Larsen & Toubro

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Operator: Ladies and gentlemen, good evening and welcome to the Larsen & Toubro Limited Q4 FY26 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. P. Ramakrishnan from Larsen & Toubro. Thank you, and over to Mr. Ramakrishnan.

Management: Thank you. Good evening, ladies and gentlemen. A very warm welcome to all of you to the Q4 FY26 earnings call of Larsen & Toubro. The earnings presentation was uploaded on the stock exchange and on our website around 6:20 PM. Hope you have had a chance to take a quick look at the numbers and the presentation details. I will first walk you through the important highlights for Q4 FY26 and the full year FY26, followed by an overview of our strategic plan for the next five years, which is Lakshya 2031, after which we will take questions.

Kindly note that when the Q&A session starts, I will also have with me our Deputy Managing Director and President, Mr. Subramaniam Sharma, and our President, Whole-time Director and CFO, Mr. R. Shankar Raman. Before I begin the overview, an important 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 our 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 on slide two of our earnings presentation, which was uploaded earlier today.

I will start with a brief overview of the economic conditions in India and in the Middle East, the two primary geographies for our project manufacturing business, along with a qualitative update on our business operations. The economic growth in India for FY27 is expected to be around 6.9%, supported by resilient household demand, sustained public capital expenditure, and continued strength in the services sector. Growth conditions, however, remain subject to external headwinds, including geopolitical developments, global energy supply dynamics, softer external demand, and periods of financial market volatility.

The headline inflation is expected to remain below 5%, staying within the medium-term comfort range. The inflation dynamics may nonetheless be influenced by pressures from elevated energy prices, higher logistic costs, and the volatility in the global commodity markets. Weather-related uncertainties, including the possibility of El Nino conditions, could also affect agricultural output and food prices. Persistently high oil prices may have implications for fiscal calibration over the medium term. Nonetheless, the domestic economy remains supported by sound macroeconomic fundamentals, with steady demand providing resilience even as growth becomes sensitive to external and climate-related influences.

Across the Middle East, the economic impact of the ongoing conflict in West Asia can be viewed across immediate and medium-term horizons. In the near term, disruptions to energy production and exports, constraints on key trade routes, and a weakening in confidence have weighed on

economic activity across the region. Despite these pressures, the GCC has demonstrated resilience, underpinned by low public debt levels, substantial foreign exchange reserves, and strong sovereign balance sheets that have helped preserve currency stability, banking sector soundness, and fiscal discipline.

In the medium term, assuming an improvement in geopolitical conditions and as reform initiatives gather pace, the region's underlying growth potential remains intact. While global economic fragmentation continues to influence trade flows, investment activity, and overall sentiment, the Middle East's structural strength and reform momentum provide a constructive foundation for medium-term growth. Against this broader regional backdrop, let me now update you on our operations in the Middle East.

On the Middle East situation, we would like to clarify that all our project sites are functioning as of today. All our employees and workforce are safe and none of our projects have been cancelled. The Middle East remains a strategically significant market for Larsen & Toubro, and as of March 31, 2026, we have an order book of almost 3 trillion coming from the region. While we do anticipate some near-term impact on execution, primarily due to supply chain constraints, we are working closely with our clients on alternate routes and logistic arrangements to ensure minimal disruption. We largely operate with government-owned clients on priority national projects, and our clients have been extremely supportive throughout this period. So far, we have not seen any project cancellations, and the payments from clients continue to be received as per schedule.

While we did observe some deferments in project awards during the period when the conflict was most active, the bidding activity since then has resumed and we do not foresee cancellations of projects in which we are actively participating. In terms of input costs, the most significant impact has been in logistics and insurance, which have increased materially. We engage in active discussions with the clients to seek appropriate relief for such costs.

Having covered the macro landscape and also having provided an update on the Middle East, I would like to now share a few key highlights for the quarter and for the year. We start with infrastructure. We witnessed strong ordering traction across both domestic and international markets during the year. On the domestic front, we witnessed strong momentum in private sector ordering across our buildings and factories, minerals and metals, and heavy civil infrastructure businesses. Internationally, we benefited from ongoing opportunities in energy transition and core national infrastructure projects in the Middle East, while our expansion initiatives in Central Asia progressed steadily.

I come to energy now. In FY26, the energy segment secured multiple high-value orders across onshore, offshore, carbon-lite solutions, and offshore wind. The wins spanned across Saudi Arabia, Qatar, and India in the hydrocarbon space, while carbon-lite orders were largely domestic private sector driven. During the year, the company achieved a major milestone in its offshore wind business by securing a critical role in the prestigious TenneT offshore wind program of TenneT, the Dutch-German transmission system operator. These multiple high-value orders enabled the energy segment total order inflow to cross 1 trillion for the first time on an annual basis.

I now go to hi-tech manufacturing. This business focused on strategic partnerships to enhance the technical and commercial depth across the precision engineering and systems and the heavy

engineering businesses. The key initiatives included a consortium with Bharat Electronics for the AMCA program, a partnership with General Atomics to manufacture medium-altitude long-endurance drones in India, and an MOU with Holtec International Asia for advanced heat transfer solutions for nuclear and thermal power applications.

I now come to the IT and technology services domain. The data center business, rebranded as L&T Viyoma, advanced its growth agenda by commissioning the 12 MW capacity at Kanchipuram, with an additional 6 MW at an advanced stage of commissioning, bringing the total capacity available to 30 MW, positioning the platform to drive L&T's hyper-scale data center expansion, catering to high-performance computing and advanced data storage requirements. L&T Semiconductor Technologies strengthened its power module design capabilities through an acquisition during the year.

I come to financial services. In July 2025, L&T Finance received its debut international investment grade ratings from S&P Global and Fitch. In Q1 FY26, it also expanded into the gold loans business through an inorganic route.

I come to development projects. In line with the Lakshya 2026 objectives, between FY22 and FY26, L&T has made significant progress in its planned exit of the concessions portfolio. The company has executed share purchase agreements to divest its 100% stake in Nabha Power and its entire stake in Hyderabad Metro. Both these transactions are expected to achieve closure in Q1 FY27.

Coming to L&T Realty, for the year, the primary focus of the Realty business was to create a simplified and scalable structure through consolidation of all the group real estate undertakings under a single platform. Accordingly, the company initiated the transfer of its Realty business undertaking to L&T Realty Properties, a wholly owned subsidiary, through a slump sale under an approved NCLT scheme of arrangement. In addition, the Realty business has also more than doubled its pre-sales to 94 billion in FY26, aided by successful launches in Noida and Panvel.

I come to the ESG side of the company. The company's MSCI ESG rating was upgraded from BBB to A in November 2025. The company was also ranked second among the top 200 environmental firms globally in the 2025 list published by the New York-based Engineering News-Record. On the financing front, L&T became the first Indian corporate to issue an ESG bond under SEBI's sustainability-linked bond framework, aligned with the commitments to water neutrality by 2035 and carbon neutrality by 2040. The company also secured a USD 700 million sustainability linked trade finance facility from a commercial bank with the pricing linked to ESG KPIs, including greenhouse gas emission intensity and freshwater withdrawal.

Now I will cover the financial highlights for FY26. On order inflows, we had guided for a growth of 10% for FY26 at the start of the year. I am pleased to share that we have significantly surpassed this guidance, driven by strong order wins across multiple sectors. These include several ultra-mega orders spanning hydrocarbon onshore and offshore, offshore wind, carbon-lite solutions, renewables, and heavy civil infrastructure, reflecting the strength and diversity of our EPC projects portfolio. On the revenue front, growth for FY26 stood at 12% compared to a guidance of 15%. The variance was primarily attributable to subdued execution progress in certain domestic projects, particularly within the water and effluent treatment business, as well as delays arising from pending clearances on a few projects. In addition, progress on some domestic and international projects was

also impacted in March 2026, which is typically a peak execution period for our business, because of the disruptions arising from the West Asia conflict.

We wish to inform that with respect to the water projects, we have seen an improvement in collections during Q4. We are hopeful that this trend will sustain with the execution momentum improving as we move into FY27. Importantly, some of the previously delayed approvals and clearances are expected to come through, which should also support improved execution going forward. On margins, we had guided for an improvement of 20 basis points in FY26. Through the first nine months of the year, we were tracking ahead of this guidance with P&M margins improving by 30 basis points. However, execution-related disruptions during March had a short-term impact on project performance, which weighed on the margin delivery in Q4. Our return on equity as of March 31, 2026, stood at 15.5% and declined by 80 basis points on a year-on-year basis. Please note that the return on equity includes an impact of 110 basis points arising from a one-time provision on account of changes in the labor code.

We will now cover the various financial performance parameters for the quarter ended March 31, 2026. Order inflows in Q4 FY26 stood at 898 billion, broadly in line with Q4 FY25 levels, supported by healthy traction across both domestic and international markets. With this sustained ordering momentum, our order book stands at 7.40 trillion as of March 2026, a 28% year-on-year increase and providing strong revenue visibility. The group revenues grew 11% year-on-year led by steady progress across major projects, despite the impact of the West Asia situation. The projects and manufacturing portfolio margin declined by 50 basis points year-on-year to 9.4% and is largely reflective of the change in the revenue mix. As of March 2026, the net working capital to revenue ratio improved sharply to 4.1% reflecting an improvement of 690 basis points on a year-on-year basis. Our recurring PAT at 53 billion reported a growth of 5% year-on-year. The reported PAT for Q4 FY26 is at 53 billion and is down by 3% year-on-year as the previous year had an exceptional one-off due to a part reversal of an earlier impairment provision.

Moving on to individual performance parameters, during the quarter, our group order inflows stood at 898 billion, broadly in line with our previous year, driven by the sustained traction in the international business. Within this, our projects and manufacturing portfolio recorded an order inflow of 699 billion, down 3% year-on-year. During the current quarter, international orders accounted for 67% of the projects and manufacturing portfolio compared to 71% in the corresponding quarter of the previous year. Moving on to the prospects pipeline, our prospects pipeline for FY27 is 17.8 trillion as compared to 19.02 trillion at the same time last year, reflecting a decline of 6%. Of the total prospects pipeline of 17.8 trillion, 9.1 trillion is domestic while 8.7 trillion is international. I will provide the details of the prospects when I cover Lakshya 31, since there are certain changes in the way our segments will start getting reported from the next financial year.

Moving on to the order book, the order book is at 7.40 trillion as of March 2026, up by 28% vis-a-vis March 2025. In terms of composition, approximately 92% of our total order book is from infrastructure and energy, while in terms of geography, 48% of the order book is from the domestic market while 52% is from the international market. The breakdown of the domestic order book of 3.58 trillion as of March 2026 is as follows: Central Government share is 9%, State Government and local authorities 22%, Public Sector Corporations or state-owned enterprises at 30%, and the private sector taking up 39%. It is worth highlighting that the private sector share has risen

meaningfully from 21% in March 2025 to 39% in March 2026, supported by strong traction in the thermal power sector, storage solutions, residential and commercial real estate, semiconductor fabrication facilities, data centers, solar EPC projects, and emerging opportunities for building capacities in the ferrous and non-ferrous space. Out of the international order book of 3.82 trillion, around 78% is from the Middle East and 22% is from the rest of the world. With respect to additional details on our order book, around 9% of the total order book is funded via bilateral and multilateral agencies. As of March 2026, slow-moving orders constitute roughly 1% of the overall order book and 170 billion worth of orders were deleted from the order book during the quarter.

Coming to revenues, our group revenues for Q4 FY26 were 828 billion and registered a year-on-year growth of 11% with international revenues constituting 53% of the total group revenues during the quarter. The revenue growth was mainly driven by hi-tech manufacturing, energy, and financial services segments, partly offset by subdued progress in the infrastructure segment. The revenue from the projects and manufacturing business in Q4 FY26 is 628 billion, up 11% over the corresponding quarter of the previous year. Moving on to operating margin, our group level EBITDA margin, excluding other income for Q4 FY26, is 10.4% as compared to 11% in Q4 of the previous year. The decline in EBITDA margin is largely reflective of the revenue mix as the previous year Q4 had higher revenue contribution from Realty. Also, the previous year's margin included the TOD monetization gain in Hyderabad Metro. The EBITDA margin in the projects and manufacturing business for Q4 FY26 is at 9.4% and has declined by 50 basis points from 9.9% in Q4 FY25. Our recurring PAT for Q4 FY26 is at 53 billion, up by 5% on a year-on-year basis. The increase in recurring PAT is reflective of an increase in activity levels and treasury management, partly offset by losses in carbon-lite solutions JVs. The reported PAT for Q4 FY26 is at 53 billion, down by 3% over Q4 of last year. The Q4 FY26 exceptional items include a part reversal of the labor code provision. Q4 FY25 represents the partial reversal of an earlier impairment.

Coming to working capital, our net working capital to sales ratio has improved from 11% in March 2025 to 4.1% in March 2026, mainly supported by higher customer visits and increased vendor credit. Our group level collections excluding financial services for Q4 FY26 are 667 billion vis-a-vis 682 billion in Q4 of the previous year. With continued focus on customer collections, our cash flow from operations, excluding the financial services segment, in Q4 FY26 was at 171 billion as compared to 107 billion in Q4 FY25. Finally, the trailing 12-month ROE for Q4 FY26 is 15.5% vis-a-vis 16.3% in Q4 FY25, a decline of 80 basis points for the year. The trailing 12-month ROE excluding the impact of the one-time provision related to the labor code stood at 16.6%.

Very briefly, I will now comment on the performance of each business segment before we give our final comments on the outlook. We start with infrastructure. The infrastructure segment order inflow at 435 billion grew by 26% in Q4 FY26 on a year-on-year basis, aided by the receipt of an ultra-mega order in the Middle East. The order book of this segment is at 4.23 trillion as of March 2026. The book-to-bill for infra is around 27 months. The revenue for the quarter was at 396 billion, registering a growth of 2% year-on-year. Subdued progress in domestic and international projects led to the softer revenue growth. While a pickup in revenue was anticipated for Q4, the execution was impacted by spillover effects of the West Asia conflict. Our EBITDA margin in this segment improved to 8.8% in Q4 FY26 vis-a-vis 8% in Q4 FY25, largely due to a favorable job mix.

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Moving on to the next segment, energy projects, which comprises hydrocarbon and carbon-lite solutions. The order inflows in this segment were robust at 213 billion in Q4 FY26, having a mix of both domestic and international projects, as compared to a 322 billion order inflow in the previous year. The order book of the energy segment is at 2.58 trillion as of March 2026 with the hydrocarbon order book at 1.95 trillion and carbon-lite solutions at 0.63 trillion. The Q4 FY26 revenues for the segment were at 166 billion, reflecting a strong 36% growth and underscoring execution progress on a large order book. The energy segment margin in Q4 FY26 is at 6.5% as compared to 8.2% in Q4 of the previous year. Cost overruns and close-out costs in legacy projects impacted the segment margin. As mentioned in the previous quarter, we expect the margin to improve in this segment after a couple of quarters.

Moving on to the hi-tech manufacturing segment, this comprises the precision engineering systems and the heavy engineering businesses. The heavy engineering order inflows benefited from nuclear equipment orders while the PES order inflows moderated due to deference. The order book of this segment is 353 billion as of March 2026 with the PES order book at 289 billion and the heavy engineering order book at 64 billion. The segment revenue at approximately 49 billion registered a robust growth of 45% year-on-year driven by execution ramp-up in the large programs in the PES business. Heavy engineering revenue decline in Q4 is largely attributable to a modest order book.

Moving on to the next segment, which is the IT and technology services segment, comprising our full-fledged subsidiaries, LTIM and L&T Technology Services, including our newly incubated business of digital platforms, data centers, and semiconductor design. The revenues of this segment at 141 billion in Q4 FY26 registered a growth of 13% year-on-year. Operational efficiencies in LTIM and portfolio recalibration in LTTS drove the segment margin improvement. I will not dwell too much on this segment as both companies in this segment are listed entities and detailed fact sheets are available in the public domain.

We move on to L&T Finance. Q4 witnessed the highest ever quarterly retail disbursement and improved collection efficiencies as well as asset quality. The L&T Finance business has secured 98% retailization of its loan book as of March 2026. The ROAs remain healthy at 2.4% for Q4 FY26.

Moving on to the development project segment, this includes Hyderabad Metro and the power development business comprising Nabha Power. As mentioned earlier, L&T has signed share purchase agreements for the divestment of Hyderabad Metro and Nabha Power. Accordingly, the assets and liabilities of these SPVs have been classified as held for sale in the financial statements for March 2026. We expect both transactions to achieve closure this quarter, which is Q1 FY27. During the quarter, Hyderabad Metro reported a net loss of 1.79 billion in Q4 FY26 vis-à-vis a net loss of 0.07 billion in Q4 last year. The previous year's figures included the TOD monetization gain of 1.87 billion in Hyderabad Metro.

Moving on to the other segment, this comprises Realty, valves, construction equipment, mining machinery, rubber processing machinery, and the residual portion of the Smart World and Communication business. The segment revenues stood at 16.9 billion, recording a decline of 29% year-on-year, primarily due to lower handover of residential units in the Realty business vis-à-vis the previous year, which also weighed on the segment margin overall.

I will now cover our strategic plan for the next five years starting FY27 and ending FY31, termed as Lakshya 31, and conclude with the guidance for FY27. First, as we cover Lakshya 2026, the previous plan. On the delivery side against an FY21 base, the company scaled meaningfully across two growth metrics: order inflow and revenue. Order inflows increased from 1.7 trillion in FY21 to 4.4 trillion in FY26, translating into a 20% CAGR vis-à-vis the planned 14%. Revenue grew from 1.4 trillion to 2.9 trillion over the same period, delivering a 16% CAGR, reflecting consistent execution against the earlier estimated assumption of 15%. While ROE printed below the stated target, the progress achieved has been significant, moving from around 10% at the start of the plan to 16.6% in FY26. This 16.6% excludes the impact of the new labor codes in the current year. This improvement demonstrates sustained momentum towards long-term return objectives.

Over the period, the performance was supported by a series of deliberate strategy-led actions: Value-accretive growth within the projects and manufacturing portfolio, anchored in disciplined capital employment, reflecting in a structurally higher ROCE. The merger of L&T Infotech and Mindtree to build scale and depth in technology and IT services. Successful progression of development project exits with the divestments of the hydel asset, L&T IDPL, Nabha Power, and Hyderabad Metro, leaving no residual legacy assets in the portfolio. Disciplined capital returns through a buyback and early investments to seed future growth engines such as data centers, green energy, and semiconductor design.

On the macro environment that the company expects to operate in the medium term, the domestic environment continues to be supported by a durable structural growth narrative with GDP growth on a 6-7% trajectory driven by a sustained investment cycle across both physical and digital infrastructure. Against this backdrop, the opportunity sets remain expansive and multi-year in nature spanning infrastructure creation, energy transition, defense, and technology-led services. Energy security and energy transition are progressing in parallel, spanning coal and nuclear on one hand and renewables, battery energy storage systems, and grid infrastructure on the other. Defense spending is increasingly driven by indigenization as the country seeks to build strategically independent platforms with a strong emphasis on modernization and innovation. Private sector capex remains selective but is increasingly structural and sustainable with enterprises focused on disciplined execution and returns. In parallel, India's emergence as a preferred global capability hub is reinforcing the GCC engine as enterprises continue to scale captive centers to access high-quality talent. At a global level, the operating landscape is evolving amid geopolitical realignments and a measured transition prioritizing resilience over cost efficiency. The energy transition is accelerating as a strategic risk hedge rather than a pure economic choice, while deeper AI adoption is driving productivity gains. Middle East capex remains purposeful and focused on long-term national priorities.

Thirdly, the company has adopted its segmental reporting framework with the earlier projects and manufacturing structure being formally redesignated as projects, products, and manufacturing (PP&M). The only material change is the segregation of Realty as a standalone reporting segment while all other businesses remain broadly comparable. As part of this realignment, the company has consolidated its energy green EPC business under a green energy reporting segment within the new PP&M structure. The segment comprises renewables, which was earlier under infrastructure projects; and offshore wind, which was earlier part of hydrocarbons, along with the onshore wind business, thereby unifying the group's green energy EPC capabilities. Separately, the development

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project segment, earlier comprising assets such as Nabha Power and Metro, has been repositioned towards green assets, including operating green hydrogen and green ammonia production facilities under a BOO framework. The construction equipment, industrial product design, and development business, which was earlier part of the other segment, will now be reported under the manufacturing and product segment. We have presented historical data of revenue and margin for the last five years in the Lakshya 31 deck.

I will now mention the order prospects for FY27 under the new segment classification. We have a total prospects pipeline of 17.8 trillion for FY27 vis-à-vis 19 trillion for FY26. For the Infrastructure and Utility segment, the prospects pipeline is 9.4 trillion for FY27 as compared to 8.1 trillion for the previous year. Of this, 6.8 trillion is domestic while 2.5 trillion is international. The sub-breakup is as follows: Transportation infra 23%, heavy civil infra 20%, power transmission and distribution 18%, buildings and factories 17%, water effluent and treatment 16%, and minerals and metals 6%.

For the Energy conventional segment, the prospects pipeline is 5.4 trillion for FY27 vis-à-vis 7.6 trillion last year. This consists of hydrocarbon prospects of 4.7 trillion and carbon-lite solution prospects of 0.7 trillion. About 83% of the hydrocarbon prospect pipeline is international, while carbon-lite solution prospects are largely domestic. The Energy green segment prospects pipeline is 2.5 trillion for FY27 as compared to 3.0 trillion previously. This consists of a solar EPC pipeline of 1.8 trillion and an offshore wind pipeline of 0.71 trillion. About 78% of the solar EPC pipeline is international, while offshore wind is completely international.

The manufacturing and product segment prospect pipeline is 495 billion for FY27 as compared to 294 billion for FY26. The FY27 pipeline comprises heavy engineering prospects of 122 billion and the PES systems pipeline of 373 billion. The previous year had historical prospects for gas-to-power projects of 0.6 trillion, which we have not pursued and are not part of the FY27 list.

Fourthly, on strategy and outcomes, Lakshya 2031 is structured around scaling and upgrading existing businesses while building selective future engines. In the projects business, priorities are margin stability, selective geographic diversification, private sector capex focus, and technology-led execution. The manufacturing and product portfolio is centered on advanced engineering across the PES system, forays into electronics, heavy engineering, and construction and industrial products. The defense business will be anchored on platform and system indigenization. Industrial electronics is being scaled through focused positions in robotics and automation, communication platforms, and electronic system design, aligning with technology-intensive markets. Within heavy engineering, the priority is on deeper integration across the nuclear value chain.

Regarding Realty under Lakshya 31, the business is planned to scale through a disciplined strategy focused on land acquisitions, joint development, partnered integrated township development, and selective expansion of the commercial portfolio. The plan envisages reinforcing leadership and strengthening the brand position. In parallel, focus will be placed on operational execution and governance standards to support listing readiness.

For development projects, the portfolio is being selectively reoriented towards asset ownership in green hydrogen and green ammonia manufacturing facilities under a BOO framework. Market participation will be calibrated and selective, supported by firm long-term take-or-pay

arrangements. The strategy is underpinned by strategic partnerships for investment and offtake alongside a focus on internal rate of return.

In technology platforms and services, LTIM aspires to double revenues over five years through organic growth and select inorganic moves while sustaining competitive mid-teen operating margins. LTTS is repositioned as a global engineering intelligence partner, supported by deeper client relationships and investments in talent, IP, and AI-driven models. Lakshya 31 targets 13-15% revenue CAGR over five years, with EBITDA margins of 16-17%. In data centers, the objective is to scale via hyperscale alliances, AI-ready infrastructure, and sovereign private cloud offerings. In semiconductor design, we will focus on capabilities for the mobility, industrial, and energy sectors.

For L&T Finance, the focus will be resilient growth with consistent returns, balancing scale-up with prudence. The strategy emphasizes disciplined portfolio expansion with a target of 20% plus loan book growth while maintaining credit costs below 2%. Financial outcomes are calibrated to deliver a 3-3.2% ROA and a 16-18% ROE.

Regarding capital allocation during the Lakshya 31 period, our approach is anchored around funding growth while safeguarding returns and balance sheet strength. Our capex strategy has two objectives: focusing on strengthening core businesses through capability upgrades and automation, and selective seeding and scaling of growth engines like data centers, green hydrogen, semiconductors, and industrial electronics. Within new businesses over the plan period, we envisage a capital outlay of approximately 50 billion toward industrial electronics, 30 billion into the semiconductor business largely for proprietary IPs, 150 billion in green hydrogen, and around 100 billion toward the data center business. The pace and scale of data center investments may change depending on final partnership structures.

We are allocating almost 44 billion for the Realty business, primarily to fund commercial real estate. In addition, the parent will provide near-term support for land acquisition for upcoming residential projects, after which the business may explore external fundraising options. Additionally, we plan to invest around 50 billion for the upgrade of our existing hydrocarbon modular fabrication yard and the shipping facility. We are adopting a business-specific leverage approach where L&T Finance leverage will support growth, and for green assets, focus will be on project financing.

Concluding with the guidance for FY27 and Lakshya 31. On order inflows, our prospects pipeline of 17.8 trillion for FY27 provides strong visibility. Based on this, we expect group order inflows to grow in the range of 10-12% in FY27. On revenue, we expect growth in the range of 10-12% for FY27. we do anticipate a softer first half primarily due to current supply chain disruptions, with a pickup in the second half. We are already seeing improved momentum in water projects with some payments coming through.

On margins, the FY26 margins for the PPM portfolio were 7.8%, and we expect the same to remain stable in FY27 as well. Coming to working capital, we closed the year at 4%, supported by customer advances and higher vendor credit. As these get progressively utilized, we expect some normalization. Accordingly, we are guiding working capital to be around 10% in FY27.

Concluding with the Lakshya guidance, over the next five years, we are targeting order inflow growth at a CAGR of 10-12%, revenue growth of 12-15%, and a return on equity in the range of

16-17%. The ROE guidance reckons in upfront investments into newer businesses and platforms which will scale in the later part of the plan horizon. With this, I conclude. We can now get into Q&A. Thank you very much.

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

Mohit Kumar – ICICI Securities: Good evening and thanks for the opportunity. Congratulations on a very strong order inflow, given the challenges. My first question is that the order book has grown by 19%, 22%, and 28% over the last three years. I understand the war is ongoing and it is difficult to forecast near term, but do you think the revenue growth trajectory can improve materially once the geopolitical condition improves?

Management: We have given the revenue guidance of 10-12% for FY27, based on the fact that the first six months will be subdued given the situation in the Middle East. We expect the conflict to subside and normalcy to be restored by the end of Q1, which will take another two months. We hope the second half of FY27 will be a busier period. We have factored this into the 10-12% guidance. As I mentioned, we have a target of 12-15% revenue CAGR over the Lakshya 31 plan, which factors in expectations that from FY28 onward, the revenue growth momentum should stabilize, assuming external conditions remain favorable.

Mohit Kumar – ICICI Securities: Understood. My second question is if there was a revenue miss in Q4, given that we were reasonably confident of meeting revenue guidance until Q3, and consequently, it looks like the margin improvement has not come through this quarter. Is that a correct assessment? How much should you attribute to the geopolitical situation?

Management: It is a difficult question to quantify precisely, but let me put it this way. On a broad basis, we would have lost almost 50 billion in terms of revenue in Q4 due to supply chain issues. This impacted the infrastructure side, particularly projects we are executing in the Middle East, such as power transmission, distribution, and renewables. As I mentioned, we also had some slippages in the water segment throughout the year. We expected the Jal Jeevan Mission program would allow us to retrieve lost ground as the purse strings were loosened toward the end of Q3, but execution in that segment remained patchy. Net-net, because of these three sectors, I would say the overall slippages in revenue were in the range of almost 50 billion for the quarter.

Operator: Mohit, does that answer your questions?

Mohit Kumar – ICICI Securities: Yes. Thank you.

Operator: The next question comes from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal – HDFC Securities: Hi and congratulations on a decent quarter. I wanted to understand in more detail the risk bucket emanating from the Middle East order book, which is fixed-price in nature. Given commodity inflation and potential time and cost overruns, how do we cover ourselves? What kind of contractual provisions or force majeure clauses do we have to compensate us? Can you give more color on how we manage these risks, especially for fixed-price

contracts?

Management: Parikshit, let me take this question. Rather than calling it a risk, I see more opportunities than risk currently. My interactions with major customers show they have major capital expenditure plans to expand capacities. We believe that in subsequent quarters, we will see many more prospects coming our way. I do not see the order inflow as a risk; it could be an upside. Regarding inflation and cost increases, we have spoken about this before. On many of our infrastructure projects, we have provisions for price adjustments based on indices. Some energy projects are generally fixed lump sum, but customers are quite sympathetic toward the situation. In preliminary discussions, they are very open to dialogue, and I expect reasonable negotiations to compensate for at least the cost. Overall, I do not see that as a big risk.

Parikshit Kandpal – HDFC Securities: Is supply chain a bigger risk or is inflation a bigger risk? Regarding the margins you were carrying before the crisis began, do you think you are currently well-covered, or are you seeing major disruptions that only negotiation with the client can resolve?

Management: The biggest risk is the supply chain, but it is continuously getting better. There are more movements now between the GCC countries and some alternate routes have opened up. Of course, the cost is high, so we are taking a very measured approach. If the customer agrees to the increased logistics cost to keep the project progressing, then we proceed. If not, we find other ways and we are carefully calibrating that. We are not going ahead and incurring the cost unless the customer is ready to reimburse; otherwise, we are slowing down and will move the material when the cost comes down. It is already coming down, from 8,000 dollars per container to about 5,000 dollars, and hopefully, it will decrease further as time progresses. We said earlier that in the first two quarters you may see a bit of a slowdown on revenue depending on how much material we move without incurring additional cost. In cases where the customer is keen to proceed and ready to compensate, we move the material.

Parikshit Kandpal – HDFC Securities: Just one last thing on the project pipeline. It has declined, as mentioned in the earlier commentary. In the current environment, how are clients taking decisions and how will capex shape up for the rest of the year given the uncertainty? Is there any change in the outlook across segments?

Management: The capex imperative is quite positive. You would have seen that in the UAE, they announced major expansion plans with close to 55 billion dollars of capital outlay over the next three to four years. They are easing out local requirements to push their capacity. Similar things will happen in Kuwait, Qatar, and elsewhere. In the next few quarters, you will see a lot of projects getting announced.

Operator: Thank you. Our next question comes from Aditya Bhartiya from Investec. Please go ahead.

Aditya Bhartiya – Investec: Hi, good evening. Regarding the long-term order inflow guidance, you indicated you would be looking for selective geographical expansion. Which geographies could we look at? Could Europe be a bigger opportunity after the TenneT order?

Management: During the Lakshya 2026 period, apart from India and the Middle East, we established some projects in the Central Asian Republics and we expect that momentum to strengthen soon. We have also established ourselves in the offshore wind segment, which is more Europe-centric. We believe that part of the world can offer more opportunities in select segments. As part of our tech initiatives, we are looking to expand into EPC through modular systems. We will try to reduce site intensity, becoming geography agnostic by manufacturing items in our fabrication shops in India and the Middle East and shipping them globally. For example, we handled an EPC contract for a urea plant in Australia where most parts were modularly fabricated in our Kattupalli yard and shipped, with only commissioning work done locally. These fabrication models will enable us to cater to a larger EPC universe. Some newer geographies in offshore wind could include Korea and Taiwan apart from Europe. We are also looking at renewables in Southeast Asia, particularly Indonesia.

Aditya Bhartiya – Investec: You hinted at conversations regarding cost compensation. In the past, have we seen this level of increase in raw material prices where customers in the Middle East were okay to negotiate? What was our experience during disruptions like COVID?

Management: In the past, we had similar situations, though perhaps not in such a short period of time. Customer response has been quite reasonable. Even in the current dialogue, they seem quite receptive.

Operator: Thank you. The next question comes from Amit Anwani from PL Capital. Please go ahead.

Amit Anwani – PL Capital: Hi and thanks for taking my question. On the 40% Middle East exposure, amid this war, has the project duration increased for the three lakh crore order book? Also, in terms of projects including hydrocarbon and renewables, what is the mix and which portion is seeing the major impact based on your current assessment?

Management: Most of our projects in the Middle East are in hydrocarbon onshore, offshore, and renewables. In the renewables space, our track record has been to finish jobs two to three months ahead of time. Even if two or three months are lost due to this disruption, we will still be able to finish projects on time. Regarding hydrocarbon onshore, projects are either in a very early phase of engineering or in the later phase of construction where logistics challenges are not going to significantly impact the overall duration. In offshore, except for one project where we are scheduled to move material from our yard in Oman, projects are moving reasonably well. That particular project has a completion date in the second half of 2028, so we have adequate time to recoup. Overall, I do not expect a major extension in the project portfolio.

Amit Anwani – PL Capital: You mentioned shipping and logistics costs have gone up. Can you highlight the basis point impact or the increase you have seen over these two months?

Management: We are carefully calibrating that. We do not incur the cost unless the customer is ready to reimburse. Logistic costs and insurance have gone up, but we are in active discussions with customers to ensure we can pass these costs on. The client understands the situation, so it is premature to comment on the specific impact.

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Amit Anwani - PL Capital: Regarding the Lakshya Plan, for the growth we are building in, could you highlight the infra versus non-infra growth build-up? Also, concerning the PPM margin of 7.8%, how will that pan out over the Lakshya Plan?

Management: We have given guidance on return on equity, which is a factor of profitability in the numerator and investment in the denominator. In the Lakshya 2026 plan, we also focused on the ROE target because talking about a margin on a five-year horizon is difficult for our PPM business. We will stay with the group-level revenue momentum and CAGR growth for now and provide segment-wise break-ups annually.

Amit Anwani - PL Capital: On the data center business, you discussed 10,000 crore capex. Will we be the EPC provider and the operator? What is the target megawatt capacity during the Lakshya Plan?

Management: There are two distinct business models for data centers. One is developing real estate and collecting yields based on tenancy, which we are not excited about. We want our data centers to be AI-enabled, with servers and GPUs to enable high computing. Global hyperscalers and quantum computing organizations would be our clients. The current thinking is to create 200 MW of data center capacity over time. We commissioned 12 MW at Kanchipuram and another 6 MW is at an advanced stage, bringing currently available capacity to our 30 MW milestone. Another 30 MW is under construction at Kopar Khairane. Between Vizag, Bangalore, and Mumbai, we aim to reach 200 MW in modules. We want a build-to-suit arrangement with both the server chip suppliers and the end users. Our MOU with NVIDIA is toward that goal. Our guess is this should give a 13-14% return at an optimal level, though that is a bit speculative. The full benefit of these investments will likely flow into the 2031-2036 plan.

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

Sumit Kishore - Axis Capital: Good evening and thanks for the opportunity. Congratulations to PR on the elevation to CFO. My question is that project fabrication and manufacturing margins have been range-bound between 7.7% and 7.8% for the last three years, and the guidance is again 7.8%. Energy conventional margins have been coming off sequentially from FY24 to FY26 while all other segments have shown improvement. You mentioned that hydrocarbon has been a drag on energy margins due to unexecuted legacy orders. How large is this legacy order book and are the ultra-mega orders you booked not going to drive margin improvement going forward due to long gestation?

Management: While covering the energy segment, I specifically mentioned that energy segment margin softness has been discussed before. We have had legacy projects at terminal stages of completion. Most of these are nearly finished or in the handover phase, with only the defects liability period remaining. We believe those projects are concluded and we should not see further cost creeps. We expect segment margins to move up as we move into the newer projects under execution. However, our stable 7.8% guidance for FY27 factors in that execution momentum could be softer in the first half because of the situation in the Middle East.

Sumit Kishore – Axis Capital: So as the situation normalizes, the run rate of PPM margins will not be stuck at 7.7-7.8%?

Management: I am only giving stable margins for FY27 because this is a portfolio of jobs. Some do well, while others have challenges. Logically, the margin should improve in that segment in coming quarters since those legacy projects have closed. We do not currently envisage that the early stage of execution for ultra-mega orders will be an impediment. We are also working on recovering past costs from customers on earlier jobs, which may contribute to margins when crystallized.

Operator: Thank you. The next question comes from the line of Atul Tiwari from JP Morgan. Please go ahead.

Atul Tiwari – JP Morgan: Could you please give more details about your foray into electronic manufacturing services regarding capex, timelines, customers, or product segments?

Management: We are setting a capex of 50 billion for this business, focusing on industrial and defense-related electronics. Our PES business already has a small defense electronics component that is being consolidated here. Over the plan period, we will invest that 5,000 crore. We are targeting industrial automation, robotics, and electronic components for those sectors. We are not looking at the consumer B2C segment.

Atul Tiwari – JP Morgan: What is the update on your bids for the AMCA development and Medium Altitude Long Endurance platform?

Management: The status remains the same since January. Apart from us, there is one other counterpart in the fray. We have nothing further to say beyond what we stated in January.

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

Puneet Gulati – HSBC: Regarding the 12-15% revenue target, how much is driven by existing businesses versus new businesses?

Management: The 12-15% revenue CAGR in the Lakshya 31 plan would be mostly driven by the existing businesses.

Puneet Gulati – HSBC: Your previous ROE target was 18%; this time you have set it to 16-17%. How should one think about that?

Management: The previous 18% guidance was based on concession projects being completely off by FY24, but Hyderabad Metro is happening in FY27. We juga had an option for margin improvement and a buyback. We did not have as much capital intensity in the last plan. In Lakshya 31, if you look at the 50 billion in electronics, 30 billion in semiconductors, 150 billion in green energy, and 100 billion in data centers, these businesses are currently in the investment phase. They may only start generating revenue at the end of the plan. We factored all of this into the 16-17% ROE target. In Lakshya 2026, the return ratios of the projects and manufacturing portfolio more than doubled despite southward margin movement because we focused on profitable growth at lower capital intensity.

Operator: Thank you. The next question comes from Priyanka Balas from JM Financial. Please go ahead.

Priyanka Balas – JM Financial: Congratulations on your elevation, PR. For the 10-12% order growth guided in the Lakshya plan, what growth are you baking in from the Middle East versus other regions?

Management: Structurally, our order inflows have been roughly fifty-fifty between domestic and international. Given L&T's size, India alone would not suffice. We have expanded our competency into multiple segments and are considered a top-notch EPC contractor in the Middle East. Apart from India and the Middle East, we expect some growth from Central Asia, Europe, Indonesia for renewables, and Korea and Taiwan for offshore wind. International orders should continue to contribute around 50% of the total.

Priyanka Balas – JM Financial: So Middle East will continue to deliver double-digit growth?

Management: Middle East will continue to be our core market. We cannot provide that level of growth without the Middle East. We are very optimistic about that region.

Priyanka Balas – JM Financial: Regarding the Realty business, you achieved 94 billion in pre-sales in FY26. What scale do you see by FY31 in terms of sales and pre-sales?

Management: We are currently pursuing about 100 million square feet across residential and commercial. The plan is for 70% residential and 30% commercial to provide annuity cash flows. We want to position ourselves as a premium housing provider focused on large integrated townships in high-return markets like Mumbai and NCR. Since much of our existing land bank has been monetized, we will need to acquire land at current prices, making it a capital-intensive activity. Restructuring the Realty business enables access to capital. Including the 60-65 million square feet under active development, we are looking at another 30 million square feet over the next five years. This will likely peak our execution capacity and balance sheet exposure. We assume a 25% CAGR in pre-sales over the Lakshya 31 plan.

Priyanka Balas – JM Financial: What is the capex planned for FY27?

Management: You can take 10 billion for electronics, 25 billion for the core PP&M business, and around 20 billion for the data center business as the spend for the current year.

Operator: Thank you. The next question comes from the line of Nitesh Shah from ICICI Securities. Please go ahead.

Nitesh Shah – ICICI Securities: Last quarter you mentioned that out of five L1s in Kuwait, four were cancelled and one was going ahead. What is the status of those projects?

Management: On Kuwait, one project has survived and is going through the approval process with stakeholders. Re-tendering for the others will happen during this year.

Operator: Thank you. The next question comes from the line of Renu Baid Pugalia from IIFL Capital. Please go ahead.

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Renu Baid Pugalia – IIFL Capital: While you outlined 50 billion capex for the electronics portfolio, does the five-year plan include investments in the ecosystem for segments like OSAT, or is it purely EMS focused?

Management: There is nothing on OSAT. It is all on traditional electronics, targeting industrial automation, power modules, and related solutions.

Renu Baid Pugalia – IIFL Capital: So the share of manufacturing will see a significant increase. Is it right to assume that while newer segments will optically depress ROEs over a five-year period, the core portfolio should be hitting 18-20% plus ROE?

Management: That is a fair assumption.

Renu Baid Pugalia – IIFL Capital: Best wishes, team. It was always a pleasure interacting with you, Shankar Raman sir, over the years. Wish you all the best for your management role.

Management: I am in the company for two more years, so you can continue to have the pleasure of interacting.

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

Aditya Mongia – Kotak Securities: Does your overseas plan factor in part of the reconstruction capex? What are customers seeing in the run-up to this, particularly in Iran where L&T has a presence?

Management: Numbers for reconstruction are still fluid as assessment is ongoing. My judgment is the number could be between 30 billion and 50 billion dollars over the next three years. It includes LNG trains, but we do not have much of a role there as that work typically goes to the original builders. However, it will keep our competitors busy, providing us better opportunities elsewhere.

Aditya Mongia – Kotak Securities: Regarding investments in hydrogen and semiconductors, is the thought process bottom-up or is it constrained by targeting a certain 15-17% ROE band?

Management: The balance sheet is not a constraint. We want to be future-ready and use this phase to create alternate streams of revenue. We can raise capital if required, but we want investments to be measured and focused on risk-adjusted returns.

Operator: Thank you. The next question comes from the line of Paranidar Vijaykumar from Ambit Capital. Please go ahead.

Paranidar Vijaykumar – Ambit Capital: The 10,000 crore investment in data centers indicates 200 MW of capacity. We initially had 100 MW; are we doubling expectations?

Management: We need scale to attract high-end clients. The 10,000 crore for 200 MW is not linear; it depends on the configuration and can vary between 35 crore and 350 crore per megawatt based on popularity and equipment.

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Paranidar Vijaykumar – Ambit Capital: On semiconductors, we had the Fujitsu JV and Silicon Systems plan for design. Is the 3,000 crore capex for design or for fabrication?

Management: It is largely toward the acquisition of IP where there are white spaces, plus the creation of lab facilities. It is not for fabrication or OSAT.

Paranidar Vijaykumar – Ambit Capital: Regarding domestic execution, has there been an impact due to supply chain costs or labor in the first month of this financial year?

Management: I mentioned that Q1 and Q2 will have an impact, mostly in the Middle East, but there will be some domestic impact due to supply chain as well.

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

Amit Mahawar – UBS: Do you see conditions for infra versus energy projects in the Middle East being very divergent over the next 6 to 12 months? What is the risk profile of the infra book versus energy?

Management: Infra projects are coming up. We are in the essential infra space, not hotels or resorts. Essential projects like rail transport networks will proceed in Saudi Arabia and the UAE. After the current disruption, we expect generally more investment and prospects.

Amit Mahawar – UBS: Will the availability of manpower in the next 6 to 12 months be difficult and expensive?

Management: Manpower is a continuous challenge even in India. We are looking at technology-led execution and automation to reduce dependency on manpower and improve productivity. We are also looking at modular solutions to do work where we have better access to the workforce.

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

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