“Larsen & Toubro Limited

Q1 FY '25 Earnings Conference Call”

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**MANAGEMENT: MR. P. RAMAKRISHNAN – HEAD INVESTOR RELATIONS – LARSEN & TOUBRO LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Larsen & Toubro Limited Q1 FY '25 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 an assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone 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:** Thank you, Dorwin. Good evening, ladies and gentlemen, a very warm welcome to all of you into the Q1 FY '25 Earnings Call of Lassen & Toubro. The earnings presentation was uploaded on the stock exchange and then our website at around 06:30 p.m. As per the normal practice, instead of going through the entire presentation, I will take you through the important highlights for the quarter followed by our financial performance summary for the same quarter in the next 30 minutes or so. And after that I will be taking the Q&A.

Before I begin the overview, the customary disclaimer, the presentation that we have uploaded on the stock exchange and our website today, including the discussions we may have on the call now, may contain certain forward-looking statements concerning L&T Group's, business prospects and profitability which are subject to several risks and uncertainties, and the actual results could materially differ from those in such forward-looking statements. I would request you to go through the detailed disclaimer which is available in Slide 2 of our earnings presentation that we have uploaded today.

To start with, the Indian economy continues to display a strong growth momentum despite the global headwinds. With the conclusion of the general elections in the country, we expect policy continuity going forward. The Union budget for FY '25 that got announced yesterday has reaffirmed the government's commitment towards enhanced public capex in the medium term. The Central Government budgeted capex at Rs 11.11 trillion, which is around 3.4% of the GDP. Further, to promote State Government capex spending, an amount of Rs 1.5 trillion has been set aside as long-term interest free loans. With a combination of improved domestic demand conditions, a good availability of bank credit, further backed by government incentives for manufacturing and finally, with the election risk behind us, the stage is set in a away for a revival in overall capex in the country. The government budget yesterday also mentioned about promoting private investments in infrastructure through a Viability Gap Funding (VGF) and enabling policies and regulations. In our opinion, the Union Budget strikes a fine balance between prudent resource allocation and achieving fiscal deficit reduction at the same time. Elsewhere, the countries in the Middle East are continuing to focus on investments in oil & gas, infrastructure, industrialization and energy transition.

Before I get into the details, let me share some important highlights for the quarter. Two coveted global credit rating agencies, Standard & Poor and Fitch, have assigned BBB+ rating to Larsen & Toubro. This rating, with a stable outlook by both the two rating agencies, is 2 notches above the country's sovereign ratings and essentially underscores the company's exceptional credit quality and robust financial health.

Secondly, MSCI ESG Research has also upgraded L&T's rating from BB to BBB on account of company's improvement in various parameters, including ESG. Thirdly, L&T Semiconductor Technology Limited, a wholly owned subsidiary, has entered into a share purchase agreement this month for acquisition of 100% stake in Silicon Systems, a Bangalore-based company. This subsidiary has also signed a master collaboration agreement with Aditya Infotech Limited to develop and supply state-of-the-art systems on chip, that is, SoC and other system solutions for CCTV cameras.

Coming to the Financial Services business, that is L&T Finance, we are happy to report that the company has achieved a 95% retailisation as of June 2024 of its loan book. The retail book and the retail disbursements for Q1 FY '25 has registered a growth of 31% and 33%, respectively. The company also reported an entity level PAT at Rs 686 crores for Q1 FY '25 that has registered a 29% growth over the corresponding quarter of the previous year.

I will now cover the various financial performance parameters for Q1 FY '25. This quarter was a quarter of robust performance across the various financial parameters. Our Group Order Inflows, Revenues and PAT for Q1 FY '25 is up by 8%, 15% and 12%, respectively. Our NWC-to-revenue at 13.9% in June '24 registered a sequential increase of 190 basis points, whereas on a y-on-y basis, it has improved by 310 basis points.

Moving on to the individual performance metrics. Our Group Order Inflows for Q1 FY '25 at Rs 709 billion registered a y-on-y growth of 8%. Within that, our Projects & Manufacturing businesses secured aggregate order inflows of Rs 544 billion for Q1, reporting a growth of 8% over the corresponding period of previous year. Our Q1 order inflows in the Projects & Manufacturing portfolio are mainly from Infrastructure, Hydrocarbon and the Precision Engineering businesses. During the current quarter, our share of international orders in the Projects & Manufacturing portfolio is at 40% as compared to 35% in Q1 of the previous year. During the quarter, orders were received across multiple segments, sub segments like Offshore vertical of Hydrocarbon, Renewables, Transmission & Distribution, Roads, Nuclear Power, Hydro & Tunnels, Ferrous Metals, Health and the Precision Engineering business.

Moving on to the prospects pipeline, we have a total prospects pipeline of Rs 9.07 trillion for the remaining nine months of this financial year as compared to Rs 10.07 trillion at the same time in the last year. This represents a drop of around 10% on a y-on-y basis. This decrease is primarily due to a fall in the hydrocarbon prospects pipeline.

The broad breakup of the overall prospects pipeline for the remaining nine months of FY '25 would be as follows. Infrastructure is at Rs 6.02 trillion vis-a-vis Rs 5.86 trillion last year. Hydrocarbon is Rs 2.17 trillion vis-a-vis Rs 3.48 trillion as of June '23. Energy Power is at Rs 0.45 trillion, in and around the same as the last year. The Heavy Engineering and the Precision Engineering and Systems businesses in aggregate have ordered prospects pipeline of Rs 0.31

trillion vis-a-vis Rs 0.25 trillion last year. The Green Energy business has started off with an order prospects pipeline of Rs 0.10 trillion vis-a-vis Rs 0.04 trillion last year.

Moving on to the order book, our order book as of June '24 is at Rs 4.91 trillion, up 19% vis-a-vis June '23 of last year. The Projects & Manufacturing business since, it is largely India-centric, 62% of this order book is domestic and 38% international. Of the international order book of Rs 1.86 trillion, around 92% is from Middle East, 1% from Africa and the remaining 7% from various countries including of Southeast Asia. Like I said earlier, the various countries in the Middle East are continuing to focus on investments in oil & gas, infrastructure, industrialization and energy transition. The breakdown of the domestic order book at Rs 3.05 trillion, which I said earlier at 62% of the overall order book is as follows. Central Government orders share is 14%, State Government's contracts account to 28% of the domestic order book, Public Sector Corporations or State Owned Enterprises have a share of 37% and Private Sector at 21%. Approximately around 18% of this total order book of Rs 4.91 trillion is funded by multilateral and bilateral funding agencies. Against this total order book of Rs 4.9 trillion, 90% of that is coming from Infrastructure and Energy. The details of this are already there in the presentation slides. During Q1 FY '25 we have deleted orders of Rs 6 billion from the order book and as of June '24, the slow moving orders is well less than 1% of the order book.

Coming to Revenues, our Group Revenues for Q1 FY '25 at Rs 551 billion, registered a y-on-y growth of 15%. International revenues constituted 48% of the revenues during the quarter. The strong execution momentum in Infrastructure, Hydrocarbon and the Precision Engineering & Systems within the Projects & Manufacturing portfolio enabled the overall group revenues for the quarter. The Revenue for the Projects & Manufacturing business for Q1 FY '25 is at Rs 386 billion, up 18% over the corresponding quarter of the previous year.

Moving on to EBITDA margin, the Group level EBITDA margin without other income for Q1 FY '25 is 10.2% at the same levels as Q1 of the previous year. The breakup of the EBITDA margin, business wise, including other income, is given in the annexures to the earnings presentation. You may note that the EBITDA margin in the Projects & Manufacturing business for Q1 FY '25 is at 7.6% as compared to 7.4% in Q1 FY '24. I will cover the details a little later when I talk about the performance of each of the segments.

Our Consolidated PAT for Q1 FY '25 at Rs 28 billion is up 12% over Q1 of last year. This PAT growth is reflective of improved activity levels, partly offset by lower other income. The drop in other income is a function of lower treasury investments in the current quarter as compared to the corresponding quarter of the previous year. And here again, the drop in treasury investments is largely due to the share buyback concluded by the company in the previous financial year. The Group Performance, the P&L construct, along with the reasons for major variances under the respective functions is provided in the presentation. You may go through the same for further details.

Coming to working capital, our NWC-to-sales ratio has moved from 12% in March '24 to 13.9% in June '24, mainly due to the buildup in the gross working capital during the quarter. However, on a y-on-y basis, the net NWC-sales ratio has improved from 17% in June '23 to 13.9% in June

'24. The Group level collections that excludes L&T Finance for Q1 FY '25 is Rs 459 billion as compared to Rs 439 billion in Q1 FY '24, this itself registering increase of 4% on a y-on-y basis. You may go through the Cash Flow Statement as part of the Annexures to the earnings presentation. Our Cash Flow from Operations for Q1 FY '25 at negative Rs 5 billion vis-a-vis negative Rs 9.9 billion in Q1 FY '24.

Finally, the trailing 12-months ROE for Q1 FY '25 is 14.7% vis-a-vis 12.8% in Q1 FY '24, an improvement of 190 basis points. The improved profitability with every passing quarter along with the return of capital to shareholders in the form of the buyback is contributing to this improvement.

Very briefly, I will now comment on the performance of each business segment before we give our final comments. First, Infrastructure, coming to order inflows, this segment secured orders for Rs 401 billion for Q1 FY '25, largely flat on a y-on-y basis. During the current quarter, the orders were largely received in Renewables, Transmission & Distribution, Roads, Nuclear power, Hydel and Tunnel, Ferrous Metals, Health, and the Precision Engineering sectors. Our order prospects pipeline in Infrastructure segment for the remaining nine months is Rs 6.03 trillion vis-a-vis Rs 5.86 trillion during the same time last year. This represents an increase of 3%. The Infra prospects pipeline of Rs 6.03 trillion comprises of domestic prospects of Rs 4.27 trillion and international prospects of Rs 1.76 trillion. The subsegment breakup of the total order prospects in Infra is as follows. Water & Effluent Treatments share is 20%, Power Transmission & Distribution, including Renewables, is at 22%, Transportation Infra 23%, Buildings & Factories 12%, Heavy Civil Infrastructure 18% and the share of Minerals & Metals, the residual 5%. The order book of this segment at Rs 3.25 trillion as of June '24. The book to bill ratio for Infra is around three years.

The Q1 revenues at Rs 269 billion registered a strong growth of 22% over the comparable quarter of the previous year, largely aided by the strong execution progress across international jobs. Our EBITDA margin in this segment for Q1 FY '25, is at 5.8% vis-a-vis 5.1% in the corresponding quarter of the previous year. The margin improvement is primarily explained by execution cost savings.

Moving on to Energy segment that comprises Hydrocarbon and Power. Hydrocarbon received multiple domestic offshore orders that enabled to increase its order book. The segment has a strong order prospect pipeline of Rs 2.62 trillion for the remaining nine months of the current financial year. The breakup of this Rs 2.62 trillion, comprises of Hydrocarbon prospects of Rs 2.17 trillion and Energy Power prospects of Rs 0.45 trillion. The order book for this Energy segment is at Rs 1.18 trillion as of June '24, with Hydrocarbon order book at Rs 1.13 trillion and Power at Rs 46 billion. The Q1 FY '25 revenues for this segment at Rs 85 billion registers a healthy growth of 27%, mainly driven by execution ramp-up of international projects in the Hydrocarbon subsegment. Low revenues in Power is largely reflective of a lower order book. The Energy segment margin in QY FY '25 is at 8.7% vis-a-vis 9.1% in Q1 FY '24. The Hydrocarbon margin in Q1 is of current year is reflective of jobs in the early stages of execution, which is largely in line with our original plan for the year. The Energy Power margin improves on account of a favourable claim settlement accrued during the quarter.

We will now move on to Hi-Tech Manufacturing segment that comprises the Heavy Engineering and the Precision Engineering & Systems businesses. The receipt of a Shipbuilding order contributed to order inflow growth in the Precision Engineering & Systems business, whereas Heavy Engineering business order inflow is largely in line with that of the previous year. The order book of this segment at Rs 338 billion as of June '24. Our order prospects pipeline for the remaining nine months in this segment is around Rs 320 billion. Strong execution momentum drove revenues in the Precision Engineering & Systems business, whereas Heavy Engineering revenue was impacted due to a lower opening order book consequent upon order deferrals and jobs in the early stages. Coming to margins - Execution cost savings helps the margin improvement in the Precision Engineering & Systems business whereas Heavy Engineering margin benefits from a favourable job mix. Since we are on this Hi-Tech Manufacturing segment, I would once again like to reiterate that the Precision Engineering & System business does not manufacture any explosives nor ammunition of any kind including cluster ammunitions or anti-personal landmines or nuclear weapons or components for such of these munitions. The business also does not customize any delivery systems for such ammunitions.

Moving on to the next segment that is the IT Technology and the Technology Services, that comprises the two listed entities LTIMindtree and LTTS. The revenues for this segment at Rs 115 billion in Q1 FY '25 registers a modest growth of 6% that is largely in line with the subdued global macro conditions impacting discretionary IT spends. Despite the ongoing macroeconomic concerns the deal pipeline for this segment is healthy with a good visibility across all the subsegments. The segment margin variation vis-a-vis the previous year is explained by a lower operating leverage. As both the companies in this segment are listed entities, the detailed fact sheets of the performance are already available in the public domain.

We move on to Financial Services segment represented by L&T Finance one of our another third listed subsidiary. Here again, the detailed results of the company are available in public domain. But very briefly to sum up the Q1 revolved around strong retail disbursements, improved profitability and better asset quality. Further, the balance sheet is strong on the back of adequate provision coverage ratios. L&T Finance Limited today is well ahead of meeting its 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, that is enhancing customer acquisition, sharpened credit underwriting, implementing futuristic digital architecture, improved brand visibility and capability Building and finally sufficient capital in the balance sheet is available to pursue the growth in the medium term.

Moving on to Development Project segment, this segment includes the Power Development business comprising of Nabha Power and Hyderabad Metro. You may be aware that the company on April 10, 2024 concluded the sale of its stake in the erstwhile L&T Infrastructure Development Projects Limited which was a holding company that was engaged in the toll road and the transmission line business. Coming back to the current quarter the majority of revenues in the development project segment contributed by Nabha Power. The improved ridership in Hyderabad Metro and a higher PLF in Nabha power contributed to the segment revenue growth, whereas lower interest rate expense in the Nabha Power aided the margin improvement at a segment level. Some ridership statistics for the Hyderabad Metro asset - the average metro ridership has marginally declined from 4.42 lakh passengers a day in Q4 FY '24 to 4.32 lakh passengers per day in Q1 FY '25. On a Y-on-Y basis the ridership are improved. The ridership in Q1 FY '24 was 4.22 lakh passengers per day. The Metro at a PAT level we have consolidated loss of Rs 2.14 billion in Q1 FY '25 vis-a-vis a loss of Rs 3.35 billion in Q1 FY '24.

Moving on to the "Others" segment. This segment comprises Realty business, Industrial Valves, Construction Equipment, Mining Machinery, Rubber Processing Machinery, and a small residual portion of the Smart World & Communication business. The Q1 FY '25 revenue degrew by 37% over the corresponding quarter of the previous year. This was largely contributed to a lower handover of residential units in the Realty business. The sale of a commercial space in the Realty business and increased sale volumes in the Valves business enabled the segment margin improvement.

Coming to the last part of my presentation, the outlook. India's domestic activity has remained resilient, with manufacturing activity continuing to gain ground on the bank of strengthening domestic demand. The service sector maintained its buoyancy as evident from the available high frequency indicators. Private consumption which is the mainstay of aggregate demand is recovering with steady discretionary spending happening in the urban areas. The revival in rural demand is getting a fillip from improving farm sector activity. With an expected normal Southwest monsoon, the kharif production is likely to get a boost and the reservoir levels likely to be replenished satisfactorily. With the union elections behind and the likely political stability, the government's continued thrust on capex and business optimism augurs well for investment activity. However, the pace on infrastructure progress could slow down due to skilled labor shortage in certain sectors. The Indian economy is at an inflection point in its path towards greater transformational changes that will bring about more stability and growth. The union government budget presented yesterday a detailed roadmap for the pursuit of a Viksit Bharat by 2047. The budget envisages sustained efforts on the nine different priorities in order to create ample opportunities for all. 1) Productivity and resilience in agriculture; 2) is on Employment & Skilling; 3) inclusive Human Resource Development and Social Justice; 4) Manufacturing Services; 5) Urban Development; 6) Energy Security; 7) Infrastructure; 8) Innovation and R&D and lastly 9) Next Generation Reforms.

It is good to note about the government's emphasis on the all round development of the eastern part of the country through the Purvodaya Scheme. A plan hopefully will get formulated for the development of states like Jharkhand, Bihar, West Bengal, Odisha and Andhra Pradesh Secondly, the government is also likely to facilitate development of investment-ready "plug and play" industrial parks with complete infrastructure in near 100 cities. Thirdly, promoting water supply and sanitation projects in partnership with the various state governments and multilateral development banks is the need of the hour. Finally, a policy for promoting pumped storage is also in the works and since nuclear energy is expected to form a significant part of the energy mix going forward, there is a plan to develop small and modular reactors, nuclear reactors as well.

Moving on to other part of the world, the global economy is expected to witness a rebound, though the run up to the US presidential elections in November can exhibit economic volatility. With the change of government in the UK and a hung parliament in France, the concern about European economic recovery remains. China's economic recovery remains lopsided with rising trade tensions threatening to overshadow growth in the exports.

The central banks in the West are closely tracking inflation data and may announce a couple of rate cuts later in the current calendar year. Also, regional conflicts remain contained as of now without having major adverse implications for the global economy. The countries in the Middle East like I said are continuing to focus on investment in oil and gas, infrastructure, industrialization and energy transition projects. However, headwinds continue to linger around geopolitical conflicts, supply chain disruptions and commodity price volatility. Amidst all of this, the L&T will continue to focus on profitable execution of its very large order book in the backdrop of a relatively stable environment. It is well positioned to exploit the emerging opportunities across its diversified business portfolio and limit its exposure to non-core businesses. The company remains committed to maximizing sustainable value to all its stakeholders. Thank you, ladies and gentlemen for the patient hearing. We can now commence the Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

**Mohit Kumar:** Yes, good evening, sir, and congratulations on a very good set of numbers, especially the order inflow. My first question on the order prospect, I think you mentioned that the order prospect declined q-on-q, I think this is a very large drop and also in the annual report, I think there was a comment that Saudi Aramco is postponing the capex which could have led to this decline. Can you confirm that is the decline of is primarily related to Aramco? And does it anyway impact our the order inflow guidance for this fiscal?

**P. Ramakrishnan:** Okay, so thanks Mohit. Yes, at the start of the year, the order prospects that we talked about was around Rs 12 trillion and now it has come down to Rs 9 trillion. The drop is largely witnessed in the Hydrocarbon segment and I would not like to specify answer to a particular customer. I think there has been some amount of tendering that has happened where we have not secured. Some of the projects have been shelved and some of them have possibly been deferred. But this does not have any color in terms of whether there is any potential change with respect to our guidance for the order inflow for the full year. We still maintain what we gave at 10% order inflow, that guidance is still being maintained. But you can have some amount of order prospects getting deferred and something we have lost also in that particular segment. However, I would not like to comment on specific customers please.

**Mohit Kumar:** Understood. My second question is a news article in the Mint that stated that L&T is eyeing the opportunity to make investments worth USD 50 billion to USD 60 billion in projects converting oil to chemicals and petrochemicals in the Middle Eastern region. Are we looking to invest in those businesses? Are we looking to invest in equities in some form? Is it the right understanding?

**P. Ramakrishnan:** We are pursuing EPC opportunities in the Oil to Chemicals environment in the Middle East, which we believe will have overall investments made by our clients of the amounts that you are referring to.

**Mohit Kumar:** We are not looking to form any JV. Is that the right understanding?

**P. Ramakrishnan:** As the things stand with specific reference to Oil to Chemicals, it is all the customers investment which is a sort of EPC opportunity for L&T.

**Mohit Kumar:** Understood sir. Thank you sir. Thank you and all the best.

**P Ramakrishnan:** Thank you Mohit.

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

**Sumit Kishore:** Good evening. My compliments on our 1st quarter of the fiscal. My first question is - Has there been any outreach by Andhra Pradesh to revise the Amaravati contracts that were dropped from L&T's order book in the past and any expected roadmap for Amaravati going forward?

**P. Ramakrishnan:** So Sumit, I think the initial discussions with the State Government has commenced, but at this juncture it is too early to comment on exactly how it will shape up. Hopefully, I think by the time we end September, Q2, I think we will have a better visibility in terms of the revival of the various opportunities in Amaravati. But at least the discussions have commenced.

**Sumit Kishore:** My second question is, your exchange filings mentioned that your Renewable EPC portfolio was of 18 GW cumulative capacity, comprising solar and wind generation projects already commissioned and in the making. So I just want to understand what is the size of Renewable EPC, solar EPC, in your order book presently and what is the size of order prospects or opportunity that you see for Re EPC in the Middle East specifically?

**P. Ramakrishnan:** So in terms of solar renewable, the order book, I think the approximate share would be anywhere in the range of Rs 55,000 crores to Rs 60,000 crores. And as far opportunities are concerned, that would be in the range of similar number of Rs 60,000 or crores in the near term.

**Sumit Kishore:** So in the order prospect, you'll have roughly about Rs 600 billion for the balance three quarters.

**P. Ramakrishnan:** Yes for the balance nine months.

**Sumit Kishore:** Understood. Just one question on the -- any color on the rationale of the ESG upgrade by MSCI to BBB from BB. Is there anything to do with your defense exposure which they have taken a different view on or is that something else?

**P. Ramakrishnan:** So as far as we know the rating rationale of changing from BB to BBB is on the back of an improved, I would say Environmental and the Safety statistics that L&T has been pursuing. I think that is one of the reasons which has enabled us to get this rating upgrade. Insofar as our exposure through the Precision Engineering Systems business to Defense, I don't think there has been any change in the outlook of MSCI.

**Mohit Kumar:** Got it. And this repositioning of the Energy Power segment to CarbonLite, does it mean you will not bid for coal power projects or how should we read that?

**P. Ramakrishnan:** So we are looking to focus on carbon capture projects and whatever manufacturing facility, technical talents over a period of time, we will get into taking opportunities on those segments, Sumit. Having said this, we still have an order book of almost Rs 5,000 crores in the Thermal Power business which we will execute. And we will continue to focus on any gas-based power plant opportunity that may come and any other cleaner fuel opportunities that we will be able to leverage our current manufacturing. As far as the coal-based equipment are concerned, over a period of time it will get repurposed.

**Sumit Kishore:** Understood. Thank you and wish you all the best.

**Moderator:** Thank you. We have the next question from the line of Aditya Bhartia from Investec. Please go ahead.

**Aditya Bhartia:** Hi, good evening sir. Sir my first question is on the reduction in prospect pipeline especially on the Hydrocarbon side. Now given that we are having a 10% reduction in overall prospect pipeline and we require almost like a 10%, 12% kind of a growth in order inflows to meet the guidance, where exactly are things changing? Are we anticipating a much better strike rate in the domestic business which it appears had fallen a bit last year or is it that we are seeing competition being a little lesser on the domestic side this time?

**P. Ramakrishnan:** Okay, so where I said this juncture, now Aditya, it's not correct for me to give a -- I mean overall perspective for the nine months which kind of orders will enable us to maintain the order inflow growth guidance. But I wish to tell you given the fact that we still have a Rs 9 trillion of order prospects and that is more or less balanced because last year, of course, the hydrocarbon part of the business did have a good set of orders. It's not necessarily that every time you can have the same business having the same run rate, but given the fact if you look at just basic arithmetic, if I have to come out, if I have to talk about meeting our order info guidance, what we see from the order prospects I think a 22% to 23% conversion or a hit rate will enable us to reach there. And this 22% to 23% is not that something which is theoretical. We have demonstrated that in the recent past as well.

**Aditya Bhartia:** Sure. Sir, the second thing, you've spoken about labor availability issues and the potential of that to be slowing down execution. Where exactly are we seeing challenges and have they worsened over the last year or so?

**P. Ramakrishnan:** Okay so two things. Let me be a little topical here. In the Q1, when we had given the overall guidance on revenues of 15%, it had baked the fact that the Q1 would have been a little subdued for the larger part of what you call the infrastructure or the construction business in India because of the elections i.e. the general elections. And you know very well that all this labor have the tendency to go back to their respective natives and vote. And plus, this was further worsened because of the very hot weather that was prevalent in large parts of the country. So this we hopefully from -- with the start of monsoon. Of course the monsoon has had a good start. This also has some implication into labor going into working on the agriculture side. But as far as we are concerned, I guess we should see back the normalcy of labor coming back to fulfill our execution of our order book.

I think the point that is coming up is as India goes on expanding into investments in infrastructure or any industry, there is a time that we are looking at a shortage of skilled labor because it's also important, while the country goes into a capex mode or an investment board across the investments of all these sectors, it is also important that we have a steady supply of skilled labor to ensure that the projects are getting completed on time.

Now that has a developing implication. Now, as far as L&T is concerned, we are focusing to ensure that whatever labor we have through the various subcontractors, we continue to engage with them because we have a large order book. And simultaneously, we are also taking up steps to also ensure that the future inflow of labor is appropriately skilled because the order book that we are looking at, given the positive investment climate that we are witnessing in the near term, I think it is important that the labor doesn't become a constraint in the GDP growth of the country. To that extent, I think the government also has realized it. And if you see the honourable Finance Minister coming out in her pronouncement in yesterday's budget, there is also sufficient mention of how they manage to bring this particular important resource. Last but not the least, one more development is it's not that the labor is only working here in India. Some part of the labor is also getting exported to the neighbouring countries, especially Middle East, given the set of opportunities. So we are working at, I would say not necessarily an optimum level, but yes, if things persist like this going forward, there could be an implication.

**Aditya Bhartia:** Understood, sir. And last bit, anything that you can share on the potential of monetization of Nabha Power or Hyderabad Metro?

**P. Ramakrishnan:** At this juncture, nothing to share. We are pursuing it, I mean it is still going on. As far as Nabha is concerned, Nabha Power is doing well. It is back onto, I would say, a reasonable set of profits. We are evaluating, but nothing to comment at this juncture.

**Aditya Bhartia:** Sure, sir. Thank you so much.

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

**Amit Mahawar:** Hi, PR. I have just two quick questions. First, on the Middle Eastern market, can you throw some light on the execution positioning? In last six-eight months have we seen some delays in execution on most of the large Saudi Arabia project. Whether things are on time? And I want to broadly understand your comment on the competition, especially from the Korean, Chinese players, given that European and Japanese are not very active.

**P. Ramakrishnan:** Okay, so in the Middle East today, Larsen & Toubro primarily, I would say, is engaged in Hydrocarbon projects and Solar Renewable projects. As it stands now, the Q1 execution momentum that we have witnessed, there is nothing for us to bring to your attention to say that there is something unusual increase or decrease. So, it is business as usual. Okay, so as far as competitive intensity is concerned, I would like to mention here that we believe that the size of the market relating to the renewable part of investments that are happening and also the hydrocarbons, and possibly going forward there could be major investments happening on transit, be it on metro packages or rail packages. I think going forward there is a large investment activity expected to happen, and I feel that given the large size of the pie, each of the contractors would have a fair share. So it's all a question of in some quarters we may get, in some quarters other competition may get, but structurally I don't think there is any change for us to comment from the earlier comments that we made in the month of May.

**Amit Mahawar:** Thank you. And the second question is more on the core margins. If I see, we started the year with a good 60, 70 basis point margin expansion in the Infra side and the reason we've given is execution cost savings. Is this execution cost saving maybe one-off quarterly in nature or do you think for the full year, we have a much better margin expectation? Anything on that, PR? Thank you.

**P. Ramakrishnan:** So, Amit, let me tell you, I think I did conclude on my speech saying that we are on track to more or less meet our targets at this juncture. I think we have started off very well as far as the margin is concerned. The overall P&M margin last year was 7.4%. So we have managed to bring a 20 basis points improvement and that improvement is actually coming from a, I would say, a reasonably large improvement that we have seen in the Infrastructure segment. But as we are aware, the Projects business, the quarter-on-quarter, the job mix, the projects going into recognition threshold, completion of projects keeps on happening, but we have had a good start and hopefully we should be maintaining the slight improvement in the margin momentum, but too early to comment on any change in the guidance. Finally, I think maybe another two quarters before we finally see where the margin will likely to end in the current year.

**Amit Mahawar:** Thank you, PR and good luck to the entire team.

**Moderator:** Thank you. The next question is from the line of Priyankar Biswas from BNP Paribas. Please go ahead.

**Priyankar Biswas:** Thanks for the opportunity, and congratulations to the team. So my first question is, PR, if you can explain about -- since we have a FY '26 ROE target of 18% and so we are kind of just a little below 15%. So what is the bridge from this current 14.5%, 15% levels to attaining this 18% level, if you can shed some light on that first?

**P. Ramakrishnan:** So Priyankar, I guess we have been talking in multiple calls like this and also in the investor meetings, so today, if you talk about, I guess if I have to make it very simple, the 1% increase would be if Hyderabad Metro were to make zero profit, zero loss. So as I was talking, that particular investment had a loss of almost Rs 214 crores in Q1. So over a period of time if you are able to bring that down, so that will demonstrate at least a 1% increase in the ROE. The second 1% would be as we have been talking about is that L&T, given the fact that we are having a cautious approach to increasing the size of our balance sheet, so we are also looking at keeping the balance sheet a little more leaner which also means we are looking at a 1% improvement on the account of higher payouts to shareholders. Now, in what form I guess that we have to see especially in the development in the budget yesterday. So we have to look at it. But definitely 1% can be attributed to, I would say, payouts to -- I mean capital restructuring in terms of larger payouts. And the last 1% is the overall margin improvement in the P&M part of -- the traditional business of Projects & Manufacturing. I just gave a simple explanation of the bridge from 15% to 18%. In what forms, what will happen, only the next two years will say.

**Priyankar Biswas:** So since last year particularly, the payout levels were quite high, so should we be expecting -- like, I am not going into what form of the payout, but similar payouts like last year?

**P. Ramakrishnan:** I have given you a bridge. You asked me a question about the bridge which I have given you. Now, when the payout will happen in what form, I guess only time will tell.

**Priyankar Biswas:** And PR, just one more question from my side. So there has been this news and probably OTC was -- so there has been this news of the collaboration for Saudi Aramco projects and we have also seen that in Saudi Aramco's own capex guidance for this year, they seem to have factored in a y-o-y increase especially with the gas projects. So is there any reason why the middle eastern hydrocarbon projects have been cut -- prospects have been cut down. So what exactly is it derived from?

**P. Ramakrishnan:** So of course, I wish to tell you that structurally I believe Saudi Hydrocarbon spend for FY '24 is almost USD48 billion, and next year is going to be around USD60 billion or so. And this is as per the public domain, whatever messages are coming out. Yes there can be some reallocation of projects in that overall pie. Maybe oil, the percentage of oil could come down, but as far as gas-based opportunities are concerned, oil to chemical opportunities are concerned, I think all those plans are still on and we are closely working with the clients, like any other contracting company and hopefully we should get some of those opportunities in our favor in the near term.

**Priyankar Biswas:** So PR, my question was more like on the cutting of the Middle East hydrocarbon prospect. So since you highlighted the Saudi's spend is actually going up. So here the prospects going down. So I'm just trying to reconcile that. So is it from...

**P. Ramakrishnan:** So Priyankar, it's for the next nine months, no? So we also are working closely with the various clients. Let's not stick to only Saudi Arabia. We are also looking at other countries as well, be it UAE, Qatar, also some other oil producing countries in North Africa. There are some opportunities out there, but I feel it is specific to one quarter this has come down. But I don't think this is any -- at this juncture for us to say there is a structural drop in the overall opportunity landscape.

**Priyankar Biswas:** Okay, thanks, PR. That's very clear now.

**Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Hi, PR. Congratulations on a decent quarter, sir.

**P. Ramakrishnan:** Thank you.

**Parikshit Kandpal:** So my first question is on increasing exposure of international in the order book. So will it have any impact on the margins? So given that we've given 8.2% guidance for P&M margins for FY '25 and the share of international has been increasing, so will that impact our guidance on P&M front?

**P. Ramakrishnan:** So this, I think Parikshit, Yes, the only thing which I would like to mention is all the international projects are largely fixed-price contracts and if we continue to perform in line with the completion deadline of those contracts and the input costs remain what they are, I think the margin trajectory should not at all worsen. In fact, if you are able to complete the projects on time, I don't see a reason why margins even for these fixed-price contracts can improve. But as it stands now, since we refer to margin guidance to the extent of that particular year, this year basis, the construct of the various projects that are getting into execution mode across the segments, across the geography, we have maintained the target at 8.2% to 8.25% for FY '25. Q1 has started off with a, I would say good start. In fact, if you see the margins for the Energy segment actually has come down, but it is only because of the state of execution of the jobs in the segment. So hopefully, I guess you should see an improvement out there as well. But I wish to tell you that if you are able to complete the jobs on time on the international order book, definitely margins could be more positive than what we are looking at today.

**Parikshit Kandpal:** Okay. And my second question was on domestic ordering, domestic prospect pipeline. So some of the segments we are seeing that government may increase the PPP share. Government intends to increase the PPP share, like in T&D, we are already seeing the TBCB and then in roads, BOT is getting revived. So do you think there is a case for you, and maybe in railways also some kind of PPP may emerge. So is there any case for you to come back and have a relook at equity way of investing into these projects given that it may reduce your prospect pipeline if you don't do that?

**P. Ramakrishnan:** Parikshit, the order prospects that I have given for Construction part of the business, they are all what we are planning to bid for, and these are all projects that are on out and out EPC basis. There aren't any, I would say, significant BOT opportunities. And I think L&T has made a clear statement that we would not like to pursue the investments in the concessions part of the business.

**Parikshit Kandpal:** Okay. And just the last question on the arbitration claims. So if you can help us quantify what would be the total arbitration claims currently under progress and do you think some point of time in this year if the Amaravati thing plays out and there's some revivals, do you think there could be some tailwinds to a margin uptick positively with the claims coming back by the government? So if you can help us understand a bit or give some more color on the arbitration thing.

**P. Ramakrishnan:** So Parikshit, I think I answered to this question as far as Andhra jobs are concerned. So discussions have started. That itself is a positive development and hopefully, I guess, the discussions have commenced itself is positive. Now how will the discussions pan out in terms of revival of which part of the projects, recovery of which part of the money, I think it's still too early to comment upon but this is a very positive outcome. Now, its impact on margins and all of that, how arbitration awards, whether come in our favor going against us, I think it's a part of the overall contracting business, but specific to Amravati it is a positive development.

**Parikshit Kandpal:** But what will be the overall arbitration pipeline? Because I understand AP alone was about, if I remember from past because you mentioned about I think Rs 1,500 crores, Rs 1,600 crores was the pending receivables. So correct me if that is still the number and overall what could be the arbitration being perceived right now in terms of the overall company?

**P. Ramakrishnan:** So, Parikshit, I think if we have to really give a data statistic of how much of claims that the company is pursuing against its various projects with its customers, and it's also important that some of the customers also have counter claims on L&T, so this all goes into a negotiation mode. It is very, very inappropriate for me to come out to the Earnings Call to actually put out a number. It is only when we believe that a claim is coming out to a place where the customer and L&T have in principle agreed to settle, till that point of time it is reckoned in the P&L.

**Parikshit Kandpal:** Okay. And just on the Hyderabad Metro, if you can help, because of this government issue how are you chasing it now? So how do you think that ridership will play out and in terms of government support, has anything related to government support come in versus the last quarter, which was supposed to come? So if you can update us on that.

**P. Ramakrishnan:** Yes. Okay, so the ridership in Q1 was 4.32 lakh per day. Some amount of impact is there because of the free bus scheme to ladies. But definitely one of the reasons for a small drop in ridership compared to Q4 which was at 4.42 lakhs is because Q1 had summer months and holidays and so on. So as we are getting into Q2, the average ridership on a weekday, that is Monday to Friday it goes up to almost ranging between 4.8 lakhs to 5 lakhs and during weekends it comes down to maybe 3.5 lakhs to 3.7 lakhs. So there will be a steady increase in ridership.

But I guess the ridership improvement is not resolving the issue that we have. I think it's more to do with the fact that how do we reduce the current debt of almost Rs 12,500 crores to the entity. So till now we have received around Rs 900 crores odd from the government in terms of that soft loan. Hopefully, I think the government should be proactive enough to provide the balance Rs 2,100 crores of loans that has been cleared in the assembly in the last year or so. So I guess still discussions are happening. Once those things come, definitely will enable us to bring down the current loans and lower the interest cost and thereby at least reduce the losses.

**Parikshit Kandpal:** Okay. Sure sir. Thank you. Those were my questions, and wish you all the best.

**Moderator:** Thank you. We have the next question from the line of Nidhi Shah from ICICI Securities. Please go ahead.

**Nidhi Shah:** Thank you so much for taking my question and congratulations on an amazing quarter. So, I have two questions. Firstly, what do you think about the offshore wind business in the medium term? As per the annual report, it looks like the company is pursuing bids in offshore projects globally. That is the first one. And the second is that how is green hydrogen opportunities panning out? Are the discussions progressing like we had hoped? And are there more closures of projects in the near term?

**P. Ramakrishnan:** Okay, so, Nidhi, as a start now, I guess during the current quarter, we did get an offshore wind project. It was an international project, that is almost just about $100 million or so. I think it's the first foray for L&T to get into this business where we are leveraging primarily our offshore skills in the hydrocarbons part of the business, into this offshore wind part of the business. So it's one of the first orders. I think it's a good thing to start with having got such an order from a very prestigious client. And we believe that this part of the business is a little more complicated than any other normal wind business. I think we have to be carefully and it's a little more capex-intensive. We will pursue these opportunities because we feel that this is a sustainable, I would say, capex that is going to happen in this particular renewable energy segment, not necessarily like in emerging markets. India is also talking about it, but I guess some of the European markets will definitely look into these kind of investments. That augurs well for us, but to start with, as I said, we have secured one of the first orders. So hopefully I think we should be getting more and executing them properly as well.

And your second question was on, I missed that.

**Nidhi Shah:** Green hydrogen. So are the opportunities panning out and are the discussions progressing like we had hoped? And are there any new closures on projects on specifically green hydrogen?

**P. Ramakrishnan:** So we did get a first project opportunity from green hydrogen with a private sector client to set up an electrolyzer unit. So we are evaluating various options and various opportunities. But in terms of what you call a meaningful opportunity is the IOCL tender that we are looking to bid through our joint venture with the IOCL itself. IOCL and ReNew. So it is too early days in terms of trying to look at the overall size of this market.

As I mentioned, the order prospects pipeline as of June for this green energy part is still around, Rs 10,000 crores odd. So it's too early stage. But we believe that this will get scaled up in the next 1.5 years and 2 years to something very much more meaningful. Because all the players, be it the developers or be the customers, all of them are evaluating the opportunity in terms of the scalability, the saleability of the end product, because obviously there is some amount of cost that has to be higher than what is the current end product, which we are using, either a black or a blue hydrogen. I think it will be a transition phase, but we are looking at both domestic and also adjacent geographies for EPC solutions in this particular area.

**Nidhi Shah:** All right. And you mentioned the IOCL project. So what is the basically progress on the bidding part of it? And when this gets tendered out finally, what do we expect the timelines to be on this?

**P. Ramakrishnan:** So the bids have been opened. So it is a 10 KTPA kind of a project. And there are two bidders, I believe, apart -- I mean ours and another bidder. So the bids have been submitted. It is up to IOCL to take the next steps on this.

**Nidhi Shah:** All right. So at this point there is no visibility on when the bids could be closed and when the contractor...

**P. Ramakrishnan:** As I said, the price bids have been submitted and there are two bidders. So the customer will have to take a call, which I believe should be in the near term. We cannot comment on the timelines per se.

**Nidhi Shah:** All right. Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Amit Binde from Morgan Stanley. Please go ahead. Amit, the line for you has been unmuted, you may proceed with your question. As we are not receiving a response from the current participant, we will proceed to the next question which will be from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

**Pulkit Patni:** Hi, PR. Just one question. This has been a quarter where the domination both on top line as well as order inflow has been by the international business and your margins have improved a little bit. So any read across on how we should look at margin the next few quarters, given that domestic should actually come back in terms of its bigger contribution on the overall revenue footprint. So any sense on how we should look at margins in the next few quarters in light of what we saw in Q1?

**P. Ramakrishnan:** So, Pulkit, if you are to break up this P&M revenue into domestic-international, I think the international part of the business did well considering that there were no constraints per se, whereas on the domestic side there were constraints in terms of the heat and also the election season. So going forward, I guess we will come back to complete normalcy. Not that when we gave the guidance of revenues of 15% we were not aware of this aspect, that the domestic part of execution could be a little more subdued in Q1. All of that is baked into our guidance. Insofar, margins are concerned, margin would be a combination of the project mix and whatever we talked about, utilization, execution, ramp up, some of the projects to cross the margin recognition threshold. All of this is an aggregate including favourable claim settlements or settlements to the clients on the other side. So it's a combination of those.

We have had a good start into Q1 as far as the margins are concerned. The P&M margins, as I said earlier, has improved by 20 basis points. And we believe that we don't have anything for us to comment for the balance nine months where we have an indicator to say margins could be a little softer than what we had demonstrated in Q1, but too early to comment on the landing part of the yearly FY '25 guidance on margins. But at this juncture we have had a good start.

**Pulkit Patni:** Sure. No problem. PR. That's the only question. Thank you.

**Moderator:** Thank you. The next question is from the line of Bharanidhar Vijayakumar from Avendus Spark. Please go ahead.

**Bharanidhar Vijayakumar:** Okay, great. So can you refresh us on your capabilities on nuclear and what are the upcoming opportunities there? There was a recent Karnataka order which slipped by -- so can you just talk on that nuclear portion?

**P. Ramakrishnan:** So the nuclear -- see, okay, as far as nuclear is concerned, I believe we almost cover the length and breadth of a nuclear power plant right from full scale construction including the turbine island, the nuclear island and all of the balance of plant. So of course, there can always be hits and misses in any highly competitive landscape that we have but as far as the construction part is concerned, going forward, I think, the order prospects that we have in the nuclear construction part I think would be in the range of maybe around Rs 7,000 crores to Rs 10,000 crores odd, the near next nine months of prospects in this particular path.

**Bharanidhar Vijayakumar:** Okay. And this would be largely NPCIl's project.

**P. Ramakrishnan:** Nuclear in India is largely NPCIL.

**Bharanidhar Vijayakumar:** Second question is on...

**P. Ramakrishnan:** So, on this aspect, what I said was, nuclear power plant construction and related mechanical works, when it comes to specific, because the government is also talking about diversifying into the smaller and modular reactors, the BARC reactors and all, these are all will be opportunities besides this, beyond this. What I just gave you, Rs 7,000 to Rs 10,000 relating to only the further projects of NPCIL in this particular segment.

**Bharanidhar Vijayakumar:** Right. So on the upcoming initiatives by the government and its plan, so where would we come in, in that? Like, where would we be contributing? Is it significant?

**P. Ramakrishnan:** I think as I mentioned earlier, we do have a full scale capability in this segment having worked very closely with NPCIL across most of their nuclear power plant installations in the country. I think it's a question of joint effort and we will be able to meet up to those requirements. Incidentally, our Heavy Engineering division, which is forming part of our Projects & Manufacturing is already pre-qualified on the smaller and modular reactors to supply them. So we have -- technically, we are qualified. So, it's all a question of when the customer wants to start investing on those.

**Bharanidhar Vijayakumar:** Understood. My final question is on Saudi Arabian opportunities. So there, are we looking at these NEOM projects like New Murabba, The Line, these kind of projects apart from Hydrocarbon and Renewables?

**P. Ramakrishnan:** The focus of -- I mean, as far as Middle East is concerned, we continue to focus on Renewables and Hydrocarbons apart from road and railway projects. Road project means, I'm referring to railway projects and also metro packages in various parts of the Middle East.

**Bharanidhar Vijayakumar:** Understood. So basically these other urban infrastructure projects like The Line, the New Murabba, so that, we are right not focussing?

**P. Ramakrishnan:** The order prospects that I talked about, with respect to the international order prospect, largely factors the kind of proposals that I just now referred to.

**Bharanidhar Vijayakumar:** Okay, sir, understood. All the best.

**Moderator:** Thank you. The next question is from the line of Nikhil Nagania from Bernstein. Please go ahead.

**Nikhil Nigania:** Hi, thank you for taking my question. I had just one question. Now that we have such a big exposure to the Middle East, we have been talking about the local employment requirements. But what we read from other EPC companies globally is that there are local sourcing requirements as well. So wanted to check does L&T also have local sourcing requirements and do we see a risk of delays due to these requirements in the Middle East?

**P. Ramakrishnan:** So Nikhil, I mean, as we have grown big in many of these places, I guess we are also in line with the requirements that are being put forward by these jurisdictions. In fact, most of our Saudi orders are actually getting awarded to the local subsidiary of L&T there. It's not getting awarded to the parent Larsen & Toubro in India. And as part of the local subsidiaries', I would say, capabilities, there is need to put up proper project management, resource staffing. Everything else is being done and all of this is getting appropriately priced in the contract.

**Nikhil Nigania:** Understood. So you don't see broadly risk of delays given your experience there and given the setup there? That's what I should take away, PR?

**P. Ramakrishnan:** At this juncture, no.

**Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

**Shrinidhi Karlekar:** Yes, hi, thank you for the opportunity and congratulations on good set of number. Couple of questions from my end. PR, just wanted to hear your thoughts on this domestic private capex cycle. With election uncertainty behind us, how is L&T seeing from this end market?

**P. Ramakrishnan:** So Shrinidhi, the domestic private capex, that we are looking at and we see a lot of traction. I think first is in the area of real estate. Now, when I talk about real estate, I take all the colors of real estate from residential to commercial to, I would say, hybrid city development or to even data centers. I guess there has been a big jump into this particular segment and all of that is happening through private sector capex itself.

As far as the other part of private capex is concerned one can look at only either two areas, one is the concessions path with the public private capex and the other one is investments into pure industrials or new age sectors. As far as investments in the industrials are concerned, all the entities that are directly related to the construction part of the overall infrastructure space, that is cement, steel, paints, fittings and all the end manufacturers are looking to increase the capacities either greenfield or brownfield. And in some of those expansions, L&T also has got, I would say, some amount of contracts.

Having said this, the value of such contract of building a factory building will in the range of say Rs 200 crores to Rs 300 crores. So that's not going to materially move the needle for us. But I would like to reaffirm that segments that are directly related to the overall infrastructure, especially on the real estate, I think there is a positive momentum.

The one aspect where the momentum which is possibly a little subdued or possibly even missing would be the public private capex part because that is the large investment. Now, in that case of investments happening, L&T also has a good chance to bid for such kind of projects as an EPC contractor. I think that is still some time away.

But having said this, I believe going forward with the continuity and the stability of the government's focus on investments or the GDP led through investment related growth in the next five years or so, I guess we could see some large ticket investments happening into the new age sectors. Apart from data centers which is again an extension of real estate but new age sectors like electronics manufacturing or semiconductor manufacturing, those things could come up in sizeable amounts, but it is still early days for us to conclude on that.

**Shrinidhi Karlekar:** Right. So good to hear. And sir, what I wanted to also ask is on the Hyderabad metro TOD pipeline. Last year, we had very good numbers. How is prospect pipeline for the TOD monetization looking like for this financial year?

**P. Ramakrishnan:** So we still have TOD monetization of almost 14.9 million sqft, but each of those monetization requires the prior approval of the government. So out of this 14.9 million, we already have a 1.3 million developed infrastructure in terms of either malls or commercial establishments. We will be looking forward to monetize them over a period of time and upon receipt of the approval that particular transaction will get consummated in that specific quarter. Like the way it happened I think in Q2 of the previous year.

**Shrinidhi Karlekar:** Right. And the last one, if I may, sir, you gave a number on the solar EPC backlog that you have. May I ask you to please repeat that?

**P. Ramakrishnan:** It's Rs 60,000 crores. Around Rs 60,000 crores as a backlog. And order prospects also in and around the same value.

**Shrinidhi Karlekar:** And sir, how it is split across domestic and international?

**P. Ramakrishnan:** Largely international. So what is really happening that in domestic solar EPC L&T we are less aggressive or say less active in winning the bids. So the kind of solar or renewable package is international, the sizes are large whereas we don't get such kind of large parcels in India for this kind of investment. So obviously then it becomes sub optimization of your entire resources.

So we are focusing on the renewable -- international opportunities only on the solar side. As far as Renewables are concerned in India, I guess for the benefit of all, what we are looking at something as a good investment that are happening, which L&T also is getting, I would say, some amount of traction in terms of orders is on pumped storage projects.

**Moderator:** Thank you. The next question is from the line of Amit Bhinde from Morgan Stanley. Please go ahead.

**Girish:** Yes, hi, sir, Girish here. Sorry. We had a technical issue, got dropped off. Sir, the question was, and sorry if I'm repeating it, so you mentioned that domestic revenue growth was weaker because of possibly two things, one was heat wave and -- excess heat wave and secondly also because of the election cycle. Now Quarter 2 is also having lesser number of construction dates possibly because of all the rain, excess rain that we are seeing right now. So, is it possible that the domestic revenue execution likely picks up more in second half? And then I had just one follow up question on the prospect list.

**P. Ramakrishnan:** Okay, so, Girish, while we gave a guidance of revenue uptick on the 15% at Group level, in fact, the Projects & Manufacturing part of the portfolio also will be in and around the same levels itself, has factored subdued domestic growth in Q1, a little more improved traction in Q2, and H2 will be the second half as far as revenue or execution of projects in India is concerned. So that is built in.

Hopefully, I think the Q2 conditions is far more better than what we have seen in Q1, because Q1, we had the twin problems of shortage of labor due to elections and also extreme heat, although we tried to bring down the effect by having shifts early in the morning and late in the afternoon. But that will not enable the full productivity for a continuous working 8 or 9 hours at the site level. So Q2 should be more better and hopefully H2 will take the lion's share of the growth as far as domestic is concerned.

As far international is concerned, I guess Q1 was like any other quarter. And I don't foresee per se, unless there are other geopolitical events that we are not aware of, happen, I think the ramp up of execution on the international side will be more or less equal over the four quarters.

**Girish:** Perfect. Understood. Sir, if you -- because you do a bottom-up analysis of the prospect pipeline, if it's comfortable to share on a year-on-year basis for the first quarter ending now, prospect list in terms of how center versus state versus private versus -- how that is moved? And for international, any delta around country level, whether it's Saudi Arabia or it's Qatar, if you can share any qualitative colors or quantitative color here.

**P. Ramakrishnan:** So, Girish, I think the amount of construct or breakup we are giving between domestic, international and across the subsegments I thought is quite detailed enough. Now, if you were to talk about structurally...

**Girish:** No, the reason I ask is because, as you know, I mean, this is a shortened year. I was more focused around how states are behaving versus central PSUs. That was largely it. And if any color that you can provide at a country level in international, that would just help.

**P. Ramakrishnan:** So as far as India-based prospects are concerned, if I had to break up the India-based prospects, then the center state PSU and private, I think we'll be in the --we don't see anything unusual from the other than 15-25-35-25 combination, which is 15% central government sponsored projects, state government projects account for almost 25%, public sector corporations or state owned companies, 35%, and private sector in largely the real estate and some of the various sectors, that I am looking at is at 25-odd percent. That's the way if we have to look at the India prospects is concerned, the breakup.

Now, in terms of the international prospects which I talked about which is almost Rs 3.87 trillion as for the balance nine months, I think the major share of that is almost 50% of that is coming from Hydrocarbons. And the balance is largely coming from a combination of the various subsegments under Infra but led by the Power Transmission & Distribution. So going through that methodology, one can say, if you have to take a breakup of the geography out of this Rs 3.87 trillion, almost 45% could be from Saudi.

**Girish:** Okay. And sir, one small follow-up bookkeeping. Other income has dropped sequentially, by 12%. I don't know if you covered this, but is there any one-off in the base quarter in Q4, or how should we read the Q1 number, at Rs 920 crores odd?

**P. Ramakrishnan:** So we have given the -- other income has dropped in Q1 of the previous year because of the drop in investments that we have, the standalone.

**Girish:** Okay. It's dropped sequentially also. But is it because of the yield or is it just the number of -- the cash balance being the way it is.

**P. Ramakrishnan:** It's more of a cash balancing. Other income, as far as Q1 of previous year is concerned, at the standalone there is almost a drop of almost Rs 10,000 crores odd in surplus between June '23 to June '24 because of the buyback. That had an impact on the other income drop.

**Girish:** Okay. And the capex number for this year would be about Rs 3,000 crores, Rs 3,500 crores?

**P. Ramakrishnan:** Around that range. Yes, around INR4,000 crores. Yes, INR4,000 crores.

**Girish:** Okay. Thank you so much, sir.

**Moderator:** Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to Mr. P. Ramakrishnan for closing comments. Over to you, sir.

**P. Ramakrishnan:** Thank you everyone for attending this call at this late hour. It was our pleasure to interact with all of you. Good luck and wishing you all the very best. Good night.

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