



“Larsen & Toubro Limited Q1 FY '27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '27 Earnings Conference Call hosted by Larsen & Toubro.

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 '*' and then '0' on your touch-tone phone.

I now hand the conference over to Mr. P. Ramakrishnan – Chief Financial Officer from Larsen & Toubro. Thank you and over to you, Mr. P. Ramakrishnan.

P. Ramakrishnan: Thank you, Sagar. Good evening, ladies and gentlemen. A warm welcome to all of you to the Q1 FY '27 Earnings Call of L&T.

The Earnings Presentation was uploaded onto the Stock Exchange and on our website around 6:25 PM. Hope you had a chance to have a quick look at the numbers. I will first walk you through the important highlights for Q1 FY '27 in the next 20 to 25 minutes or so, post which we will be taking the Q&A. Kindly note that when the Q&A session starts, I will also have with me our Deputy Managing Director and President – Mr. Subramanian Sarma.

Before I begin the overview, the disclaimer from our end - The presentation which we have uploaded on the Stock Exchange and our website today, including the discussions we may have on the call today, may contain certain forward-looking statements concerning L&T'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 just now.

India's economic growth remains resilient, supported by healthy domestic demand and continued expansion in Manufacturing and Service activity, with high-frequency indicators remaining in the expansionary territory, despite some moderation in momentum. The headline CPI increased from 3.4% in March 2026 to 4.4% in June 2026, largely driven by food and fuel inflation, with underlying price pressures having firmed modestly. While domestic macroeconomic fundamentals remain supportive, developments in global energy markets and geopolitical conditions continue to influence growth, inflation, and currency dynamics.

Global growth is expected to remain moderate in the near term, reflecting softer growth in the U.S., weak domestic demand in China, and persistent inflationary pressures in parts of Europe. Middle East growth is expected to moderate amid geopolitical uncertainty and energy market disruptions, although government-led infrastructure spending, energy investments, and economic diversification programs will continue to provide support. The key investment themes include infrastructural and industrial development in Saudi Arabia, logistics, renewables, and

data center investments in the UAE, and LNG, that is liquefied natural gas, petrochemicals, and energy infrastructure expansion in Qatar.

In the near term, the Middle East region continues to navigate logistical and trade disruptions arising from the incomplete normalization of traffic through the Strait of Hormuz, increasing reliance on ports along the Gulf of Oman and the Red Sea corridor.

Having covered the macroeconomic landscape, let me now turn on to a few developments and achievements for Larsen & Toubro:

The offshore wind business secured an ultra-mega order under TenneT North Sea HVDC offshore wind program, taking the cumulative offshore wind transmission capacity secured over the past three quarters to approximately 8 GWs, reinforcing L&T's growing presence in the Europe energy transition infrastructure. The order further strengthens L&T's position as a global partner of choice for large-scale renewable energy transmission infrastructure and underscores its capability to deliver complex technology-intensive offshore projects.

The divestment of Nabha Power was completed on 25th June 2026, in line with our strategy to exit the concessions portfolio.

The company signed an agreement with Hyderabad Metro Rail Limited, a fully state-owned enterprise of the Government of Telangana, to divest its entire stake in L&T Metro Rail Hyderabad Limited. The estimated completion date for this transaction has been revised to 30th September 2026.

The company entered a strategic collaboration with the French company Exail to deliver an advanced unmanned mine counter-measure suite for the Indian Navy's mine counter-measure vessels program.

L&T Vyoma, which is the data center business for Larsen & Toubro, entered into a strategic partnership with Fortanix Incorporated, a U.S.-headquartered global leader in Data and AI security, and a pioneer in confidential computing, to jointly deliver sovereign secure Software-as-a-Service offerings for enterprises and government organizations in India.

L&T Electronic Products and Systems Business entered into a strategic partnership with EVR Motors to jointly develop and manufacture next-generation EV traction motors in India, combining indigenous manufacturing with advanced propulsion technology to support electric mobility, localization, and the government's Make in India initiatives.

L&T also secured a 'Baa1' long-term issuer rating with a stable outlook from Moody's Ratings, two notches above the sovereign, reflecting strong capacity to meet financial commitments and a low level of credit risk.

Before moving on to the financial parameters, I wish to reiterate that effective 1st April 2026, pursuant to the company's Lakshya 2031 Strategic Plan, the group has realigned its portfolio to enhance strategic focus, improve capital allocation, and enhance operational agility. As a result, the reporting segments are now classified as:

- “Infrastructure Projects” have been renamed as “Infrastructure and Utilities”,
- “Energy Projects” have been renamed as “Energy – Conventional”.
- The Renewables business and Offshore Wind business previously reported under the “Infrastructure Projects” and “Energy Projects”, respectively, have been regrouped under the newly formed “Energy – Green” segment.
- “Hi-Tech Manufacturing” has been renamed as “Manufacturing and Products” and now includes Construction Equipment and Industrial Product Design and Development businesses, which were previously reported under the “Others” segment.
- “IT and Technology Services” have been renamed as “Technology, Platforms and Services”.
- The “Realty” business has been now classified as a separate reportable segment, which was previously included in the “Others” segment.
- Also, our “Projects and Manufacturing” portfolio has now been reclassified as “Projects, Products, and Manufacturing” to better reflect the breadth of activities within the segment, including our forays into Electrolyser and Electronics manufacturing. In terms of exclusions, the only material change to the reporting structure is the segregation of the Realty business out of the Projects and Manufacturing segment that we used to report earlier.

I now move on to the group performance:

The order inflows momentum remained positive during the quarter, driven by strong international ordering activity, including large Offshore Wind awards in Europe and sustained private sector investment-led demand in the domestic market, particularly in the Metals and Minerals and the Buildings and Factories businesses. Reflecting this momentum, the group order inflows at Rs. 1,080 billion, registered a 14% Y-on-Y growth. Within this, the Projects, Products, and Manufacturing, that is, PP&M portfolio, recorded order inflows of Rs. 860 billion, also up by 14% Y-on-Y basis. In terms of the geographic mix, international order inflows grew 27% Y-on-Y, while domestic order inflows remained broadly stable with a 1% growth. As a result, the contribution of international orders to the PPM portfolio increased to 55% compared with 49% in the corresponding order of the previous year.

Turning on to the prospects pipeline:

The opportunity pipeline for the balance nine months of the current Fiscal FY '27 remains healthy at approximately Rs. 15 trillion, compared with Rs. 14.81 trillion at the same time last year. The broad composition of the overall prospects pipeline is as follows:

- **Infrastructure and Utilities:** Infrastructure and Utilities have a share of Rs. 7.82 trillion as compared to Rs. 6.85 trillion last year.
- **Energy – Conventional:** The order prospects are at Rs. 4.37 trillion vis-à-vis Rs. 5.19 trillion last year.
- **Energy – Green:** Rs. 2.43 trillion as of June '26 as compared to Rs. 2.46 trillion last June 2025.
- **Manufacturing and Products:** The order prospects is Rs. 0.46 trillion as compared to Rs. 0.30 trillion last year.

Moving on to the order book:

The total order book stood at Rs. 7.79 trillion as of June '26, up by 27% as compared to the June 25 level. In terms of portfolio composition, approximately 45% of our total order book is from Infrastructure and Utilities, 28% from Energy - Conventional, 19% from Energy - Green. In terms of geographic mix, 48% of the order book is domestic, while 52% is international, reflecting the increasing share of international orders secured over recent times. The total domestic order book, excluding Realty, stood at Rs. 3.54 trillion with a customer mix tilting towards the private sector over the past 12 months. The share of private sector orders increased to 40% from 27% as of June 25, driven by major order wins in the CarbonLite Solutions, Residential, Commercial Buildings and Factories, and the Metals and Minerals businesses, along with select awards in Heavy Civil Infrastructure business.

Within the Public sector portfolio, the combined share of Central and State Governments declined to 30% of the domestic order book, comprising 9% from central government and 21% from state governments as compared to 39% a year ago. The PSU exposure also moderated to 30% from 34% last year.

Of the international order book of Rs. 4.07 trillion, the Middle East accounts for 71% of the portfolio, underpinned by our longstanding presence in the region. The Europe contributes 14%, reflecting the growth in our offshore wind business over the past few quarters. The balance 15% is distributed across other international markets, including Central Asia, Asian and the SAARC regions, providing further geographic diversification to our Infrastructure and Utilities and Energy - Green segments.

With respect to additional details on the order book, 8% of the total order book is funded by bilateral and multilateral agencies, primarily covering the company's exposure to projects from state and local authorities and PSUs. In addition, as of June 2026, slow-moving orders constituted less than 1% of the overall order book. During the quarter, orders worth aggregating Rs. 2.5 billion were deleted from the order book. Further details are available in the accompanying presentation.

Turning on to revenues:

The performance during the quarter reflected the execution stage of the order book across both domestic and international markets, as well as supply chain and logistic constraints affecting select projects in the Middle East. As indicated during the Q4 FY '26 Earning Call, the revenue growth in Q1 was expected to be relatively subdued, primarily due to disruptions arising from the ongoing conflict. Reflecting these factors, the group revenues for Q1 FY '27 stood at Rs. 679 billion, registering a 7% Y-on-Y growth, with international revenues accounting for 51% of the total group revenues. The revenues from the PPM business stood at Rs. 462 billion, up 2% Y-on-Y.

Moving on to EBITDA margin:

Our group level EBITDA margin excluding other income for Q1 FY '27 is 9.0% as compared to 9.9% in the Q1 of last year. The decline in EBITDA margin is mainly reflective of lower execution in the PPM business, forex variation in the IT subsidiaries, and higher ECL or credit provisions.

Our PPM business EBITDA margin for Q1 FY '27 was at 7% and declined by 20 basis points compared to the corresponding quarter of the previous year. The decline in margin was mainly attributed to lower execution and higher ECL provisioning.

Our group PAT for Q1 FY '27 at Rs. 41 billion as up by 14% Y-on-Y basis. The increase in PAT is largely reflective of improved performance of the services business and higher treasury income aided by improved working capital levels of the PPM portfolio. The group performance along with the P&L construct and the reasons for major variances under the respective function heads is provided in the earnings presentation.

Turning on to working capital:

Our focus on working capital efficiency continued to yield positive results during the quarter. While net working capital reflected the expected utilization of customer advances and settlement of vendor dues during the quarter, the gross working capital efficiency improved further.

In terms of numbers:

The NWC to Sales ratio improved significantly to 4.9% in June 2026 from 10.1% in June 2025. As anticipated, the ratio was marginally higher than 4.1% that we reported for March 26. The GWC to sales ratio improved further to 51.1% from 53.9% in March 2026, driven by continued focus on working capital efficiency. Our group level collections excluding the Financial Services segment for Q1 FY '27 stood at Rs. 658 billion as compared to Rs. 603 billion in Q1 of previous year.

The Cash Flow from Operations excluding Financial Services remained healthy at Rs. 43 billion during the quarter. Our Group Cash Flows excluding the Financial Services business has been

provided in the Annexures alongside reported cash flows at the group level to enhance the clarity on the overall cash flow movement.

Finally, the trailing 12-month ROE for Q1 FY '27 stood at 16.1% vis-a-vis 17% in Q1 FY '26. As this metric is measured on a trailing 12-month basis, it continues to reflect the impact of the one-time Labor Code provision recognized in Q3 previous year, which reduced the ROE by almost 100 basis points. Excluding this impact, the underlying ROE remains broadly stable year-on-year.

Very briefly, I will now comment on the performance of each business segment as per the new segment definition before we give our final comments on the outlook:

We begin with the Infrastructure and Utilities segment:

The order inflows for the segment more than doubled year-on-year to Rs. 444 billion in Q1 FY '27. Major domestic orders secured during the quarter included ferrous plant projects in the Metals and Minerals business and Residential buildings and factories business. International order wins were led by substations and transmission line projects in the Power Transmission and Distribution business, along with select orders in the transportation infrastructure vertical.

Notably, the Metals and Minerals business secured its largest ever domestic metal sector order during the quarter from a leading iron and steel company. Private sector orders accounted for nearly 77% of domestic order inflows in Q1 FY '27, compared with 52% in Q1 FY '26, reflecting the continued strength of private Capex. The segment order book stood at Rs. 3.51 trillion as of June 2026, providing strong revenue visibility with an average execution cycle of approximately 29 months.

As I mentioned earlier, the Infrastructure and Utilities pipeline for the remaining nine months is approximately Rs. 7.82 trillion. The pipeline comprises of domestic order prospects of Rs. 5.47 trillion and international prospects of Rs. 2.35 trillion. The subsegment breakup of the total order prospects is as follows: Transportation infra having a share of 24%, heavy civil infrastructure 22%, power transmission distribution at 17%, buildings and factories at 15%, water effluent and treatment at 12% and metals and minerals at 10%.

The revenue for the quarter declined by 3% year-on-year basis, primarily reflecting the early stage execution of certain large projects within the order book. The EBITDA margin for the segment stood at 5.1% in Q1 current year as compared with 5.5% in Q1 previous year. The moderation in margin was largely driven by a change in revenue mix and higher ECL provisions.

Moving on to the Energy - Conventional segment, which comprises the Hydrocarbon and CarbonLite Solutions businesses:

The order inflows for the segment stood at Rs. 31 billion in Q1 FY '27 compared with Rs. 314 billion in Q1 last year. The decline was primarily attributable to the deferment of certain

anticipated order awards during the quarter coupled with the high base effect of the previous year which included the benefit of ultra-mega thermal BTG orders in the CarbonLite solutions business.

The order book of the Energy - Conventional segment at Rs. 2.22 trillion as of June '26 with the hydrocarbon order book at Rs. 1.59 trillion and CarbonLite Solutions at Rs 0.62 trillion. The Energy - Conventional segment continues to see a healthy opportunity pipeline led predominantly by Hydrocarbon opportunities across international markets while CarbonLite Solutions prospects remain largely domestic in nature. The order prospects pipeline for the remaining nine months of the current financial year stands at approximately Rs. 4.37 trillion comprising Hydrocarbon prospects of Rs. 3.67 trillion and CarbonLite Solutions prospects of Rs. 0.70 trillion.

The Q1 FY '27 revenues for the segment stood at Rs. 142 billion, reflecting a growth of 14% growth and underscoring execution progress on a larger order book. The CarbonLite Solutions business in particular continued to gain traction as execution on ultra-mega orders gathered pace. The Energy - Conventional margin was at 7.6% and is largely in line with the previous year which was 7.5%.

Moving on to the next segment, Energy – Green:

The segment comprises a relatively mature solar business with a strong presence across GCC markets complemented by the newer growth platforms in offshore wind and onshore wind. The Energy – Green segment witnessed strong ordering momentum during the quarter driven by significant wins in the Offshore Wind business in Europe supported by the receipt of ultra-mega orders for HVDC platforms in the Offshore Wind business. Reflecting this momentum, order inflows for the segment at Rs. 330 billion in Q1 current year, registering a strong growth of 58% Y-on-Y.

The order book in this segment was at Rs. 1467 billion comprising of solar projects of Rs. 740 billion, offshore wind projects of Rs. 568 billion and onshore wind projects of Rs. 158 billion. The prospect pipeline for this segment is Rs. 2.42 trillion comprising of solar EPC prospects of Rs. 1.80 trillion, offshore wind prospects of Rs 0.40 trillion and onshore wind prospects of Rs. 0.22 trillion.

On Revenues, the segment's performance during the quarter was impacted by supply chain disruptions in the GCC region which affected execution in the solar business. The segment revenue for Q1 FY '27 stood at Rs. 56 billion registering a decline of 11% Y-on-Y while margins remained largely stable compared to the corresponding period of the previous year.

Moving on to the Manufacturing and Products segment:

Manufacturing and Products segment, which comprises Heavy Engineering, Precision Engineering & Systems, Electronic Products and Systems, Electrolyser manufacturing,

Construction Equipment and Industrial Products Design and Development. The segment order inflow during the quarter was aided by receipt of multiple refinery equipment packages in the Heavy Engineering business. The order book of this segment at Rs. 424 billion as of June '26 with the PES order book at Rs. 207 billion, Heavy Engineering order book at Rs. 87 billion, Electronic Products and Systems order book, which currently includes the defense-related electronic product system at Rs. 66 billion and the CE& IPDD order book of Rs. 47 billion. Our order prospects pipeline for the remaining nine months in this segment is around Rs. 460 billion comprising of Rs. 368 billion of Precision Engineering and Electronics prospects and remaining Rs. 92 billion is from the Heavy Engineering business.

The segment revenue at Rs. 45 billion registered a growth of 9% Y-on-Y. The segment revenue growth is reflective of strong execution momentum in the Precision Engineering and Systems and the Construction Equipment businesses. The segment margins were lower on a Y-on-Y basis largely reflecting the sales mix across the businesses.

Moving on to the next segment, which is the Technology, Platforms and Services:

This comprises of the two listed entities LTM and L&T Technology Services as well as the newly incubated businesses of Digital Platforms, Data Centers and Semiconductor Design as well as the residual portion of the Smart World and Communications portfolio. The segment revenue stood at Rs. 146 billion for Q1 FY '27 registering a growth of 15% Y-on-Y led by the growth in both LTM and LTTS. The decline in segment margin was primarily due to salary hikes and forex variations in LTM. I will not dwell too much on this segment as both the companies in the segment are listed entities and the detailed fact sheets are already available in the public domain.

We move on to L&T Finance Limited:

Here again the detailed results are available in the public domain but on a summary basis the Q1 current year witnessed a robust growth in the retail disbursements and improved collection efficiency as well as asset quality. The ROA remained healthy at 2.48% for Q1 FY '27.

Moving on to the Realty segment:

The Realty segment is now being reported as a separate segment following its segregation of the erstwhile Projects and Manufacturing portfolio. The order inflows for Q1 FY '27, which mainly represents L&T's share of pre-sales stood at Rs. 13 billion, registering a strong Y-on-Y growth of 32%.

During the quarter, the business further strengthened its presence in the NCR market through the acquisition of a 20 acre land parcel in Gurugram. The segment order book representing unrecognized revenue stood at Rs. 173 billion as of June 2026. During the quarter, L&T Realty launched two projects in the Mumbai Metropolitan Region with a potential GSV of Rs. 50 billion.

The revenue for the quarter more than doubled year-on-year to Rs. 10.1 billion driven by a higher handover of residential units in the MMR region. The segment margins moderated during the quarter primarily due to a change in sales mix with a higher proportion of JDA-led projects contributing to the revenue.

Moving on to the Development Project segment:

The performance of the segment for Q1 comprises the operations of Nabha Power up to the date of its divestment that is June 25, 2026; L&T Metro Rail Hyderabad Limited till April 30, 2026, in line with the terms of the share purchase agreement with HMRL being the buyer. The segment performance also includes the green energy business focused on building a portfolio of large-scale integrated green hydrogen and derivative projects including green ammonia and green methanol. The business is presently in the investment and scale-up phase. Going forward, the financial performance of the segment will primarily reflect the green energy development portfolio.

Before I conclude, I would like to highlight the financial year has commenced against a backdrop of heightened geopolitical uncertainty and economic volatility. Sustaining growth in such an environment requires a careful balance between pursuing opportunities and maintaining disciplined risk management.

Our diversified presence across sectors and geography coupled with a strong focus on cash flow generation and prudent capital allocation has enabled us to navigate these evolving conditions effectively. The performance for the quarter reflects the resilience of our portfolio and the strength of our diversified business model in an increasingly dynamic operating environment. This balanced approach enhances resilience and positions us well to deliver sustainable growth across market cycles.

Against this backdrop and supported by the strength of our order book and healthy prospects pipeline and the continued focus on execution, I will now turn on to our guidance for FY '27.

On order flows: Our order inflow recorded a strong 14% year-on growth in Q1 despite project deferrals during the quarter. Looking ahead, our prospects pipeline for the remaining nine months remains healthy at Rs. 15 trillion, providing strong visibility for the rest of the year. While the awarding activity in the Middle East witnessed some temporary slowdown, tendering and bidding momentum continues to remain robust, and we expect project awards to pick up from Q2. Importantly, we have not seen any project cancellations across the opportunities that we are actively pursuing and bidding for. In India, we see continuing investment momentum from both Private Sector and Public Sector Enterprises. Given the strength of our opportunity pipeline and the underlying market dynamics, we remain confident of achieving our order inflow growth guidance of 10% to 12% band for the current year.

On Revenues, during the Q4 FY '26 earnings call, we had indicated for the first half of FY '27 and Q1 in particular could be relatively subdued given the conflict in the Middle East. While

the operating environment remains dynamic, our teams are actively pursuing alternate supply chain solutions and execution strategies to manage these challenges. Considering the rapidly evolving situation, we believe it is prudent to wait for greater clarity before reassessing the full-year outlook. For now, we remain committed to our FY '27 growth guidance of 10% to 12% revenue growth guidance.

Coming on to margin:

In line with our Revenue growth guidance, we continue to target the margin of around 7.8% for FY '27 with respect to the PPM portfolio.

Lastly, on Working Capital:

We continue to witness strong collection momentum with no delays in customer receipts across Middle East despite the ongoing conflict and robust collections also from other geography including our parent geography of India. Factoring in the expected utilization of customer advances and increased vendor payments as the execution accelerates in H2, we are maintaining our FY '27 working capital guidance of around 10%.

With this, I complete the first part of our presentation. We can now get into Q&A.

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

Mohit Kumar: My first question is on the Middle East. What would have been the impact of the revenue as per your assessment in the first quarter? And do you think that there will be a need to make a provision on the projects due to cost escalation if this continues for a slightly longer time? And have the things improved in terms of execution compared to last quarter as we talk?

P. Ramakrishnan: So, thank you, Mohit. Just to once again reiterate, we also have with us Mr. Subramanian Sarma, our Deputy Managing Director President, to take the questions. But I will take this first.

Two parts to it. Insofar as cost is concerned, as you are aware that L&T is engaged in the Middle East across select customers and select sectors. The customers are virtually the country's sector specialists, and in the order book we have multiple projects with them. There are only certain sectors, I would say, where some amount of execution momentum has slowed down. But otherwise, for major part of the order execution momentum, as I elaborated specifically while explaining the hydrocarbon, the Energy - Conventional performance, the momentum has continued.

I do not think it has impacted that much in the first quarter, barring for certain projects and especially the Projects that we are executing in Qatar, which fortunately for us at early stage, the major part of the execution is actually the fabrication and that is happening in Oman for those projects.

So, we have not had that kind of a situation in Q1. But going forward in segments like Renewables and all, which is forming part of the Energy – Green segment, supply chain challenges have happened and intermittent supply chain disruptions are happening. The company is ensuring that we are trying to find out alternate routes. While we are doing this, we are ensuring that the client is informed of our next actions. And because of this kind of a force majeure situation, we are in close touch with the clients in so far whenever there is a change in the project scope in terms of the execution momentum.

So, for Q1, especially for Hydrocarbons, we have not seen that kind of a challenge. But going forward, if the conflict continues to persist, there can be implications there, but we are working very closely with clients.

In so far as the extended timeline is concerned, it will obviously have some amount of cost implications, but we are in touch with the clients and the clients are appreciative enough. It is not only with Larsen & Toubro, it is also with other contractors, they know the issue. And hopefully, some part of these cost increases, because of time extension and supply chain disruptions, will get compensated at a later stage.

Mohit Kumar: My second question is, of course, the war is still ongoing. How are the conversations progressing on finalization of the Middle East prospects, especially the large hydrocarbon? Do you think that there is an increased risk that this prospect list may shift to the next calendar year?

Subramanian Sarma: This is Sarma here. No, I think the prospect list still holds good and many of the projects are progressing as per the plan. And very soon, you will see some announcements coming from our side with respect to new awards in the Middle East.

Mohit Kumar: Is there any risk that some of the prospects could shift? Do you think that most of the prospects will get finalized as you envisage?

Subramanian Sarma: No, I am not expecting much delay in the finalization of awards.

Moderator: Your next question comes from the line of Atul Tiwari with JP Morgan. Please go ahead.

Atul Tiwari: Congrats on a pretty good set of numbers in a challenging environment. Sir, my question is on, would you be able to share any color on the progress of AMCA RFP and as well as the remotely piloted aircraft in a bidding process for which I think you have a JV with General Atomics?

P. Ramakrishnan: So, Atul, I think this question came up during our May call as well. I do not think we have anything more to say what we stated in the previous call. So, the bidding process is on. I think we do not have anything further to state at this juncture.

Atul Tiwari: For both of them, there is no further update?

P. Ramakrishnan: Yes.

- Moderator:** Your next question comes from the line of Mohit Pandey with Citi. Please go ahead.
- Mohit Pandey:** Sir, my first question is on the margins. While we have highlighted robust collections and cash flow improvement and working capital guidance is being maintained, we have also mentioned the margin impact due to ECL provisions. So, just if you could help reconcile, are the ECL provisions not linked to receivables in this case or how to read this? Yes, that would be question number one.
- P. Ramakrishnan:** So, Mohit, it is like this that what happens is ECL provisions are basis the aging of the receivables. As you are aware, we have been mentioning even in the previous year, there has been some amount of collection shortfall that we have been witnessing in the Water & Effluent Treatment business. Because of these delays and in some projects which are about to get completed (those legacy projects which are getting completed) mostly coming from India related projects, the revised aging analysis typically creates a little bump up in the ECL provisions in first quarter. But I do not think is going to happen in the balance three quarters of the year. So, specifically, if you talk about sector wise, it is to do with the Water and Effluent treatment and in some select projects in the Infrastructure segment in India or projects in India.
- Mohit Pandey:** That is very clear. Sir, second question is on the prospect pie. So, across the board, we have seen companies and I would assume including us, take price hike, which has also helped with order inflow numbers for some companies. So, when we get the prospect pie of 15 trillion, have we factored in price hike that we might need to take to factor in input cost pressures or yes, how to read that?
- P. Ramakrishnan:** So, when I talked about the 15.07 trillion of order prospects, it is basis the current pricing. Okay, current pricing of those prospects.
- Mohit Pandey:** So, possibly there could be some upside, possibly if there are pressures.
- P. Ramakrishnan:** Anytime I talk about prospects pipeline, it is basis the way they are priced today. It is not that what we took as a prospect pipeline in the month of June 25, continues to remain in the same way as prospects in December 25. The pipeline always get reset or revised basis the current way we would like to see, as if you were to quote it tomorrow. So, it is basis that this is the numbers that looks like.
- Mohit Pandey:** And last question, basically on margins again. So, while we have 9.9% going to 9.0%, there is I think slide number 31, which suggests an increase in EBITDA margins in the segmental breakup. So, is that to do with the other income which has seen a sharp increase?
- P. Ramakrishnan:** So, the 9% that you see, if you see in the next slide, the other income comes there. So, this EBITDA margin is before other income.
- Mohit Pandey:** Yes, but on slide 31, the segmental breakup shows the overall margins going from 11.2% to 11.5%. So, that is where my confusion was basically.

- P. Ramakrishnan:** So, what happens, wherever other income is getting posted in the subsidiaries which are executing the projects, in the segment slide, that other income features in the respective margin trajectory. So, when I am commenting upon each of the segments, the EBITDA margin, when I am giving the commentary, it includes the segment's other income there. But when I talk about the overall financial construct, that goes at 9, 9.9, the slide which you starting with top line and ending with EBITDA and the second slide starting with EBITDA and ending with PAT, that 9% is without the Other income. They are not exactly comparable because when we talk about margin, we are referring to margins for the segment at the PPM level, whereas the 9, 9.9 is at the overall group level, which includes the IT company margins, the financial services, net contribution and net interest margin, everything.
- Mohit Pandey:** That is it from my side and I wish you all the best.
- Moderator:** Your next question comes from the line of Amit Anwani with PL Capital. Please go ahead.
- Amit Anwani:** So, first question pertains to you highlighted about the water related impact on execution. I recollect I think in Q4, we were talking about the water projects getting improved and probably the clearances are now getting better and the collection can improve. So, what went wrong with respect to the water's business and what is the kind of order book collections, which is there? Any update on this side?
- P. Ramakrishnan:** So, like what last time when we spoke about last year, the impact on execution on water was because of the fund outlays around the Jal Jeevan Mission orders. I wish to tell you that the JJM mission orders since then from the current year has revived, but it takes some time before the execution starts, whereas the credit provisioning is basing the aging matrix.
- So, as I mentioned earlier, this is sort of a Q1 effect. With the execution momentum continuing and improving from now onwards, because collections have started coming in, some of these reversals of credit provisions will happen as we progress, bill and collect.
- Amit Anwani:** Second question on the order inflows, one on the European wind. So, what is the nature of this order, the timelines and the margin and the working capital? Amidst the Middle East conversion which is slightly delayed, are we looking at a pipeline in European markets? Any countries? Any specific areas that we can think of apart from this mega order which you have won?
- Subramanian Sarma:** This is Sarma here. This European order is the extension of what we had already announced last year, the two contracts. We had, at that time told you that we are looking at signing a framework agreement for total 12 gigawatts.
- And then last year, we had secured four. And now, again, this quarter, we have secured additional four. So, it is an extension of that. And hopefully, everything goes well. We will have to wait and see. Maybe if they go ahead with additional two, then it may materialize sometime in the future. But that is something which I cannot be very sure about it.

But today, we have almost close to 8 gigawatt of offshore wind and adding up to almost close to Rs. 57,000-60,000 crores of order book. And this will get executed over a four to five years period. That's the timeline of this. These are long projects. And it requires a considerable amount of effort in procurement and fabrication and then installation. So, the four to five years is the timeline. And the margin will be better than what we have normally in our EPC business in the Middle East. But it is too early to commit on the exact numbers. But hopefully, it should deliver better results.

We will continue to pursue offshore wind prospects in the region, in Europe, and also in other parts of the world because that is the model and that is the business we want to grow. But other than that specific offshore wind, rest of our EPC business will be still mostly centered around India, Middle East, and maybe some selected business in CIS countries. We have no plans to diversify in terms of geography for EPC business except for the offshore wind farm business.

Now, talking about the prospects line, I think I mentioned earlier to previous question that we are not seeing any significant delay. There could be a month here and there. But our order pipeline from the Middle East for the businesses we are present there, which is for primarily Hydrocarbon and Renewables looks quite healthy.

Amit Anwani:

And sir, wanted to understand inflows in the domestic market. Have the conversion rates been impacted amid what is happening and probably that could have impact on the government finances also? Do you sense that the domestic pipeline, which you have highlighted, could be at risk of some deferments or some curtailments and the conversion rates can also be impacted?

Subramanian Sarma:

We have delivered very good order inflow in the Quarter 1, better than what anybody had expected. And overall guidance given by PR is still very much consistent with what we had indicated earlier. I don't know why you keep getting doubts about the domestic market. It will continue to go as we have planned.

P. Ramakrishnan:

So, Amit, it is like this. I did mention that the share of domestic prospects is around 50%. And the most important thing is that, over the last two years, we have seen a larger share of domestic orders gradually coming from the private sector, largely led by residential and commercial real estate, other industrial sectors, and, last but not the least, the power sector. So, due to a combination of these factors, those kinds of prospects are still going on strong for us insofar as domestic visibility of order inflow is concerned. I think it is getting more balanced in terms of both public and private.

Amit Anwani:

Sir, lastly, how the Nabha Power is accounted in P&L?

P. Ramakrishnan:

The Nabha Power results are accounted as a subsidiary until the date of its sale. And thereafter, we have taken into effect the sales consideration minus the total value that is lying in the consolidated statements. So, it is a marginal gain that we have accrued on the sale because of the fact that Nabha's profits have been consolidated all these years. So, the carrying value in the consolidated statement is beyond the total investment that we made. And we have not had a

major change in terms of additional consideration over and above this carrying value. So, marginal gain on the divestment, but there is a tax outflow of almost Rs. 110 odd crores, which we have booked in the P&L, the tax arising out of the capital gains of the transaction.

Moderator: Your next question comes from the line of Renu Baid Pugalia with IIFL Capital. Please go ahead.

Renu Baid Pugalia: Just two couple of quick questions. One on the Hydrocarbon - We did mention that we did not get materially impacted because quite a few sites, including Qatar, were in the early design & engineering phase and fabrication was still continuing at Oman.

So, in your view, based on the project timelines, when do we hit the milestones of supply starting from Oman? And do you think if the current conflicts continue to persist, like Qatar, a couple of other projects which are due for the project milestone in terms of design and supplies could get impacted?

Subramanian Sarma: Yes, the large megaprojects in Offshore, they will be ready for dispatch from our Oman yard sometime in first quarter of next calendar year. So, January...

Renu Baid Pugalia: So, at least we have two to three quarters of cool-off period before those conflicts arise there.

Subramanian Sarma: Yes, if the conflict extends to next year, then yes, then it will become a problem for us. But until that time, for the Offshore, we should not.

On the Onshore projects, we are overcoming that month by month. It is not that nothing is affected. We have logistics issues, but we are managing that, as PR said, and making sure that the project sites are not impacted because of the disruption, by managing alternative routes.

Renu Baid Pugalia: And more than the Hydrocarbons, specifically, if you look at renewable or solar projects where you have seen supply chain disruptions in the region, these are also short cycle projects. So, how do we look not just on the revenue execution timelines, but the profit margins that these projects were carrying? Do we see that getting materially eroded? And I am sure that would have already been a part of the guidance. But do we see a material erosion and probability or any provisions arising from that?

Subramanian Sarma: No, I think material erosion is unlikely because if that scenario happens, then we will not bring the material. The only reason why we will have material erosion in the margin is that we incur the exorbitant cost of bringing the material, which we are not doing. I mean, as PR mentioned earlier, that whatever we are bringing the material, we are doing it in consultation with customers, and there is a kind of a general understanding and agreement that the cost will be compensated. I mean, if there is no agreement on that, then we will not incur that cost. And in that case, some revenue impact will happen, and therefore, the project timeline might get extended, and we will have to recover that cost at a later stage.

Moderator: Your next question comes from the line of Sumit Kishore with Axis Capital. Please go ahead.

Sumit Kishore: My question is in relation to other income, which is up almost 75% to Rs. 23.7 billion on a year-on-year basis. Even on a quarter-on-quarter basis, there is a steep increase from Rs. 15.8 billion. So, is there any item that we should know about, or is this the new recurring other income level that we should be sort of factoring in with the cash and cash equivalent position that you have? And in the PP&M EBITDA of Rs. 32.11 billion, how much is the other income component in case you were to attribute to that in the way you report your segmental EBITDAs? That is my first question.

P. Ramakrishnan: So, Sumit, it is like this. The other income is primarily on account of the higher cash generation that we have. This is all on account of the group surplus, which is across all the entities, be it Larsen & Toubro Parent, be it LTM, LTTS, even L&T Finance, and also the other unlisted subsidiaries that we have within India and outside India. So, a major part of this is arising out of that. And yes, pending their spend, as you may be aware, I did articulate during our May call about the L31 Lakshya plan, some part of this cash also will get into newer investments as they shape up. They are all at initial stages.

So, at the current trajectory, this is the yields that we have done because we believe that our yields also have been ahead of in terms of typically markets how the way they earn surpluses, we have been at least 1.5% to 2.5%, 2% more. And consequently, you get that additional kicker.

But it would be unfair for me to say this is the new norm because as we start investing into the green energy segment that I voiced over when I took the Development Project segment, and some of the other investments like data center business and all, so some amount of drop down will happen. But for the next one or two quarters, this seems to be a reasonable assumption one can take.

Number two is the other part is, insofar as the subsidiaries which are overseas to the extent their other income because that cash is not coming back to the parent in any form. And hence it is specifically related to that business or where the project is getting executed. That part of other income is featuring in our PPM EBITDA.

Sumit Kishore: I am just wondering, given your operating cash flow, the Q1 is a relatively smaller quarter, but your operating cash flow on a full year basis is certainly going to lead to an increase in cash even after the CapEx commitments that you do under Lakshya.

So, directionally, is the other income still going to become significantly larger versus where we ended up in the previous year? So, what would you quantify your CapEx for the Lakshya plan this year i.e Year 1?

P. Ramakrishnan: So, for the Lakshya plan CapEx for the current year, I did mention about different businesses having different models which we will pursue. Hopefully in Q2, I think we will be able to finalize and let you know. So, it would be little ahead of time if I had to put a number for that.

But taking into account the treasury income that we have overall at the entire group level, so that overall treasury income is in the range of almost, if you say, roughly around 70% of the other income could be lying in L&T standalone, which means it does not feature in the PPM EBITDA. Almost 20% could be coming from the other listed entities. Again, that goes directly into their performance. The balance 10 to 15% will be possibly the treasury income that is featuring in the PPM margins.

Sumit Kishore: Just one small bookkeeping question on depreciation. The depreciation for the quarter is Rs. 10.3 billion down from Rs. 11.7 billion at the end of Q4 FY '26. Sequentially, why has the depreciation come down?

P. Ramakrishnan: So, it is a question of any particular plant and machinery getting commissioned in the later part of last year will have the full share of the quarter. And consequently, some of the older plants and equipment possibly have also run down. So, it is got nothing specifically for us to say why depreciation is down.

And secondly, one more aspect is the Metro part, which is almost Rs. 75 crores per quarter, where depreciation is also not included because we are not consolidating Metro from May onwards.

Sumit Kishore: I think that explains.

Moderator: Your next question comes from the line of Aditya Bhartia with Investec. Please go ahead.

Aditya Bhartia: Sir, you mentioned that there have been certain cost escalations and you are in discussions with customers and with clients on how to kind of recoup that. Just wanted to understand how does the accounting work?

Do we have an arrangement with the customer that they are going to repay us for the increased cost, only then we are going ahead and therefore there are no provisions that are required? Or is it that, there is a kind of a rough understanding, we make certain provisions and they may get reversed or they may stay the way they are? Just wanted to understand on that aspect.

Subramanian Sarma: No, no. Actually, like what you said, if we are having prior consultation with customer and there is an agreement that they will reimburse us the cost, and then there is a formalization of that, then it gets captured in our accounting. But if there is no agreement, then we will recognize only when the agreement happens. And like I said, we are trying to avoid incurring additional cost as much as possible by deferring the project if there is no agreement.

Aditya Bhartia: So, from that perspective, it is fair to assume that results are correctly reflecting the impact of the war as well as costs that have gone up for various raw materials?

Subramanian Sarma: Yes, so far. Whatever we have incurred so far, yes.

P. Ramakrishnan:

Aditya, let me tell you and for the benefit of all, I mean, just to see at the end of the day, the revenues and margins are basis not actual cost that we incur. It also includes the future cost that we are expected to complete the job. Basis that the percentage completion is being determined. And so, when we are doing this, it is not only current procurements, we also know what the future procurements are, based on the current prices, to the extent the purchase orders have been placed to vendor.

So, in this kind of environment, very active discussions happen with the client. And if the client says okay, you can decide not to take this item at this juncture, because they can afford to take a three months delay or six months delay in the project, so we don't take that now in the hope that the projects will come, the prices will come down in the future.

But wherever there are procurements, which are required as part of the critical part of the project, those kinds of procurements are happening. Some prices are in line with our own estimates. If there are some additional prices, discussions are on with the client to ensure that the client is aware that Larsen & Toubro is placing at this price, given the situation. So, some amount of pass-throughs will happen, some amount may not happen, but that is something which you need to evaluate at every period.

Aditya Bhartia:

Sir, my second question is that in Q1, you earlier kind of indicated that we also had some inventory, which was lying at the site, especially for projects like Renewables. And if this war or this dispute keeps getting prolonged, then could it mean that Q2 could be a little more challenging than Q1? How does it work on the supply chain side? Or is it that given the time has passed, we have figured out how alternate routes can be worked around and rather we should start seeing things easing out?

Subramanian Sarma:

Yes. So, I think I had said that in the beginning of the crisis, we normally have about three months of inventory. I think most of it has been now consumed as expected. But now what we are doing is that, like you said, we have figured out alternative routes. So, we know how to get the material to the site. But then there is a cost. And, again we are repeating, but if there is an agreement with the customer that they are willing to reimburse us the additional cost, then we bring the material. Otherwise, we are delaying the progress. But we continue to do other construction activities.

It is not that everything is held up because of the material. There are other activities and we keep progressing with those. And in most of the cases, we are quite successful in having alignment with the customer, so , at least we have a month of work in front of us. So, far, most of our sites have at least a month of work in front of us. And within that period, we will again have a consultation with the customer and see whether we need to bring additional material.

It is very dynamically managed. I don't think we can say that exact number. But month by month, we will take a stock and see how the situation is. And in consultation with the customer, we will make a call.

Aditya Bhartia: That's helpful.

Moderator: Your next question comes from Priyankar Biswas from JM Financial. Please go ahead.

Priyankar Biswas: I would say resilient performance under the circumstances. So, my first question to you is regarding the prospects. So, what we have seen from various media sources is that probably L&T is well placed on a multi-billion dollar Micron award and also probably on a Kuwait oil and gas award of close to \$1 billion. So, just clarifying whether this is already booked into this quarter or is it part of the prospects for the next nine months?

P. Ramakrishnan: It is part of the prospects.

Priyankar Biswas: So, nothing has been booked so far in this couple of things.

P. Ramakrishnan: You asked a question, I answered. It is part of the prospects.

Priyankar Biswas: And if you can share, you said about prospects of Rs. 15 trillion, in that what is the exact domestic breakup? And within that, in the domestic, what is your assessment of a private sector share?

P. Ramakrishnan: So, out of Rs. 15.07 trillion, the domestic order prospects is Rs. 7.45 trillion, which is 49%. And the share of private sector will be around 45%.

Priyankar Biswas: That is broadly from my side.

Moderator: Your next question comes from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Is it possible to quantify the impact of ECL provision and the losses booked in the Hyderabad Metro for Q1?

P. Ramakrishnan: So, Hyderabad Metro, we took Rs. 0.38 billion loss for the month of April i.e. Rs. 38 crores. And in so far as ECL provisions is concerned, which are higher, is in the range of Rs. 2.5 billion.

Puneet Gulati: And lastly, you also talked about some delay in ordering of conventional energy orders. Can you talk about what those orders pertain to?

P. Ramakrishnan: The delay in conventional orders for current quarter? Q1?

Puneet Gulati: Yes.

P. Ramakrishnan: We thought in our estimates for Q1 that could come, but that has not come yet. So, let us see.. subsequent quarters we should be getting. We are well-placed.

Puneet Gulati: This is domestic.

P. Ramakrishnan: Yes.

Subramanian Sarma: Both domestic and international. Both.

Puneet Gulati: That is all from my side.

Moderator: Your next question comes from Amit Mahawar with UBS. Please go ahead.

Amit Mahawar: Hi, PR and Sarma. First of all, in Quarter 1, we saw some of your peers reporting significant cost increase. So, very, very commendable performance from L&T.

Sir, I just want to understand in the current scheme of things, when we look at a large order beyond Middle East, how will the labor mobilization happen in terms of availability in the region where you are taking new orders? Because this is the largest execution we will have in the European region. So, any color on that? And what percentage of our order book currently is under negotiation in terms of cost escalation for logistics, et cetera?

Subramanian Sarma: Coming to the European contract, this is the offshore wind HVDC platform. Most of it will get built in our yard in Kattupalli in Chennai. What we will require in Europe is very small numbers. We are talking about for mostly for hookups and some pre-commissioning, commissioning. And for that, we already have lined up subcontractors who can provide those services. They are European contractors and they are quite actively present there. So, we don't expect any large-scale mobilization for these European contracts from this region. As such, the numbers are small and that will be done through the local contractors in Europe.

I think for the second question was about what is the quantum of contract which are under negotiation. I think more or less negotiation is happening in all the projects happening in the region. But quantum is very difficult to put a number to it because like I said, we are assessing and evaluating it month by month.

Amit Mahawar: Sir, can I sneak in one small question? Vis-a-vis 2010-12 period when L&T had a major shipment from our fabrication yards to Middle East, seems our local fabrication has increased. The share of what we sent from India to Middle East in fabrication has gone down. Is my understanding correct? And hence the risk to that extent goes down for us vis-à-vis, say, 10-12 years ago.

Subramanian Sarma: No, no. I mean, 2010-12 is a very long back. A lot of things have changed since then. The volume of contract, the size of contracts have significantly grown. And we have a major yard in Sohar also, which is very busy and it supplies and caters to the Middle East market.

But also, we are having good amount of shipment from our Hazira yard in Surat for Middle East. I mean, these are the two yards which supply quite significantly to Middle East. And Kattupalli, of course, is for the other markets.

- Moderator:** Your next question comes from the line of Parikshit Kandpal with HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, first question is what percentage of the order book is fixed price in nature? And as you said that almost entire order book in the region is under negotiation. So, I am looking at a more normalized situation where the growth would have been more normalized. So, what kind of revenue or growth we could have missed because of these negotiations not going through?
- P. Ramakrishnan:** What was your first question?
- Subramanian Sarma:** How much is the fixed and variable?
- Parikshit Kandpal:** Fixed price and the variable price in the order book.
- P. Ramakrishnan:** You can say around 50% of the order book is fixed price.
- Parikshit Kandpal:** And do we have to invoke the force majeure across all these projects because of the...
- P. Ramakrishnan:** No, no.
- Subramanian Sarma:** I think PR very clearly mentioned that a large number of our projects are going reasonably well. See, it depends on what phase the project is, right? Like out of the total order book, particularly in the conventional hydrocarbon space, 70%, 80% of the projects are still in the engineering and procurement phase. And that is not impacted at all by the crisis in the region.
- Because engineering is done in India, procurement is done globally, they are getting manufactured. We are not at the stage where we have to ship the material to the site. And some amount of work is happening in the site. Only those projects which are in the peak construction are beyond that stage, those are the ones which are affected. So, it is not that 100% of our projects in the Middle East are under negotiation or impacted by that. There may be a smaller fraction of that. And those which are in the peak construction or beyond that stage, I think that is what we are negotiating with the customer. And there also, it is not that all activities are impacted. There is a lot of civil work and other work which is not dependent on the imported material. You have to also understand that over a period of last six, seven years, these countries have also developed a lot of local capabilities. So, a lot of sourcing, like cables and materials, civil material, building materials, a lot of materials is sourced locally, and that is not impacted. That is just getting produced and delivered to the site. So, you have to see it in that context, yes.
- Parikshit Kandpal:** The related question was that we have seen a strong growth in order inflows and order book last couple of years. Some of the revenue growth has not been catching up, so it's not translating into execution. So, is it largely because of these issues that the client is not giving clearance on the cost side and that is why there is an elongation?

- Subramanian Sarma:** No, I think, when you have large contracts, the duration of the contraction is also longer. So, they can't expect the revenue to run faster, except like solar, they are shorter duration projects, so that the revenue run rate is very high. But if you take some large offshore projects, these are like \$3 billion - \$4 billion. They are like four years projects. So, you can't expect the same revenue run rate in those projects. You have to factor that in. And particularly ultra-mega projects, you have to say that average duration of the project is about four years. I mean, the revenue will get burned in four years' time. So, that nature of the project itself slows down the revenue run rate, that is A. And B, of course, now this crisis is only four months old, so it cannot be that everything can be attributed to that. But yes, there is some impact of that, for sure.
- Parikshit Kandpal:** The last question is on the commodity side, on fixed price, especially on the fixed price on the book. So, the bill of quantity, if I have to say, are we underpowered in terms of like commodity prices in case the client doesn't agree? So, do you think that could have a substantial impact on the margin, especially on the PPM side, on 7.8 we have, which we have guided this year, and the trajectory which we were building in slight improvement over the next few years, do you think that could be at threat if the client doesn't agree for this?
- Subramanian Sarma:** No, if the client doesn't agree, we will not incur that cost, I think I said that before. And we are perfectly entitled for compensation for the time and cost for overstay. So, that will get captured. I don't expect that there will be any erosion in the margin. We are pretty much on the trend what we had indicated earlier.
- Moderator:** Your next question comes from the line of Kartik Kohli with Kotak Institutional Equities. Please go ahead.
- Kartik Kohli:** I had a small one on the private sector prospects that you mentioned. Could you also mention what was the private sector prospects for the same period last year?
- P. Ramakrishnan:** On the domestic side, I did talk about when I responded to one question about the domestic order prospects, the share of private sector as 40%. Last year also, because the thermal power sector prospects are already started revived, and whatever real estate and other industrial, like minerals and metals, those prospects also were there in last year's order prospects as well. So, it would be fair to assume it would have been in the range of 35% to 45%. I don't think we have seen a sharp increase in private sector only in the current year. It has been there from last year itself.
- Kartik Kohli:** Noted, sir. Secondly, on the TenneT order that you received, wanted to just understand what is the broader order pipeline or prospects that you see over the next 5 to 10 years, because we are seeing multiple TSOs across Europe and UK are planning to build capacity. Even TenneT would want to add at least two systems a year beyond 2031. So, how do you fit in there, especially because you have taken Petrofac's place and you have partnered with Hitachi in this. So, does that give you a certain right to win in this scenario that you were one of the few select people already on the table and you get a benefit in that sense? Can you talk about more on that and the broader prospects that you see, especially for the offshore wind HVDC connections in Europe and UK?

Subramanian Sarma: Yes, so offshore wind is a very promising market. That is exactly the reason why we have been attempting to enter this market for the last 2-3 years. And we have been successful now on the TenneT job. But in addition to TenneT, we had been pursuing many other opportunities within Europe, as well as in UK, and some in the Far East also. Now we are qualified on our own. We have built a good amount of capability in the offshore, and that is what is giving us entry into this offshore wind farm also. And we will partner with either Hitachi or Siemens, who are the original equipment manufacturer for HVDC on case-by-case basis. And I think we can bring some competitive solutions. So, we feel that we have a good chance in securing some decent share.

But I think currently our focus would be to build on what we have already secured, because their order book is quite strong, and we need to focus on delivery of those in the next four to six months, unless TenneT themselves expand the scope. And then we will aggressively pursue other markets, maybe a little bit later.

Kartik Kohli: So, just to follow up, so your Capex that you have planned for modularization is essentially going into this direction, like essentially expanding capabilities so that you can supply in these Europe and UK markets?

Subramanian Sarma: Correct. I mean, TenneT job, 8 gigawatt, out of it, 6 gigawatt will be done in Kattupalli. That is a massive amount of work running over at least three to four years. And we want to make sure that we have a very efficient operation there through automation, and also reduce our dependence on the mobilization of workforce. So, I think most of the capital will go into these projects, and hopefully we will recover a good part of it through these projects itself.

Moderator: Your next question comes from the line of Vinod C with PhillipCapital. Please go ahead.

Vinod Chari: I had a question on the prospect pipeline. The prospect pipeline for nine months is flat. So, in order for our guidance, I think we are using a higher win rate. So, what are the areas that we are assuming a higher win rate? And also, are we going to become more aggressive for a higher win rate?

P. Ramakrishnan: We started the year with having a guidance on order inflows at 10% to 12% rate. So, basis that, we can easily find out that how much L&T has to secure on the PPM side, okay? What we are giving a comfort, okay, we have done reasonably well in Q1, having taken a good share of orders, but of course, one order in the form of TenneT itself gave up the ramp up.

Now, at the current scale we are talking about, what we are trying to convey is the order prospects pipeline is a healthy pipeline basis which we believe and when we talk about pipeline, we are only talking about addressable bidding opportunities. It is not that the entire universe of opportunity we are putting in. Wherever L&T has a good chance of, we will be bidding for those projects. And basis the conversion rate, it is fair for us to assume that we are on track to possibly do 10% to 12% order inflow guidance to meet.

I think it will not be fair for us to conclude whether we are being aggressive or not. We are being realistic. We are aware of each of the business, what kind of order book they already have. And basis that, basis the competitive intensity, the pricing, the terms of payment, everything put together is basis the risk management for each of the risks, evaluation for each of the bid is being considered. So, it is a thought out process. What we gave the order prospects is to give a comfort that there are prospects, despite all the geopolitical issues that we see around us, the order prospect gives us the comfort that the guidance that we gave at the start of the year for order inflow looks to be still doable.

Subramanian Sarma: And just to add to that, I think we have a very strict discipline in how we bid. We never get over aggressive just to win a job because margin focus, working capital focus is very, very strong. And there is no need for us to get desperate because overall our group order book is very, very healthy.

I mean, there are now very few EPC contractors in the world who have almost three years of order book in front of them. So, there is no need for us to get desperate also.

Vinod C: Just following up on that, on the order book question, we are like now almost at Rs. 8 lakh crores in terms of the backlog. So, any internal estimate of a peak order book for optimal execution efficiency? At what point do we start becoming more inefficient in terms of a backlog?

P. Ramakrishnan: Vinod, it depends on each segment. This is at the overall company PPM level. So, each segment, it depends. Like Mr. Sarma just alluded, for offshore wind, the immediate target is to execute what we have got, that is the way we put our credibility story, right? So, it is a question of dynamic evaluation. Basis each of the business or how much of bandwidth competency, capability they have, basis that we will look at it.

Subramanian Sarma: Three, four years order book is a very healthy order book. It gives a lot of stability. It allows us time to build capacity. We can build capability. So, I think it is a good position to be in.

Vinod C: And apart from offshore wind, what are the sub-segments that we hit a ceiling in terms of an order book that were peaked out probably?

So, apart from offshore wind that you mentioned, are there any subsegments where we may have probably close to a peak in terms of the order backlog we get? Any of the sub-segments?

P. Ramakrishnan: No, there is nothing, I mean, not like that. We still have enough leverage within us to quote for orders across segments.

Vinod C: Congratulations, PR, on your first quarter as a CFO.

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

P. Ramakrishnan: So, thank you, ladies and gentlemen for this long call. I hope all your questions have been answered. And with this, we can close the call. Thank you. Good night.

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