on both these parameters. It is difficult to pinpoint a specific range of growth possibility on order inflows, especially in a pre-election year, amplified by the continuing international geopolitical volatility. Therefore, we are keeping our order inflow guidance a little open-ended. Having said that, I would also like to mention here that we do remain constructive on order inflows for the year due to a substantial jump in the international prospects in the Projects portfolio for the near term. Since you are already sitting on a large order book, our execution should carry on at a healthy clip provided we are able to keep the working

capital intensity under check. Here, again, as you all know, this is a matter of discipline that we have never, in the past, pursued faster execution at the cost of compromising on the balance sheet. Therefore, our revenue guidance like order inflows is also a little open-ended -- obviously the stance is that most likely, we are going to outperform the guidance that we have provided at the start of this year on these two important parameters.

On margins, our progress on H1 margins in the Projects & Manufacturing portfolio has been along expected lines. However, it appears at this juncture that the multiple new jobs, which are in ramp-up stage may not cross the valuation threshold by the end of FY '24, leading to some sort of postponement of margin recognition in these jobs for the current year. Therefore, we expect margins in the Projects & Manufacturing portfolio in a range between 8.5% to 9% for the full year as against the initial guidance of 9%. Having said that, I would also like to mention that the slipup in margin, if any, in this portfolio is being made more than to volume growth and improved working capital intensity, thereby resulting in superior ROICs by the end of this year. Finally, we do believe that our margin trajectory in the Projects & Manufacturing portfolio should look up from the next financial year onwards. However, we will be guiding our investors post the close of the current financial year. On Working Capital, since we have been able to preserve our balance sheet gains well in H1 so far, our guidance of 16% to 18% band on NWC revenue for the year FY '24 remains unchanged.

Thank you, ladies and gentlemen, for the patient hearing. We will now begin the question-answer.

Moderator: Thank you. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: My first question is on the Order Inflow. So, I think in the particular quarter, I think we have announced two mega orders. One was on 10th of October, which was a mega and the other was Ultra-Mega today for Middle East. But in the Press Release today, it seems you have classified both the orders as ultra-mega. Is the understanding right? And are post the orders part of Q2 or only one has been included in this -- in the order inflow?

P. Ramakrishnan: So Mohit, both the orders, the one that was announced on 10th October and the one that was released today are all forming part of Q2 order inflow of the Energy segment. And both of them individually are Ultra-Mega, which means it is more than Rs 15,000 crores each.

Mohit Kumar: Understood. And my second question is the domestic order booking it seems like on the H1 is slow. Are you seeing some slowness in the closing of these tenders? And how do you think about H2 -- as we enter H2 in terms of closing the -- especially the domestic tenders?

P. Ramakrishnan: So I would like to state here that the prospects pipeline that we have, the domestic order prospects pipeline is quite robust in the infrastructure segment. And there are no such indications per se for us to say that whether the prospects pipeline is drying down. The only thing we have to be mindful of the fact that possibly Q4 could be a little subdued on tendering and ordering activity, assuming that we can have the general elections announcements happening around that time.

Mohit Kumar: My last question is that it seems that you've taken debt for buyback. Given that the large cash flow available on the balance sheet in standalone, what are the need to take a short-term debt?

P. Ramakrishnan: So Mohit, typically, we run a fair bit of very proactive debt raising and investment on treasury operations. So what you are seeing is something very optical and it is temporary. Incidentally, I wish to tell you that a major part of the debt is actually falling due in the next one year. So there has been some amount of refinancing that has happened. I would like to emphasize that this is a sort of a temporary situation. Hopefully, by March '24, this should improve back to the March '23 level as far as debt in the standalone is concerned.

Moderator: Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Congrats on our robust performance in Q2. My first question is on the net working capital ratio, which has improved on a year-on-year basis by 300-odd basis points plus to 16.7%. When I look at the reading in both Q2 and H1, in your cash flow slide, they are down year-on-year. So given that the operating profit, obviously, has grown in both these periods, could you qualitatively explain what has dialled down the operating cash flow?

P. Ramakrishnan: Okay. So Sumit, it is like this that when I communicated 16.7% in September '23 vis-à-vis 19.8% in September '22. I also would like to emphasize here that the Gross Working Capital as of September '22 was 65.9%, translating to a Net Working Capital of 19.8%. That Gross Working Capital as of September '23 has dropped to 57.1%.

So in effect, what we are trying to communicate here that our collections momentum across the Projects & Manufacturing portfolio, including other businesses as well, but largely aided by the Projects & Manufacturing portfolio has improved. So it's actually the Gross Working Capital reduction, which is getting more pronounced. But optically, when you talk about the Cash Flow Statement, it is more because of the volume growth.

Sumit Kishore: Okay. But the volume growth is there in the revenue, but the operating profit margin basically decline is leading to this impact overall in OCF is what you're trying to say?

P. Ramakrishnan: I would like to emphasize once more that the reduction in working capital to 16.7% in September '23 vis-à-vis 19.8% in September '22 is largely a result of lower or of sharper improvement in the Gross Working Capital. Having said this, the volume of growth that we have seen in the first six months is more than what is there in the six months of the previous year.

Sumit Kishore: Sure. That's very clear. The second question is on the order prospects that you are seeing in the Energy vertical, particularly overseas hydrocarbons, has there been some addition to that prospect pipeline after this mega win that you have seen, because you still seem to be at a very high level on a year-on-year basis.

P. Ramakrishnan: Yes. So as far as Hydrocarbons, the prospects pipeline that we gave in June '23 was almost about Rs 3.47 trillion. Now coming to September '23 for the near term, the prospects has come down to Rs 2.91 trillion after taking account whatever orders have been tendered and awarded during

the Q2, which actually means that there has been a new set of mega and ultra-mega order prospects into Hydrocarbon segment from International. And when I say international means, you can assume that it is Middle East.

Sumit Kishore: And this is mainly Saudi Arabia...

P. Ramakrishnan: At this juncture, I'm not in a position to give you the breakup of the country-wise prospects, Sumit, but let me tell you it is beyond Saudi as well. We have sizable prospects in Saudi and Qatar and to some extent, in UAE.

Sumit Kishore: Okay. Just one last clarification on the core business margin. You mentioned that there are certain customer claims that the company is reasonably confident to recover. Could you please quantify where you're reasonably confident of these claims? And over what time frame do you expect...

P. Ramakrishnan: Yes, Sumit, let me once again reiterate when we started the year, we had given a yearly guidance of 9% for the Projects and Manufacturing portfolio. And we have also clearly stated that this margin expansion of 40 basis points from 8.6% in FY23 to 9% did not factor any customer claims. Because last year, when we had given the guidance and closed at 8.6% for the full year, but the initial guidance for FY '23 did recon. But as you know, some of these claims that we are pursuing, the amounts and the collection or the settlement of that is a little uncertain. So it won't be appropriate for me to talk about the amount and also the crystallization of such things that could happen. If it happens, that would definitely lead us to the margin improvement. So we are now talking of only the cost pressures that we had articulated in the first six months relating to the legacy jobs that will be nearing execution. I think it is more or less in line. And hopefully, from Q3, Q4, we can see a margin expansion in the portfolio. And anything on customer claims that gets crystallized in that particular quarter, we could see a margin uptick in those time periods as and when they get crystallized and get paid.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: The first question is on Hyderabad Metro. Can you help us with certain bookkeeping details on interest, depreciation and the losses excluding for the profit excluding the gain from the sale of the TOD property? There would be some tax implication as well?

P. Ramakrishnan: No, no, Hyderabad Metro for the near term, Renu, will not have a tax implication given the fact that we have unabsorbed business losses, okay? So just to give....

Renu Baid: No tax implication even on the TOD asset monetization?

P. Ramakrishnan: Yes. So the TOD monetization is a part of business income for the company because the company's business model is a combination of metro operations and real estate operations. So it will not have a separate tax line item in the form of Capital Gains. It has been structured as slump sale and will attract the normal tax. And since we have the accumulated losses there is no tax incidence. So the Rs 512 crores PAT, which I referred to in my conversation, that is at a PBIT

level itself. Having said this, to the other questions, you can assume that at the current debt levels of around Rs 12,500 crores at Hyderabad Metro, the interest cost would be around Rs 300 crores per quarter and the depreciation of around Rs 80 crores per quarter. And you were talking about what our ridership that we are looking at? In fact, in September, the average ridership is slowly touching 5 lakh in October, sorry, 5 lakh on weekdays. It's more than 5 lakh on week days and possibly 100 thousand lower on the weekends or public holidays. So one can easily work out the traffic projections assuming Rs 36 per average ridership.

Renu Baid: Got it. Sure. And you were expecting some last tranche of certain payments to come from the government as subsidy. Has that come through now or you expect it in the second half of the year?

P. Ramakrishnan: Okay. So cumulative support in the form of soft loan from the Telangana government as of date is Rs 900 crores. As of September, it was Rs 750 crores. So we have received another Rs 150 crores in the month of October. So, the arrangement was they were to give around Rs 3,000 crore over a period of 2, 2.5 years. Hopefully, I think we should see the momentum of the support coming more frequently in the current year as is evident. Till March '23, we had got Rs 100 crores. In Q1 of the current year, we received Rs 150 crores. Q2, we received Rs 500 crores, and in October, we received another Rs 150 crores. So that aggregates to INR900 crores

Renu Baid: Got it. Secondly, on the guidance, I understand you have kept your inflow and revenue guidance open ended. While on the margins, you have reduced it by 50 basis points. So just keen to understand this incremental revenues, which you are expecting where the margin recognition threshold will not be reached, are factoring in the upper end of the numbers that you have mentioned or it is factoring in a higher growth within your open-end guidance?

P. Ramakrishnan: Okay. So let me tell you as far as order inflows are concerned, at the current clip if we are growing, of course, the H1 in terms of order inflows has been quite satisfactory. But we are mindful of the fact that although order prospects is almost Rs R8.8 trillion. Here again, you should be aware that there are events that pose against these kind of opportunities, either as pre-election year or pre-election period and any other event in the Middle East, which is another major source of order prospects for us. I think we have to be mindful of this. And secondly, Renu, a large part of the order prospects now are actually going into for L&T aggregate of both mega and ultra-mega kind of prospects. So that is something we have to be mindful about because the size of a large order, \$1 billion and above may have a slippage in terms of time. So hence, we are comfortable to give that we will be outperforming the order inflow. Coming to the revenue part, here again, the progress in H1 has been satisfactory, and we do expect the growth to happen beyond the targeted range of 12% to 15%.

So when I'm talking of outperforming on the revenue side, obviously, we are looking at to crossing the higher end of the band that we communicated at the start of the year. Maybe in terms of landing, where are we going to have in order inflow and possibly, I think we'll be in a better position to comment when we give our Q3 results in the month of January.

Renu Baid: So also the point I was trying to make is since you also mentioned that there will be operating leverage which will also kick in, offsetting the impact from legacy. So the only point I was trying to understand is a 50-basis-point reduction in the operating margin guidance that you have given, is factoring in a 15% kind of revenue growth, which is at the top end of your open-ended guidance or factoring 15, 20 or a higher revenue growth?

P. Ramakrishnan: So it is factoring the revised guidance where I'm talking about outperforming on revenue. In terms of how the margins will shape up, I think let us close Q3, we'll be in a better position to communicate as to how are we going to close the year? But given the fact that what we had assumed some of the newer jobs to get into margin recognition threshold in Q2, there has been some slippages there. And hence, we thought it is appropriate that we could be landing anywhere between 8.5% to 9% for the full year. It is premature to communicate at this juncture whether we will be at 8.5% or 8.7% or 8.9%, but maybe a better articulation can happen once we close Q3. But this 8.5%-9% guidance factors volume growth as per our estimates.

Renu Baid: Perfect. And lastly, while you did highlight about reasonably good order prospects for the Power sector, I just want to understand what are the base assumptions that you have taken for order pipeline for the domestic power projects, thermal coal-based projects here? Because some of the largest customer NTPC is indicating almost 11 gigawatt kind of project award in the next 12 to 18 months. So can you quantify gigawatt and gigawatt terms what is the pipeline that you have assumed until March or near term that you have projected?

P. Ramakrishnan: So Power, I had indicated prospects of INR0.55 trillion. It factors around 4.5 gigawatts of order prospects in coal-based power plant ordering in the next six months.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: My first question is on the two large hydrocarbon orders that you've booked. Have there been any customer advances that we have received on those orders? And what is our internal margin expectation for orders of these sizes?

P. Ramakrishnan: Okay. So that's a great question, Aditya. Let me tell you, I think as far as advances are concerned for all these orders will be coming up in this current quarter, okay? I also wish to make a remark that most of the hydrocarbon orders that we secure, they're all fixed price contracts. Obviously, by bidding for the projects, we have taken into account the competitive intensity and also our recent performance of orders with the customers in these areas and geographies. Premature for us to communicate the embedded margins because these have been fixed price contract, time will tell how the margins evolve over a period of time. But as far as the bidding methodology is concerned, there has been no compromise as far as the margin trajectory is concerned.

Priyankar Biswas: And when we look at the revenue, the potential between domestic and international for this quarter, actually, it's been quite tough. On the domestic side, it seems that there has been some deceleration some moderation in revenue growth because we are having something 6% to 7.5% kind of revenue growth. So what exactly has been playing out over there? And how should we think about it over the next few quarters?

P. Ramakrishnan: Okay. So Aditya, I made a statement saying that Q2 FY '24 revenues at Rs 510 billion. It registered a Y-o-Y growth of 19% and international revenues constitute 43% of the revenues during the quarter, okay? Now these are group revenues. So if I had to just summarize it, out of that Rs 510 billion of overall revenues, Infrastructure segment contributes 48%, energy segment contributes 13%, IT and Technology Services, obviously, as you know, comprises 22% and largely 90% of that revenue is international, okay?

So I don't think at this juncture, the revenue growth I would say is for the quarter, the domestic revenues of the Projects & Manufacturing segment has grown up by around 7% on a Y-on-Y basis. And the Projects and Manufacturing, international revenues have actually virtually doubled. The growth is almost 92% in Q2 FY24 as compared to Q2 of last year.

Aditya Bhartia: Exactly my point, sir. So on the domestic core business there's been quite a sharp deceleration in first quarter, we are seeing almost something like 35% revenue growth. This quarter, it seems that it's been somewhere between 5% to 10%. So is there something that's really happening over there? Because in first quarter, we had spoken about very sharp pickup in execution space, both in domestic and international and also spoken about some labor constraints we faced in the domestic market.

P. Ramakrishnan: So there are no supply chain constraints or labor shortages per se at a broader domestic side. But let me tell you that one of the foremost reasons for our ability to control on working capital is to have a sharp look at the progress linked to the money that gets collected. So that is possibly the only reason for us to say that the domestic part of the order book is possibly growing at a slightly slower rate than what is happening in international. Everything is linked to the money collected.

Aditya Bhartia: Understood, sir. And over there, you are seeing some challenges versus how things have been in the last couple of quarters because last few quarters, we've been growing without compromising on working capital?

P. Ramakrishnan: So Aditya, let me talk about as far as H2 for the domestic part of the order book is concerned is actually one of the more seasonally more favorable quarter for project execution. So I don't think there are any challenges as far as Q3 is concerned. But Q4, no, it's a little too early. That's one of the reasons when we -- I keep reiterating that revenue guidance, we will possibly outperform because we have to be also mindful of the fact that Q4, although one of the best quarters for the overall economic momentum to peak in that quarter given the fact that the government projects would like to be completed, the climate supports the entire execution. But Q4 can be -- because of all the state elections and a possible Centre elections, there can be a possibility of labor movements going back to the respective constituency for voting and campaigning and all. So little too early, but I don't see any challenges per se to articulate the why domestic growth is slowing down. It has more to do with L&T's focus on progress -- collect and progress, I would say.

Moderator: Thank you. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.

Lavina Quadros: Congrats on a good set of numbers. Just a couple of things. One is on the macro side to start off with, any interesting trends you're seeing either on the private capex side in India or any sub-segment within Infra that you'd like to highlight?

P. Ramakrishnan: So as far as India is concerned, as I mentioned in the order prospects pipeline of Infrastructure segment, I did give a breakup. I think what we could potentially see in the next six months or so, Lavina, would be basis the order prospects, we do see a lot of activity coming on the railway side, which is both electrification and announcement of high-speed rail networks. Metro packages almost some 24-odd metro packages are on the anvil to get awarded, okay? So we do see a large uptick on the transportation infra led by railway sector. As far as another major area where we're seeing a good amount of prospects is the Buildings and Factories sector, which is almost 18% of the total order prospects of the Infrastructure segment. And in Buildings and Factories, I think a very positive element has been a decent mix of both private sector and public sector order prospects that are coming in. As far as private sector is concerned, a lot of prospects coming on pure play residential, commercial, data centers. These are three or four important areas we are looking at. On the Minerals & Metals, here again, the order prospects is almost 10% of the top infrastructure order prospects, again, led by prospects coming from additional capacity expansion in the steel sector, which we expect to be getting tendered out. Of course, the awards part can be a little -- it will be too early for us to comment whether the award actually would happen. But definitely, I can see that the order prospects in the Infrastructure segment, as far as domestic concerned, is a blend of both private and public, led by Transportation Infrastructure on the public side, and Buildings and Factories on the back of what you see a residential and commercial boom happening across the country. Almost 20% to 22% of the domestic order prospects of Infra from the Private sector space.

Lavina Quadros: And lastly, I might have missed this, sorry about this, but Saudis, how much of your order book today? And just confirming Israel-Hamas conflict has no impact on L&T for now?

P Ramakrishnan: So answer to your second question first. We don't have any major order book exposure to Israel per se. In fact, almost negligible. As far as exposure to Saudi is concerned of the international order book, almost 84% is coming from Saudi.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: So I had two questions. The first question that I had was on getting a better sense of the improvement in working capital and the trajectory of margins. If you kind of take away the fact that domestic has not grown well then overseas have grown really well. If you just compare it to domestic or domestic, would the change in working capital be as stark as it is appearing? And whether we would the decline in margin will be less sharp than what it is?

P. Ramakrishnan: So Aditya, I did not understand your question on margins, but the way I will put my answer to response to working capital is that I did respond to a question that was earlier put across is the improvement in net working capital is not because of having collected customer advances.

Now -- for example, the two recent ultra mega orders that we have taken in order inflow in Q2, we do expect our advances to come in Q3. Obviously, it will only add a fillip to the net working capital. But the larger point I would like to emphasize here that L&T has shown an improvement in the NWC is primarily focused on a more larger focus on the Gross Working Capital. To that extent, if you see in the cash flow statement, since the gross working capital has actually come down, but because of volume growth, the number is showing a little more additional as a cash outflow because of volume. But it also means that we have to ensure that there is no slippage on executions, all the creditors or vendor payments are actually happening at a higher level, okay? So I would like to, once again, to reiterate that it is not account of customer advances that is enabling us to show a lower working capital is largely due to the better control and better connection visibility that we have been seeing over the last 1.5 years or two years where we have been able to bring down the overall capital intensity in the Projects and Manufacturing portfolio. Now having said this, of course, hydrocarbons, as a segment, has been getting a lot of orders from the overseas side, and typically, the working capital intensity for international jobs is more favorable than domestic jobs. So the extent of advances that we keep getting as we get more-and-more orders there will enable only the improvement to happen further from what it is today. I didn't get your question on margins.

Aditya Mongia:

I would want to believe that because the overseas mix is increasing in revenues, that should be an added overhang on margins -- as it is a support on working capital, it's probably an overhang on margins. And I was just trying to kind of understand that is what is leading to somewhat the Y-o-Y pressure on margins as well?

P. Ramakrishnan:

No, no. I would like to emphasize here that just because a larger share of international orders, whether it is compressing margins, would be an appropriate conclusion. I would like to once again mention, and we did this at the start of this year itself that the first six months, the margin trajectory for the Projects and Manufacturing portfolio would be subdued. And we do expect the improvement to happen because a large part of the projects that we secured in both Infrastructure and Hydrocarbons in the later part of '21, '22 and '23, will all get into margin recognition state in the later part of the financial year. But I wish to emphasize that the guidance that we have given a band of 8.6% to 9%, or 8.5% to 9% is primarily because what we expected some of the projects of the newer projects to get into margin recognition threshold can have a slippage in terms of time lines. And hence, the guidance has been given to a band now. Let us see how Q3 shapes up. We will have a better visibility on how we will finally close the year. And next year, obviously, it's a little premature. It becomes very difficult for a Projects and Manufacturing company to give a guidance beyond 12 months. So we will see that basis how we complete Q3 and Q4 of the current year. But it could be a fallacy to assume that a large part of orders coming from international orders can have an adverse impact on the margin trajectory.

Aditya Mongia:

Understood. The second question that I had, P.R. I'm not asking for the guidance, but given that a lot of tendering has happened and you're getting a sense of pricing, is the path towards 10% EBITDA margin in core E&C becoming clearer or murkier?

P. Ramakrishnan:

So Aditya, I think I would stay to clear that we will restrict ourselves to the current year in terms of margin guidance and developments. But let me assure you that as we grow bigger, we are not

compromising on any sort of bidding mechanics to any way talk about lower margins. I think the subdued margin trajectory in the Infrastructure segment for the last two years has largely been on account of the legacy jobs that were secured prior to COVID, and delays in execution, cost pressures are raising a lot of additional site hold on costs. And of course, the claims that we have been pursuing with our clients for these kind of costs that we have incurred is taking its own toll in terms of time lines of collection and -- settlement and collection. So -- but I would like to reemphasize that we are focusing on bidding parameters. There has been no compromise as far as profitability is concerned. Of course, we take into account the sectoral competition, we factor that. But I think the largest piece, whereas we may have optically come down on margins. but I think the Return on Capital Invested for the entire segment over the last 1.5 years has been actually shown an improvement.

Aditya Mongia:

Understood, sir. Just a clarification over here. I think you made this remark that labor and the shortage of labor is having no impact. And this is kind of in contrast to what we are hearing from engineering companies, which are essentially saying that labor are going back to their home states because there's a lot of work. I understand L&T can manage the situation a lot better, but still just kind of double checking. Is labor and the cost of labor, and availability or hold the labor becoming a problem in any state or is it something completely under control?

P. Ramakrishnan:

So Aditya, I will tell you that in the first six months, I cannot attribute that the lower progress in domestic jobs is because of labor shortages. It is not that way, okay? But going forward, yes, as we get larger and larger jobs, it is becoming difficult to get the right skill set of labor, especially when you are talking of coastal roads, high-speed rail networks, underground metro, the type of labor that we need to secure will be challenging.

But given the fact that we work with a set of subcontractors who provide, and we are possibly one of the few companies that are able to demonstrate order inflows so that they are in turn given opportunities. Maybe our ability to accumulate or organize labor at a short-term notice is better. But having said this, it would be inappropriate for me to say there is no labor shortage issue per se. There can be state-level temporary disruptions because of shortage of labor. But it's premature for me to comment that revenue shortfall because of capacity of labor at this juncture may not be the right cost -- right answer.

Moderator:

Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati:

Sorry again to deliver on the same point here. On the margin, you said that some of the newer jobs are likely to miss the margin recognition. But if the execution phase is strong, which is visible by revenues, why would that happen?

P. Ramakrishnan:

So Puneet, let me tell you, just to -- since multiple questions coming on margins, see, we have a Rs 4.5 trillion order book, okay? Against that, I wish to tell you, almost 60% to 62% of this order book is yet to achieve the margin recognition threshold. So they have not cross those thresholds by which we can start recognizing margins, okay? Now this is at the overall Projects and Manufacturing level. But if I have to take it at the overall Infrastructure segment level, against the total order book that is of Infrastructure we have, almost 60% of that is yet to cross the

margin recognition. And in respect of Hydrocarbons, order book, almost 70% of that is yet to achieve margin designation. Now this gives us the comfort that what we are today, the drops that are getting closed or getting into completion, the focus is on all the jobs that where we have time lines to complete given the fact that these jobs got extended because of COVID. So the relative activity on the older jobs is far more than the newer jobs. And we believe that the pace of completion of the older jobs will get over by -- largely over by Q3 of the current year, and you should be seeing the newer jobs getting into a faster execution mode sometime from the next start of next calendar year.

Puneet Gulati: Understood. So what you're saying is basically the -- growth contribution is driven more by older jobs and newer jobs will probably start...

P. Ramakrishnan: Puneet, legacy jobs that are contributing to the growth. And this has been factored while we gave the start of the year guidance that the first two quarters to three quarters could be a little subdued given the fact that the emphasis is to complete all the legacy jobs in priority to the newer jobs and yet without affecting the deadlines of the new jobs as well.

Puneet Gulati: Yes. But now you're giving a guidance to better than the initial year, but margins you are cutting still?

P. Ramakrishnan: We are only saying that given the fact that, as I mentioned in response to a same question last time, that some of the projects, the newer projects that were expected to cross the margin recognition threshold in Q3, depending on the budgeted estimated progress in the first half, that is getting postponed. And hence, we thought it would be appropriate for us to say that we can be looking at a margin band of 8.5% to 9% for the current year.

Puneet Gulati: Understood. And secondly, on the claims, where are the and how positive are you on getting those covid-related claims?

P. Ramakrishnan: The claims that have been launched with the customers for additional cost for claims towards price variation because of the higher commodity prices, all of this are across various segments, across various customers, be it central or state government. And when it comes to an extra claim, obviously the -- which is not necessarily within the terms of the contract like this COVID-related cost it is taking its own time for it to be crystallized. And hence, while we have given the margin guidance for the current year, we have not factored any of these claims that will come. Hopefully, I think when they come, that should see an improvement of margins in that particular quarter, maybe that will be a onetime. But as far as the margin trajectory is concerned, the legacy jobs are peaking at the execution in the current year. The newer set of jobs will get into peak execution sometimes maybe from Q4 of the current year.

Puneet Gulati: Understood. And just last time you said, even though margins are weak because working capital is good, the return on capital employed is still healthy. In the current orders that you're winning, are you factoring in maybe lower margins because the working capital management is extremely good? Or are you still aiming for the same higher 10% kind of margin?

P. Ramakrishnan: So Puneet, working capital is a behavioral matter. It is independent of the margin side. So if don't -- let's not conclude that we may be bidding for higher margins and the cost of higher working capital intensity. We are, in a way, more disciplined enough as an organization to ensure that we progress on jobs in line with the payments that we collect.

Puneet Gulati: Okay.

P. Ramakrishnan: Margins and capital intensity run after the project is awarded, but while the time of bidding, margins are being considered as a way, taking into account the capacity that we have in that particular business and also the competitive intensity.

Moderator: Thank you. The next question is from the line of Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: Congratulations on great momentum in orders and execution. Sir, my first question is on the Saudi Arabia strategy. L&T has been investing in the last couple of quarters in that region, either to increase the addressable market of what we do there, conventional Hydrocarbon or Infra and also to meet the local content requirements in the Kingdom. And it seems we are not going there as a one-off presence of taking a couple of orders.

It's going to be a permanent high exposure with a lot of local abilities for L&T. What is the framework that we are following in that region because the competition there is no more Indian, it's a global competition we have with half a dozen global giants. So can you just throw some light on some of the framework that we are following to manage the risk profile because the ultra-mega categories introduced maybe because of the region itself with the way the projects are coming.

P. Ramakrishnan: So Amit, ultra-mega is not because of only the Saudi orders. We have been thinking about this for a long time. It's not only Middle East orders that is becoming the size, there has been some domestic orders also where the amount is almost close to Rs 15,000 crores. And it is important for L&T to start differentiating this. Coming as far as the overall L&T's approach to -- I won't use the word specific to Saudi. Yes, our exposure to Saudi is, as I said, 84% of our current international order book is from the Kingdom itself.

And the Kingdom is looking to -- and it is there in the public domain. There is a spend that is happening on the energy side, which is hydrocarbons, which is the both the expansion of offshore and onshore opportunities. Then we have new city developments, and new city development complete from nothing to everything, including energy transition projects and so on and so forth. So this kingdom will continue to have a good set of opportunities for EPC contractors like us.

Till now, our experience with our customers, our ability to deliver projects on time has been good. And we think that this will continue, and we should be getting a good amount of orders from this part of Middle East. But I would also like to reemphasize that the prospects that we have for hydrocarbons, I did articulate that everything is not Saudi itself. It is now going beyond Saudi into other domains or other countries like Qatar or UAE.

So we are -- as an organization, we are mindful of what we call a separate organization to be created to pursue the opportunities there, be it a project management organization, our procurement organization and overall execution organization, the company is investing in talent and headcount in these geographies to cater to the improved or higher set of opportunities be it on hydrocarbons or renewables or water or core industries as well.

Amit Mahawar: And the second question is more slightly longer term, taking a three year, four year view, what kind of direction would you take for the core revenues from the convention EPC versus some relatively higher value-add revenue segments that we will eventually start building up across high-tech, or across energy transition segment?

So my pointed next two years, three years, the profile of business that is significantly better gross margin, will that move in the next two years to three years? And what can that be? Or we are still too early in that game, sir?

P. Ramakrishnan: So Amit, when we articulated in May '22 about L&T's strategic vision for the next four years ending FY '26, a substantial part of a substantial part of that is getting into -- investing into talent that relates to bidding for or catering to energy transition projects, be it on green energy or be it on energy transition means it can be a combination of nuclear, hydel, green energy and so on. So we have factored all of those type of investments, including talent. Investment may not necessarily be monetary investments. It's also important to know that we need to have a higher focus of sector-specific talent to be part of the organization. So that is one.

Hopefully, as the EPC contracting business goes beyond normative construction opportunities to getting into larger, more boutique projects that requires a lot of engineering and technology adoption, hopefully, I think the margin trajectory should be in line with these kind of opportunities as well. And that also, in a way, has been articulated in our start plan in terms of how we are looking at improved profitability coming from a mix of these new type of projects that could have in the next two years to three years, Amit.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. P. Ramakrishnan for closing comments. Over to you, sir.

P. Ramakrishnan: So thank you. Thanks for everyone for attending this call. It was really a pleasure to interact with all of you. I hope all your questions have been addressed. In case if you have any follow-up questions, please feel free to contact me or my colleague, Harish. We will now close the call. Thank you once more. Good luck and wishing you all the very best. Thank you.

Moderator: Thank you. On behalf of Larsen & Toubro limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.